

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2024

**NEW ISSUE
NOT BANK QUALIFIED**

**BOOK ENTRY ONLY
STANDARD & POOR'S UNDERLYING RATING "AA-"
STANDARD & POOR'S MINNESOTA CREDIT ENHANCEMENT PROGRAM RATING: "AAA"
[MINNESOTA STATE CREDIT ENHANCEMENT PROGRAM]**

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, interest on the Bonds is excluded from gross income for purposes of federal income tax and is excluded, to the same extent, in computing taxable net income of individuals, trusts and estates for Minnesota income tax purposes (such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. No opinion will be expressed regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds. See "Tax Exemption" herein for additional information.

**KOOCHICHING COUNTY, MINNESOTA
\$12,695,000*
General Obligation Jail Bonds, Series 2024A**

Dated Date: Date of Delivery (Estimated to be May 22, 2024)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2025**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2026	\$475,000	_____ %	_____ %	_____	2/1/2036	\$625,000	_____ %	_____ %	_____
2/1/2027	485,000	_____	_____	_____	2/1/2037	645,000	_____	_____	_____
2/1/2028	500,000	_____	_____	_____	2/1/2038	665,000	_____	_____	_____
2/1/2029	515,000	_____	_____	_____	2/1/2039	690,000	_____	_____	_____
2/1/2030	530,000	_____	_____	_____	2/1/2040	710,000	_____	_____	_____
2/1/2031	545,000	_____	_____	_____	2/1/2041	740,000	_____	_____	_____
2/1/2032	555,000	_____	_____	_____	2/1/2042	765,000	_____	_____	_____
2/1/2033	575,000	_____	_____	_____	2/1/2043	795,000	_____	_____	_____
2/1/2034	590,000	_____	_____	_____	2/1/2044	825,000	_____	_____	_____
2/1/2035	605,000	_____	_____	_____	2/1/2045	860,000	_____	_____	_____

The General Obligation Jail Bonds, Series 2024A (the "Bonds" or the "Issue") are being issued by Koochiching County, Minnesota (the "County" or the "Issuer") pursuant to Minnesota Statutes, Chapters 641 and 475, as amended. Proceeds of the Bonds will be used to finance construction of a new jail and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. In addition, the County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2026. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar and Escrow Agent will be Northland Trust Services Inc., Minneapolis, Minnesota.

Proposals: Monday, April 22, 2024 11:00 A.M., Central Time

Award: Tuesday, April 23, 2024 9:30 A.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$12,536,312.50 (98.75%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of \$253,900, in the form of a federal wire transfer payable to the order of the County, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE MAY 22, 2024.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

Koochiching County, Minnesota
\$12,695,000 *
General Obligation Jail Bonds, Series 2024A
(Book-Entry Only)

AMOUNT -	\$12,695,000																																								
ISSUER -	Koochiching County, Minnesota (the “County” or the “Issuer”)																																								
AWARD DATE -	April 23, 2024																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
TYPE OF ISSUE -	General Obligation Jail Bonds, Series 2024A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Jail Bonds, Series 2024A (the “Bonds”) are being issued by Koochiching County, Minnesota (the “County”) pursuant to Minnesota Statutes, Chapters 641 and 475, as amended. Proceeds of the Bonds will be used to finance construction of a new jail and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. In addition, the County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be May 22, 2024)																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																								
MATURITIES* -																																									
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REDEMPTION -	The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	Northland Trust Services Inc., Minneapolis, Minnesota																																								
TAX DESIGNATIONS -	<p><u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”).</p> <p><u>Not Bank Qualified Tax-Exempt Obligations</u> - The County will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.</p>																																								
LEGAL OPINION -	Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The County received an underlying rating of “AA-” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information. In addition, the Bonds are rated “AAA” by S&P Global Ratings (“S&P”) based on the State of Minnesota Credit Enhancement Program. See <i>State of Minnesota Credit Enhancement Program</i> herein for additional information.																																								
CLOSING -	Estimated to be May 22, 2024																																								
PRIMARY CONTACTS -	Adam Coe, Administration Director, Koochiching County, Minnesota 218-283-1152 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																								

* Preliminary, subject to change.

KOOCHICHING COUNTY, MINNESOTA

PRINCIPAL COUNTY OFFICIALS

Elected Officials	County Board	
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Destry Hell	Commissioner – District 1	1/1/2026
Ricky Roche	Commissioner – District 2, Vice Chair	1/1/2026
Adam McIntyre	Commissioner – District 3	1/1/2025
Jason Sjoblom	Commissioner – District 4, Chair	1/1/2026
Dale Erickson	Commissioner – District 5	1/1/2025

Primary Contacts

Adam Coe	Administration Director
Jeff Naglosky	County Attorney

BOND COUNSEL

Fryberger, Buchanan, Smith & Frederick, P.A
Duluth, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$12,695,000*

GENERAL OBLIGATION JAIL BONDS, SERIES 2024A

KOOCHICHING COUNTY, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the County’s Administration Director, or designee, on Monday, April 22, 2024, at 11:00 A.M., CT, at the offices of Northland Securities, Inc. (the County’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the County Board at its meeting at the County Offices beginning Tuesday, April 23, 2024 at 9:30 A.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) emailed to PublicSale@northlandsecurities.com
- d) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- e) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 11:00 A.M., CT, on Monday, April 22, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 11:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the County nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the County to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the County through Northland Trust Services, Inc. Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The County will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be May 22, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 641 and 475. Proceeds will be used to finance the construction of a new County jail and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes. In addition, the County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. The full faith and credit of the County is pledged to their payment and the County has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$475,000	2031	\$545,000	2036	\$625,000	2041	\$740,000
2027	485,000	2032	555,000	2037	645,000	2042	765,000
2028	500,000	2033	575,000	2038	665,000	2043	795,000
2029	515,000	2034	590,000	2039	690,000	2044	825,000
2030	530,000	2035	605,000	2040	710,000	2045	860,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County’s Municipal Advisor and any notice or report to be provided to the County may be provided to the County’s Municipal Advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the County shall promptly so advise the winning bidder. The County may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The County acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer

that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party,*
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) “sale date” means the date that the Bonds are awarded by the County to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the County and shall be at the sole discretion of the County. The successful bidder may not withdraw or modify its Proposal once submitted to the County for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2033 through 2045 are subject to redemption and prepayment at the option of the County on February 1, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the County and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Fryberger, Buchanan, Smith & Fredrick, Professional Association, Bond Counsel. The legal opinion will be paid by the County and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$12,536,312.50 (98.75%) and accrued interest on the principal sum of \$12,695,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Adam Coe, Administration Director
715 4th Street
International Falls, MN 56649

A good faith deposit (the "Deposit") in the amount of \$253,900 in the form of a federal wire transfer (payable to the order of the County) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the County may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The County will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the County. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the County scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The County's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The County will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the County determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the County agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The County will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the County, and notices of certain material events, as required by SEC Rule 15c2-12.

NO BANK QUALIFICATION

The County will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the County has requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The County reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: March 26, 2024

BY ORDER OF THE KOOCHICHING COUNTY BOARD

/s/ Adam Coe
Administration Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

KOOCHICHING COUNTY, MINNESOTA

\$ _____ **GENERAL OBLIGATION JAIL BONDS, SERIES 2024A**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.¹

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Fryberger, Buchanan, Smith & Frederick, P.A. in connection with rendering its opinion

¹ Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: May 22, 2024

SCHEDULE A

EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(Attached)

KOOCHICHING COUNTY, MINNESOTA

\$ _____ GENERAL OBLIGATION JAIL BONDS, SERIES 2024A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. *Initial Offering Price of the Bonds.*

(a) [SHORT NAME OF UNDERWRITER] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER] has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. *Defined Terms.*

(a) *Holding Period* means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which [SHORT NAME OF THE UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) *Issuer* means the Koochiching County, Minnesota.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Fryberger, Buchanan, Smith & Frederick, P.A. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: May 22, 2024

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

AUTHORITY AND PURPOSE

The General Obligation Jail Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by Koochiching County, Minnesota (the “County”) pursuant to Minnesota Statutes, Chapters 641 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance construction of a new jail and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In addition, the County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. In the event of any deficiency in the Debt Service Account established for the Bonds, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	\$ 12,695,000*
Issuer Equity Contribution	<u>1,032,576</u>
Total Sources of Funds:	<u>\$ 13,727,576</u>

Uses of Funds

Deposit to Project Fund	\$ 13,194,000
Deposit to Debt Service Fund	290,976
Costs of Issuance/Underwriter’s Discount	239,383
Rounding Amount	<u>3,217</u>
Total Uses of Funds:	<u>\$ 13,727,576</u>

MINNESOTA CREDIT ENHANCEMENT PROGRAM

In the resolution adopting the sale of the Bonds, the County will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the “Credit Enhancement Act” or the “Act”), which provides for payment by the State of Minnesota in the event of a potential default of certain debt obligations. The provisions of the Credit Enhancement Act shall be binding on the County as long as any Bonds remain outstanding. Under the Credit Enhancement Act, if the County believes it may be unable to make a principal or interest payment for the Bonds on the due date, it must notify the Minnesota Commissioner of Management and Budget and the Minnesota Public Facilities Authority (the “Authority”) as soon as possible, but not less than 15 business days prior to the due date (which notice is to specify certain information), and would use the provisions of the Credit Enhancement Act to have the State of Minnesota, acting through the Authority, make payment of the principal and interest when due. The County also covenants in the Resolution to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Authority that it will be unable to make all or a portion of the payment.

* Preliminary, subject to change.

The Credit Enhancement Act also requires the paying agent for the Bonds to notify the Authority if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days before the date a payment is due, there are insufficient funds on deposit with the paying agent to make the payment.

After receipt of a notice which requests a payment pursuant to the Act, after consultation with the paying agent and the County, and after verifying the accuracy of the information provided, the Authority shall notify the Commissioner of the potential default. The Credit Enhancement Act provides that “upon receipt of this notice...the Commissioner shall issue a warrant and authorize the Authority to pay to...the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of this subdivision are annually appropriated to the Authority from the [state] general fund.”

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of “___” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion

of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be May 22, 2024), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2026. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the County. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the Koochiching County takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the County on or before Bond closing, the County has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the County to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

The County has previously entered into continuing disclosure undertakings in connection with its G.O. Sewer Revenue Bonds, Series 2017A and was delinquent in the 2019 audit filing due December 31, 2020; however such non-compliance has since been cured. The Annual Report for 2019 containing financial information and operating data was filed by their respective deadline and all prior filings were made by the December 31 deadline. A failure by the County to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The County has implemented disclosure policies and procedures to be followed by the County in relation to the financial disclosures and reportable events for which the County must provide notice to the MSRB's Electronic Municipal Market Access system. The County has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$_____, which is the par amount of the Bonds of \$_____ less the Underwriter's discount of \$_____, plus the original issue premium of \$_____.

MUNICIPAL ADVISOR

The County has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc and First National Bank of Omaha.

FUTURE FINANCING

The County does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The County received an underlying rating "AA-" from S&P Global Ratings ("S&P"). In addition, the Bonds are rated "AAA" by S&P Global Ratings ("S&P") based on the Minnesota Credit Enhancement Program. The County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (State of Minnesota Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a Bonds debt obligation, of the principal and interest on the Bonds when due. These ratings reflect only the opinion of S&P and any explanation of the significance of these ratings may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See *Minnesota Credit Enhancement Program* herein for additional information. These ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the County is not aware of any threatened or pending litigation that questions the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The County will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any

untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The County has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

The following is a summary of certain U. S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on present federal and Minnesota laws, regulations, rulings and decisions, including the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The County has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

Tax-Exempt Interest

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the County, under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. The County has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Premium Bonds

A bondholder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the bondholder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates and trusts. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Discount Bonds

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond). Bondholders should consult their tax advisers for an explanation of accrual.

Collateral Tax Matters

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel expresses no opinion regarding such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the bondholder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the bondholder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain bondholders are exempt from information reporting. Potential bondholders should consult their tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

Federal and State Tax Law Developments

From time to time, legislative proposals are introduced in Congress and in the states which, if enacted, could alter or amend the federal and state tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to Bonds (such as the Bonds contemplated herein) issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel

has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The above, including the discussion concerning collateral tax matters, is not intended to be a comprehensive list of all federal or state tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds should consult their tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

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KOOCHICHING COUNTY, MINNESOTA

GENERAL INFORMATION

Location and Access

Koochiching County is located in north central Minnesota. There are 6 cities and 3 school districts. The largest city, International Falls, is the County seat. It is approximately 300 miles north of the Twin Cities metropolitan area and 165 miles northwest of the City of Duluth.

Area

2,000,000 acres
(3,141 square miles)

Population

2000 Census	14,355	2020 Census	12,062
2010 Census	13,311	2022 County Estimate	12,163

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2023 (through November) and year-end 2022 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>November 2023</u>		<u>2022</u>	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Koochiching County	5,720	4.6%	5,813	4.0%
Minnesota	3,101,201	3.0	3,077,500	2.7

Income Data²

Comparative income levels are listed below for the Koochiching County, the State of Minnesota and the United States.

	<u>Koochiching County</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$85,385	\$107,072	\$92,646
Per Capita Income	35,515	44,947	41,261

County Government

The County, organized in 1906, having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373, is governed by a five-member Board of Commissioners, elected by District for four-year terms. The Council exercises legislative authority and determines all matters of policy. The County Administration Director is appointed and is responsible for the oversight and implementation of the County Board policies and programs.

¹ Source: Minnesota Department of Employment and Economic Development.

² Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Bargaining Units/Labor Contracts

The labor unions representing certain County employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Local 49er	December 31, 2024
AFSCME (2)	December 31, 2024
LELS (2)	December 31, 2024

Employee Pension Programs

The County employs 178 people, 136 full-time and 42 part-time. The pension plan currently covers 162 of the County employees.

The County participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Plan, which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State statutes require the County to fund current service pension cost as it accrues. Defined retirement 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The County makes annual contributions to the pension plans equal to the amount required by state Statutes. In 2022, GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary. PEPFF members were required to contribute 11.8% of their annual covered salary in 2022. The Correctional Plan members were required to contribute 5.83% of their annual covered salary in 2022. State statutes required the County to contribute the following percentages of annual covered payroll in 2022: 7.5% for Coordinated Plan GERF members, 17.7% for PEPFF members, and 8.75% for Correctional Plan members. Contributions to GERF, PEPFF, and the Correctional Fund have been as follows:

<u>Year</u>	<u>Amount</u>
2022	\$760,867
2021	703,753
2020	698,605
2019	655,674
2018	640,104

Other Postemployment Benefits (OPEB)

The County makes available to eligible retirees and their spouses a single-employer defined benefit healthcare plan. The plan offers medical coverage. The County does not provide healthcare coverage for retired employees. Rather, it allows employees who separate from County employment due to retirement or disability, access to the coverage; however, that coverage is paid for at the former employees' expense.

Changes in the County's net OPEB liability for the fiscal year ended December 31, 2023 are as follows:

Balances at January 1, 2023	\$ 681,907
Total OPEB Liability	
Service Cost	\$ 55,312
Interest	14,345
Assumption Changes	(67,570)
Plan Changes	(11,259)
Differences between Expected and Actual Experience	(149,547)
Benefit Payments	(40,141)
Net Change in OPEB Liability	<u>\$ (198,860)</u>
Balance at December 31, 2023	<u>\$ 483,047</u>

Estimated Cash/Investment Balances as of December 31, 2023 (unaudited)

Fund Name

General Fund	\$ 9,696,660.40
Special Revenue Funds	17,157,549.28
Capital Projects Funds	7,765,992.26
Enterprise Funds	<u>161,871.00</u>
Total Estimated Cash/Investment Balances	<u>\$34,782,072.94</u>

General Fund Budget Summary

	<u>2023 Budget</u>	<u>2024 Budget</u>
Revenues:		
Property Taxes	\$5,520,000	\$6,513,600
All other Taxes	2,368,136	3,201,451
Special Assessments	912,720	592,157
Licenses and Permits	13,000	39,000
Intergovernmental Revenue	17,665,451	19,498,307
Charges for Services	1,759,400	1,738,375
Fines and Forfeits	28,962	38,500
Interest on Investments	654,662	900,000
Miscellaneous	684,162	697,500
Proceeds from Bond Sales	0	0
Transfers In	3,254,962	4,349,842
	<hr/>	<hr/>
Total Revenues	\$32,861,455	\$37,568,732
Expenditures:		
General Government	\$4,804,763	5,881,858
Public Safety	4,338,191	4,406,173
Streets and Highways	4,888,358	4,756,388
Sanitation	1,625,277	1,700,251
Human Services	5,333,032	5,489,914
Health	1,213,178	1,295,174
Culture and Recreation	321,904	337,835
Conservation of Natural Resources	2,264,381	2,411,516
Economic Development and Housing	636,050	713,247
Debt Service	619,000	789,303
Interest and Fiscal Charges	568,104	422,924
Streets and Highways Capital Outlay	5,974,134	6,800,000
All other Capital Outlay*	12,191,015	12,244,564
	<hr/>	<hr/>
Total Expenditures	\$44,777,253	\$47,249,147
*Revenues Over (Under) Expenditures	<u>\$(11,915,798)</u>	<u>\$(9,680,415)</u>

*Revenues (under) expenditures for budget years 2023 and 2024 are further explained as follows: The 2023 budget for Capital Outlay included \$9,720,000 for jail construction costs that were to be paid in full by the County's 2022 Jail bond reserves, however only \$1,271,342.69 was expensed. Additionally, the 2024 budget for Capital Outlay includes \$9,776,000 for jail construction costs that are to be paid in full by the County's 2022 Jail bond reserves.

Banking/Financial Institutions

Banking and financial services providers within the County include Border State Bank, Bremer Bank, TruStar Federal Credit Union and Minnesota Association of Governments Investing for Counties (MAGIC Fund).

Education

The County is served by three school districts including: International Falls ISD No. 361, Littlefork-Big Falls ISD No. 362, and South Koochiching-Rainy River ISD No. 363.

Major Employers¹

Following are the major employers within the County:

<u>Employer Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Packaging Corporation of America	Paper Products	600
School District #361	Education	250
Koochiching County	Government	177
Good Samaritan	Medical	100
Wagner Construction Inc	Construction	100
Rainy River Community College	Education	100
Littlefork Medical Center	Medical	90
Super One Foods	Grocery Retailer	80
Menards	Home Improvement	85
International Falls Fire	Fire Department	60

Largest Taxpayers³

Following are ten of the largest taxpayers within the County:

<u>Name</u>	<u>Classification</u>	<u>2022/2023 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$14,799,651)⁴</u>
Meriwether MN Land & Timber	Rural Vacant	\$ 1,322,688	8.94%
Wisconsin Central Limited	Railroad	527,684	3.57
Boise White Paper LLC	Commercial	464,808	3.14
Minnesota Power & Light Co.	Utility	135,164	0.91
Bois Forte Band of Chippewa	Rural Vacant	127,831	0.86
Minnkota Power Coop Inc	Utility	106,075	0.72
Menard, Inc	Commercial	102,138	0.69
Minnesota Energy Resources, Corp	Utility	70,540	0.48
MN Dakota & Western RR	Railroad	66,646	0.45
ARC GSIFLMN001 LLC	Commercial	58,918	0.40
		<u>\$ 2,982,492</u>	<u>20.15%</u>

¹ Source: The County and Data Axle Reference Solutions.

² Includes full-time, part-time, and seasonal employees.

³ As reported by Koochiching County.

⁴ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2020/ 2021</u>	<u>2021/ 2022</u>	<u>2022/ 2023</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000		0.50	0.50
	Over \$1,890,000		1.00	1.00
	First \$1,900,000	0.50		
	Over \$1,900,000	1.00		
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> [*]	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
	<u>Residential Non-Homestead</u> (Single Unit)			
4bb(1)	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†] (Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†] Non-Commercial (Cabin): First \$500,000 [*]	1.00	1.00	1.00
	Over \$500,000 [*]	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000			.75
	Over \$100,000			.25
	First \$162,000	.75		
	Over \$162,000	.25		
	First \$174,000		.75	
	Over \$174,000		.25	

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes structures.

² Homestead remainder & non-homestead; includes minor ancillary structures.

KOOCHICHING COUNTY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2022/2023</i>	<i>Net Tax Capacity 2022/2023</i>
Real Property	\$ 1,464,628,000	\$ 14,570,115
Personal Property	13,668,100	229,536
Fiscal Disparities ²	---	
Distribution from Pool	---	588
Total Adjusted Valuation	<u>\$ 1,478,296,100</u>	<u>\$ 14,800,239</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2022/2023	\$1,859,396,526	79.94%	\$1,478,296,100	\$1,373,809,271	\$14,799,651	\$14,800,239
2021/2022	1,408,808,071	85.69	1,207,728,500	1,098,536,677	11,875,064	11,875,805
2020/2021	1,304,046,436	93.02	1,196,888,720	1,090,579,110	11,797,680	11,798,195
2019/2020	1,254,191,980	93.55	1,171,830,120	1,066,183,229	11,516,543	11,517,108
2018/2019	1,254,735,087	94.31	1,185,044,320	1,080,424,064	11,685,842	11,686,387

Breakdown of Valuations

2022/2023 Tax Capacity, Real and Personal Property (before fiscal disparities adjustments):

Residential Homestead	\$ 5,244,553	35.44%
Agricultural	3,328,072	22.49
Commercial & Industrial	1,722,202	11.63
Public Utility	217,552	1.47
Railroad	600,765	4.06
Residential Non-Homestead	904,261	6.11
Seasonal/Recreational	2,552,710	17.25
Personal Property	<u>229,536</u>	<u>1.55</u>
Total	<u>\$ 14,799,651</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Koochiching County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

² *Fiscal Disparities Law*

Under the Iron Range Fiscal Disparities (“IRFD”) program, 40% of the growth in each municipality’s commercial-industrial tax base after 1995 is contributed to an area wide pool. The tax base pool is distributed back to municipalities on the basis of property wealth per capita; i.e., municipalities with lower property wealth receive greater distributions. For the purposes of the IRFD program, commercial-industrial property includes public utility property, but does not include commercial, seasonal, recreational property. All local taxing jurisdictions in the area, including counties, cities, towns (including unorganized towns), school districts, and special taxing districts, participate in the IRFD program.

Tax Capacity Rates

Tax capacity rates for a County resident within ISD No. 361 (International Falls), for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2018/19 Tax Capacity Rates</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>
Koochiching County	38.216	39.940	38.989	40.671	37.297
City of International Falls	92.398	97.117	98.157	107.956	101.231
ISD No. 361, International Falls	19.273	18.491	21.004	25.350	15.007
Arrowhead Reg Dev Com	<u>0.176</u>	<u>0.186</u>	<u>0.180</u>	<u>0.180</u>	<u>0.145</u>
Totals:	<u>150.063%</u>	<u>155.734%</u>	<u>158.330%</u>	<u>174.157%</u>	<u>153.680%</u>
<i><u>Market Value Rates:</u></i>	<i><u>2018/2019</u></i>	<i><u>2019/2020</u></i>	<i><u>2020/2021</u></i>	<i><u>2021/2022</u></i>	<i><u>2022/2023</u></i>
ISD No. 361 (International Falls)	0.20809%	0.20265%	0.20515%	0.19766%	0.17609%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 5/31/2023</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2022/2023	\$5,536,331		In Process of Collection		
2021/2022	4,825,957	\$4,716,183	97.08%	\$4,774,582	98.94%
2020/2021	4,599,487	4,526,161	98.41	4,584,436	99.67
2019/2020	4,569,622	4,481,167	98.06	4,564,578	99.89
2018/2019	4,405,957	4,308,129	97.78	4,404,152	99.96

¹ 2022/2023 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Koochiching County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

Minnesota statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of April 2, 2024:

2022/2023 Estimated Market Value	\$ 1,478,296,100
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 44,348,883</u>
Less outstanding debt applicable to debt limit:	
\$9,720,000 General Obligation Jail Bonds, Series 2022A	\$ 9,505,000
\$12,695,000 General Obligation Jail Bonds, Series 2024A (This Issue)	<u>12,695,000</u>
Total Debt applicable to debt limit:	\$ 22,200,000
Legal debt margin	<u>\$ 22,148,883</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

KOOCHICHING COUNTY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of April 2, 2024, Plus This Issue)

Purpose:	This Issue		TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Jail Bonds, Series 2022A	G.O. Jail Bonds, Series 2024A			
Dated:	09/07/22	05/22/24			
Original Amount:	\$9,720,000	\$12,695,000			
Maturity:	1-Feb	1-Feb			
Interest Rates:	3.00-4.00%				
2024	\$0	\$0	\$0	\$164,938	2024
2025	360,000	0	360,000	1,183,994	2025
2026	370,000	475,000	845,000	1,566,994	2026
2027	385,000	485,000	870,000	1,563,456	2027
2028	400,000	500,000	900,000	1,564,338	2028
2029	420,000	515,000	935,000	1,569,235	2029
2030	435,000	530,000	965,000	1,568,028	2030
2031	455,000	545,000	1,000,000	1,572,990	2031
2032	465,000	555,000	1,020,000	1,564,201	2032
2033	480,000	575,000	1,055,000	1,569,345	2033
2034	495,000	590,000	1,085,000	1,568,115	2034
2035	510,000	605,000	1,115,000	1,565,410	2035
2036	525,000	625,000	1,150,000	1,565,966	2036
2037	540,000	645,000	1,185,000	1,563,155	2037
2038	560,000	665,000	1,225,000	1,561,791	2038
2039	580,000	690,000	1,270,000	1,563,123	2039
2040	600,000	710,000	1,310,000	1,557,268	2040
2041	620,000	740,000	1,360,000	1,559,085	2041
2042	640,000	765,000	1,405,000	1,553,434	2042
2043	665,000	795,000	1,460,000	1,555,169	2043
2044	0	825,000	825,000	876,330	2044
2045	0	860,000	860,000	877,415	2045
	\$9,505,000	\$12,695,000	<u>\$22,200,000</u>	<u>\$31,253,778</u>	

NOTE: 36% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

KOOCHICHING COUNTY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of April 2, 2024)

Purpose:	G.O. Revenue Note, Series 2005	Sewer Revenue Bonds, Series 2017A			
Dated:	09/15/05	11/14/17			
Original Amount:	\$4,816,795	\$3,530,000			
Maturity:	20-Aug	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.00%	2.00-3.125%	PRINCIPAL:	PRIN & INT:	
	2024	\$247,000	\$0	\$247,000	\$290,202
	2025	249,000	165,000	414,000	496,284
	2026	0	170,000	170,000	245,594
	2027	0	175,000	175,000	245,419
	2028	0	180,000	180,000	245,094
	2029	0	185,000	185,000	244,619
	2030	0	185,000	185,000	239,069
	2031	0	190,000	190,000	238,444
	2032	0	195,000	195,000	237,669
	2033	0	205,000	205,000	241,669
	2034	0	210,000	210,000	240,444
	2035	0	215,000	215,000	239,069
	2036	0	220,000	220,000	237,544
	2037	0	230,000	230,000	240,794
	2038	0	235,000	235,000	238,672
		\$496,000	\$2,760,000	\$3,256,000	\$3,920,583
		(1)	(2)		

NOTE: 66% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This Note was issued through the MN Public Facilities Authority
- (2) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the County and without limitation on the amount.

Indirect Debt*

<i>Issuer</i>	<i>2022/2023 Tax Capacity Value⁽¹⁾</i>	<i>2022/2023 Tax Capacity Value in County⁽¹⁾</i>	<i>Percentage Applicable in County</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
City of Big Falls	\$ 69,301	\$ 69,301	100.00%	\$ 0 ⁽²⁾	\$ 0
City of International Falls	3,552,308	3,552,308	100.00	0 ⁽³⁾	0
City of Littlefork	201,521	201,521	100.00	300,000 ⁽⁴⁾	300,000
ISD No. 361, International Falls	10,442,026	10,442,026	100.00	2,835,000	2,835,000
ISD No. 362, Little Fork	1,767,822	1,767,822	100.00	5,065,000	5,065,000
ISD No. 363, South Koochiching - Rainy River	2,105,282	2,105,282	100.00	3,595,000	3,595,000
ISD No. 36, Kelliher	1,758,882	16,178	0.82	4,800,000	39,360
ISD No. 2142, St. Louis County	42,307,168	403,036	0.95	37,045,000	<u>351,928</u>

Total Indirect Debt: \$ 12,186,288

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* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of April 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction adjustments.

(2) The City of Big Falls has \$485,000 outstanding general obligation debt payable from sewer revenues.

(3) The City of International Falls has \$3,945,000 outstanding general obligation debt payable primarily through revenues.

(4) The City of Little Fork has \$575,000 outstanding general obligation debt, of which \$275,000 is payable primarily through revenues.

General Obligation Debt

Bonds secured by taxes (includes this Issue)	\$ 22,200,000
Bonds secured by sewer revenues	<u>3,256,000</u>
Subtotal	\$ 25,456,000
Less bonds secured by water/sewer revenues	(<u>3,256,000</u>)
<i>Direct General Obligation Debt</i>	22,200,000
Add taxpayers' share of indirect debt	<u>12,186,288</u>
<i>Direct and Indirect Debt</i>	<u><u>\$ 34,386,288</u></u>

Facts for Ratio Computations

2022/2023 Economic Market Value (real and personal property)	\$1,859,396,526
Population (2023 County estimate)	12,163

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct <u>Debt</u></i>	<i>Indirect <u>Debt</u></i>	<i>Direct and <u>Indirect Debt</u></i>
To Economic Market Value	1.19%	0.66%	1.85%
Per Capita	\$1,825	\$1,001	\$2,826

APPENDIX A

Form of Bond Counsel Opinion

FRYBERGER

— LAW FIRM —

May 22, 2024

Koochiching County
715 4th Street
International Falls, MN 56649

[PURCHASER]

**Re: *Koochiching County, Minnesota*
*\$ _____ General Obligation Jail Bonds, Series 2024A***

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by Koochiching County, Minnesota (the “Issuer”), of the above-referenced bonds dated the date hereof (the “Bonds”). The Bonds are issued pursuant to Minnesota Statutes, Chapters 641 and 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on April 23, 2024, authorizing the issuance and delivery of the Bonds (the “Resolution”);
2. the Officers’ Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the “Tax Certificate”);
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

CLOQUET
813 Cloquet Ave.
Cloquet, MN 55720
p: (218) 879-6830

DULUTH
302 West Superior St,
Ste 700
Duluth, MN 55802
p: (218) 722-0861

SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
p: (715)392-7405

ST. PAUL
c/o 302 West Superior St,
Ste 700
Duluth, MN 55802
p: (651)221-1044

and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraph 3 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

FRYBERGER LAW FIRM

Page 4

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

8. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

APPENDIX B

Continuing Disclosure Certificate

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Koochiching County, Minnesota (the “Issuer”) in connection with the issuance of the \$12,695,000 General Obligation Jail Bonds, Series 2024A, dated May 22, 2024 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated April 23, 2024 (the “Resolution”). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means the Issuer’s annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

“Code” means the Internal Revenue Code of 1986, as amended.

“Dissemination Agent” means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

“Listed Events” means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Official Statement” means the Official Statement, dated _____, 2024, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

“Participating Underwriter” means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer’s compliance with this Certificate.

“SEC” means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to

the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

- (a) Economic and Financial Information – “Valuations,” “Tax Capacity Rates,” and “Tax Levies and Collections”
- (b) Summary of Debt and Debt Statistics

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
 - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
 - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
 - (6) tender offers;
 - (7) defeasances;
 - (8) rating changes;
 - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations.

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful

misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of May 22, 2024.

KOOCHICHING COUNTY, MINNESOTA

By _____
Chair

By _____
Auditor-Treasurer

APPENDIX C

County's Financial Statement

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2022. The complete financial report for the year 2022 and the prior two years are available for inspection at the County Offices and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@hpmaudit.com

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Koochiching County

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Koochiching County, Minnesota, as of and for the year ended December 31, 2022, including the Housing and Redevelopment Authority (HRA) of Koochiching County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Koochiching County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Koochiching County as of December 31, 2022, including the HRA of Koochiching County as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Koochiching County and to meet our 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 Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which represents a change in accounting principles. Our opinion is 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 Koochiching County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 generally accepted auditing standards 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 Koochiching County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in 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 that raise substantial doubt about Koochiching County's ability to continue as a going concern for a reasonable period of time.
- We did not audit the financial statements of the East Koochiching Sanitary Sewer District for the year ended December 31, 2022, and the Koochiching County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2022, the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the East Koochiching Sanitary Sewer District and the Koochiching County Housing and Redevelopment Authority (HRA), are based solely on the reports of the other auditors. We also did not audit the financial statements of the International Falls - Koochiching County Airport Commission for the year ended December 31, 2022, in which Koochiching County has an equity interest. The Airport Commission is a joint venture discussed in Note VII.E. to the financial statements. The County's investment in the Airport Commission is accounted for by the equity method of accounting and represents

the \$27,212,193 investment in joint venture. The financial statements of the Airport Commission were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amount included as an investment in joint venture, is based solely on the report of other auditors.

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 in our audit.

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of an introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

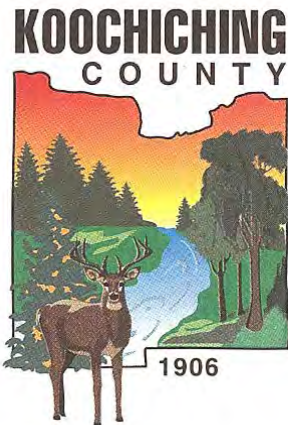
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2023, on our consideration of Koochiching 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 this report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive style.

Hoffman, Philipp, & Martell, PLLC
September 5, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of Koochiching County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Koochiching County for the fiscal year ended December 31, 2022. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$171,168,549 of which \$104,688,365 is the net investment in capital assets, \$37,605,817 is restricted for specific purposes, and \$28,874,367 is unrestricted. The total net position of governmental activities increased by \$10,558,861 for the year ended December 31, 2022. This is attributed mainly to both state aid for highway infrastructure construction and the American Rescue Plan Act Funding grants.

At the close of 2022, the County's governmental funds reported combined ending fund balances of \$39,306,026, an increase of \$16,682,534 from the prior year. Of the total fund balance amount, \$556,889 is non-spendable, \$21,812,457 is legally or contractually restricted, \$357,786 is committed, \$12,982,408 is assigned for specific purposes, and \$3,596,486 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Koochiching County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The *Statement of Activities* presents information showing how the government'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, we divide the County into two kinds of activities:

- Governmental activities — Most of the County’s basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Component units — The County includes two separate legal entities in its report - The East Koochiching Sanitary Sewer District and the Koochiching County Housing and Redevelopment Authority. Although legally separate, these “component units” are important because the County is financially accountable for them.
 - The East Koochiching Sanitary Sewer District provides waste management services for participating rural users and cities within the sewer district. Financing is provided by user service charges. Complete financial statements of the East Koochiching Sanitary Sewer District can be obtained from the Koochiching County Administration Office or the administrative offices of the East Koochiching Sanitary Sewer District in International Falls, Minnesota 56649.
 - The Koochiching County Housing and Redevelopment Authority (HRA) administers government-funded programs which provide rental assistance to eligible seniors, singles, families, and persons with disabilities to secure affordable housing within the County. Financing is provided by Local, State, and Federal funding. Complete financial statements of the Koochiching County HRA can be obtained from the Koochiching County Administration Office or the administrative offices of the Koochiching County HRA in Northome, MN 56661.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund-Level Financial Statements

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

Governmental 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, fund-level 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 a government’s near-term financing 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 the government’s short-term financing decisions. Both the *Balance Sheet – Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Project. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Road and Bridge Special Revenue Fund, the Public Health and Human Services Special Revenue

Fund, the Land and Forestry Special Revenue Fund, the Island View Debt Service Fund, the Island View Capital Project Fund, the Northland Integrated Behavioral Health Service Center Capital Project Fund, and the Jail Capital Project Fund, all of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in *Combining Statements* after the Notes to the Financial Statements.

Koochiching County adopts an annual budget for its General Fund, Special Revenue Funds, and the Jackfish Bay Debt Service Fund. *Budgetary Comparison Schedules* have been provided for these funds to demonstrate compliance with their budgets.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government’s own programs. Koochiching County’s fiduciary funds consist of one private purpose trust fund which is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and ten custodial funds which are used to report resources held by the County in a purely custodial capacity. The Social Welfare Private-Purpose Trust Fund is presented in the *Statement of Fiduciary Net Position – Fiduciary Funds* and the *Statement of Changes in Fiduciary Net Position – Fiduciary Funds*. Custodial funds do not involve measurement of results of operations. In addition, the Fiduciary Funds are not reflected in the government-wide financial statements because those resources are not available to support the County’s programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial Fund activities are reported in Statement 5 and Statement 6.

Notes to the Financial Statements

The 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 beginning on page 27 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information*. The County also provides supplementary and other information including *Combining Statements*, *Budgetary Comparison Schedules*, other post-employment benefit schedules, pension related schedules, a *Schedule of Intergovernmental Revenue*, and a *Schedule of Expenditures of Federal Awards*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County’s financial position. The County’s assets exceeded liabilities by \$171,168,549 at the close of 2022. The largest portion of the County’s net position (approximately 61 percent) reflects its net investment in capital assets (i.e., land and right-of-way, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). The continuous increase in net position is the result of the annual capitalization of infrastructure as required by the Governmental Accounting Standards Board. It should be noted that this amount is not available for future spending. Approximately 22 percent of the County’s net position is restricted, and 17 percent of the County’s net position is unrestricted. The unrestricted net position amount of \$28,874,367, as of December 31, 2022, may be used to meet the County’s ongoing obligations to citizens.

The County’s overall financial position increased from its position reported in 2021. Total assets increased by \$21,748,843 from the prior year, primarily due to highway infrastructure construction and cash received from the Jail Capital Project bonds issued. Deferred outflows of resources related to pensions and other post-employment benefits increased by \$848,573. Total liabilities increased by \$17,278,391 from their position reported in 2021, mainly due to the Jail Capital Project Bonds and the increase in net pension liability. Deferred inflows of

resources related to pensions and other post-employment benefits decreased by \$5,239,836. This resulted in an increased net position of \$10,558,861 from the prior year.

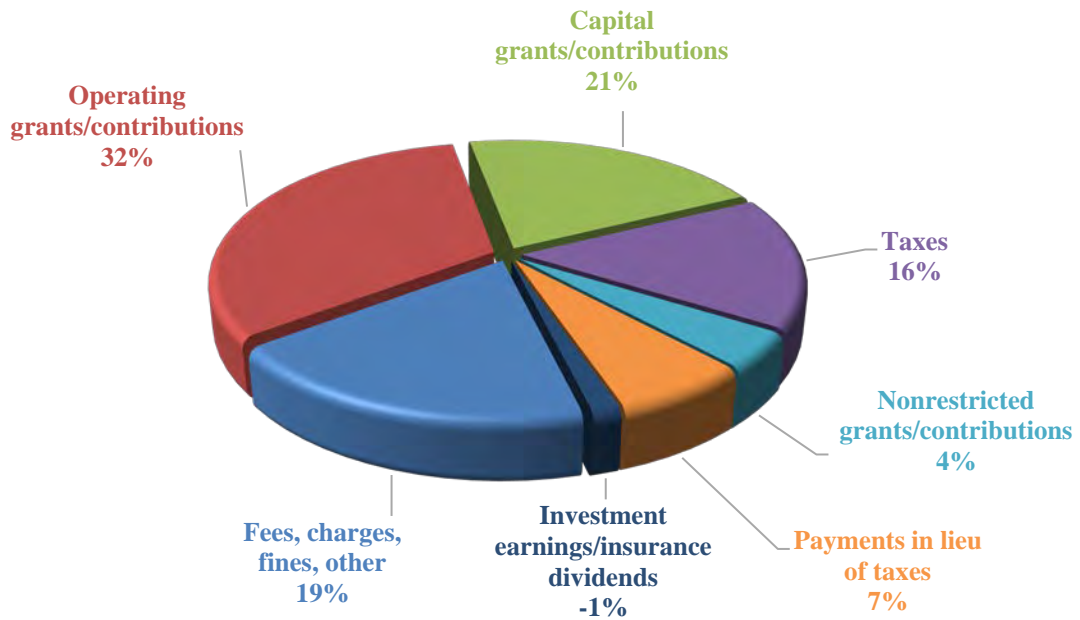
NET POSITION

	Governmental Activities	
	2022	2021
Current and other assets	\$ 78,099,985	\$ 66,244,785
Capital assets	118,078,365	108,184,722
Total assets	\$ 196,178,350	\$ 174,429,507
Deferred outflows of resources		
Pensions and other post-employment benefits	\$ 5,092,035	\$ 4,243,462
Other liabilities	\$ 3,441,821	\$ 2,456,260
Long-term liabilities outstanding	26,381,317	10,088,487
Total liabilities	\$ 29,823,138	\$ 12,544,747
Deferred inflows of resources		
Pensions and other post-employment benefits	\$ 278,698	\$ 5,518,534
Net Position		
Net Investment in capital assets	\$ 104,688,365	\$ 103,948,660
Restricted	37,605,817	37,493,407
Unrestricted	28,874,367	19,167,621
Total net position	\$ 171,168,549	\$ 160,609,688

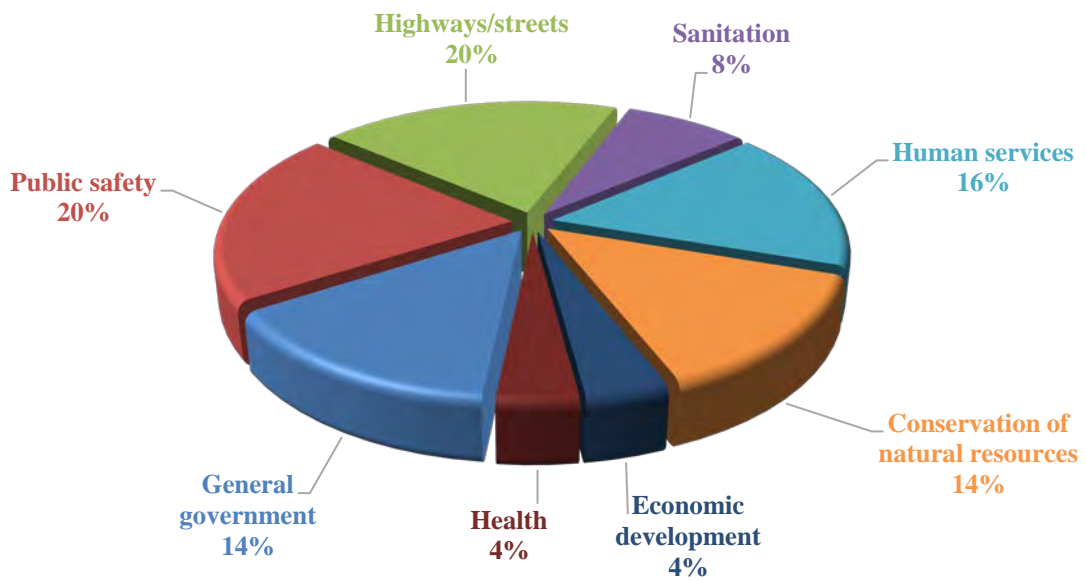
CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 7,936,074	\$ 13,730,268
Operating grants and contributions	13,720,318	6,550,944
Capital grants and contributions	8,777,933	8,423,152
General Revenues and transfers		
Taxes	6,810,824	5,859,610
Grants and contributions		
not restricted to specific programs	1,821,889	1,275,266
Payments in lieu of taxes	2,837,141	2,848,390
Investment earnings	(676,351)	203,913
Insurance dividends	86,108	85,270
Transfers	-	145,118
Total revenues and transfers	\$ 41,313,936	\$ 39,121,931
Expenses		
General government	\$ 4,265,967	\$ 3,771,207
Public safety	6,096,679	3,226,632
Highways and streets	5,857,375	5,515,085
Sanitation	2,396,317	1,805,673
Human services	4,929,172	4,651,570
Health	1,135,550	1,099,723
Culture and recreation	418,618	1,144,749
Conservation of natural resources	4,131,699	2,460,058
Economic development	1,161,561	1,156,304
Interest	362,137	105,470
Total expenses	\$ 30,755,075	\$ 24,936,471
Increase (decrease) in net position	\$ 10,558,861	\$ 14,185,460
Net position, January 1	160,609,688	146,424,228
Net position, December 31	\$ 171,168,549	\$ 160,609,688

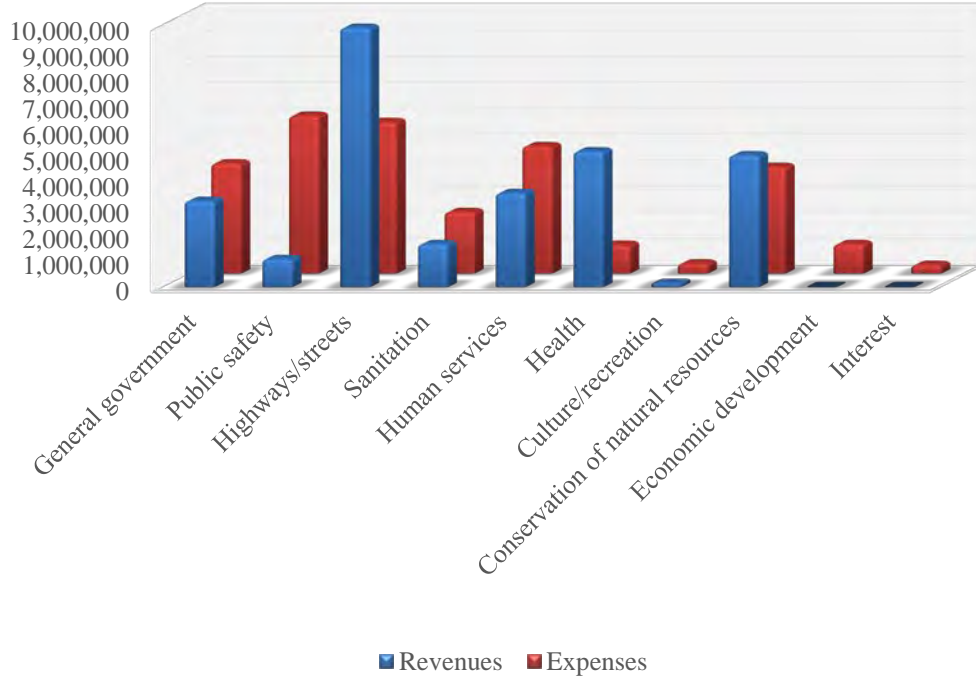
Revenues by Source



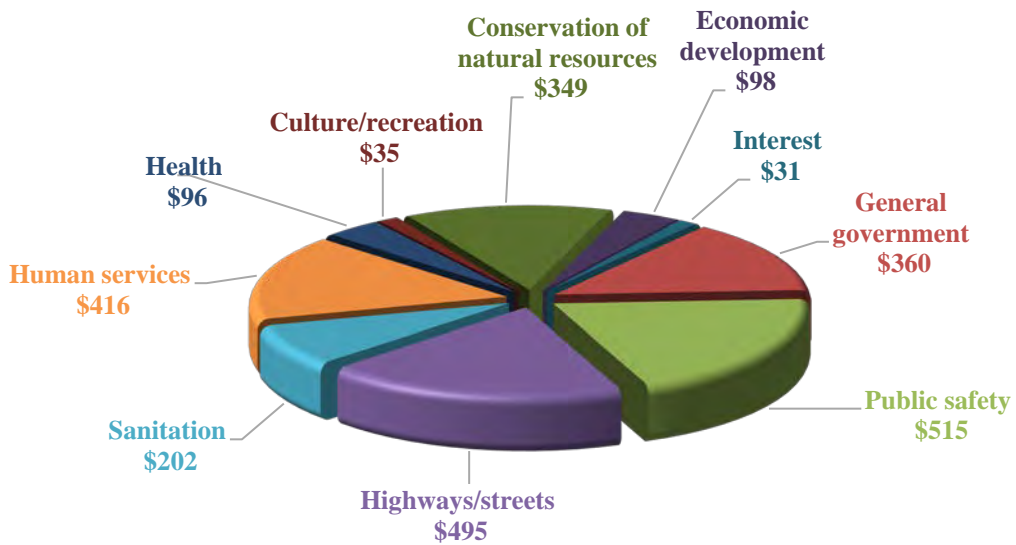
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 11,844 Population as of July 1, 2022



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2022, the County's governmental funds reported combined ending fund balances of \$39,306,026. Of this amount, approximately two percent constitutes the non-spendable fund balance, 55 percent constitutes legally or contractually restricted fund balance, one percent constitutes the committed fund balance, 33 percent constitutes specifically assigned fund balance, and 9 percent represents the unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$10,925,578. The General Fund's restricted fund balance was \$3,294,776, the committed fund balance was \$357,786, the assigned fund balance was \$1,297,498, and the unassigned fund balance was \$5,975,518. The General Fund had no non-spendable fund balance. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2022. Unrestricted fund balance represents 69 percent of total General Fund expenditures, while total fund balance represents 100 percent of that same amount.

In 2022, the fund balance amount in the General Fund increased by \$1,380,521, mainly as a result of American Rescue Plan Act Funding grant.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$4,559,916 in 2022, due to state aid received for construction of infrastructure.

The fund balance of the Public Health and Human Services Special Revenue Fund at December 31, 2022 increased \$664,305 due to unbudgeted recoveries.

The fund balance of the Land and Forestry Special Revenue Fund increased by \$433,963 in 2022 due to increased timber sales in the current year.

The fund balance of the Island View Debt Service Fund decreased by \$16,633 in 2022 due to the debt payments exceeding the revenues received.

The fund balance of the Island View Capital Project Fund decreased by \$510,460 in 2022 due to the final construction costs of the project.

The fund balance of the Northland Integrated Behavioral Health Service Center Capital Project Fund has decreased by \$93,818 in 2022 due to the final construction costs of the project.

The fund balance of the Jail Capital Project Fund increased by \$9,907,634 in 2022 due to the issuance of bonds for the project.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgeted revenues and expenditures as approved for 2022.

Actual revenues were greater than budgeted by \$2,573,757 with the greatest variance in intergovernmental. Expenditures were higher than budgeted by \$1,386,069 primarily due to unexpected disaster expenditures due to the spring flooding.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounted to \$118,078,365 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately nine percent, primarily due to the construction of highway infrastructure.

	Governmental Activities	
	2022	2021
Land and right-of-way	\$ 4,877,261	\$ 4,826,646
Construction in progress	12,491,539	27,426,431
Infrastructure	96,363,695	71,391,607
Buildings and improvements	2,040,338	1,964,589
Machinery and equipment	2,293,452	2,575,449
Right to-use Assets	12,080	-
Total capital assets	<u>\$ 118,078,365</u>	<u>\$ 108,184,722</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$13,557,080 which is backed by the full faith and credit of the government.

	Governmental Activities	
	2022	2021
General Obligation Revenue Notes, Series 2005	\$ 740,000	\$ 982,000
General Obligation Revenue Bonds, Series 2017	3,085,000	3,240,000
General Obligation Revenue Bonds 2022A, Right to-use Lease	9,720,000	-
Capital Lease Purchases	12,080	-
Total:	<u>\$ 13,557,080</u>	<u>\$ 4,222,000</u>

The County's net increase in debt of \$9,335,080 or approximately 221 percent during the fiscal year was primarily attributable to the issuance of jail bonds. Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2022, overall debt of the County is below the three percent debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values

associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

- On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The recovery package provides funding in several areas such as state and local aid, education, rental assistance, transit, stimulus payments for individuals, and other provisions. The local funding portion is approximately \$130 billion, equally divided between cities and counties. Koochiching County received \$1,237,670 in 2021 and another \$1,237,670 in 2022. These funds are required to be spent by December 31, 2024. The County is using the ARPA funds to respond to public health emergency needs, serve the hardest hit communities and address inequities, address negative economic impacts, and improve access to water and broadband infrastructure.
- Koochiching County's unemployment rate was 4.4 percent as of December 2022. This is higher than the statewide rate of 3.2 percent and the national average rate of 3.3 percent as reported by the Minnesota Department of Employment and Economic Development in December 2022.
- Koochiching County's population according to the United States Census Bureau estimate on July 1, 2022, was 11,844, a decrease of 97 since its reported population estimate of 11,941 in 2020. This ranks Koochiching County 62nd of 87 in the State of Minnesota.
- On December 28, 2022, Koochiching County set its 2022 revenue and expenditure budgets. The 2022 net tax levy was \$4,830,000, which is a 5% increase from the 2021 levy of \$4,600,000.
- In 2014, a \$1,000,000 loan from the County General Fund to the Littlefork Medical Center was approved for capital projects, with repayment of the loan over ten years through a special taxing district which began in 2016. In August 2016, the final disbursement of \$446,259 was made to the Littlefork Medical Center, and to date \$753,489 has been paid back to the County through the taxing district collections.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Koochiching County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Director, Betsy Zaren, Koochiching County, 715 4th Street, International Falls, MN 56649.

BASIC FINANCIAL STATEMENTS

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>East Koochiching</u>	<u>Housing and</u>
	<u>Governmental</u>	<u>Sanitary Sewer</u>	<u>Redevelopment</u>
	<u>Activities</u>	<u>District</u>	<u>Authority</u>
<u>Assets</u>			
Cash and pooled investments	\$ 34,507,430	\$ 1,002,258	\$ 11,952
Restricted cash and pooled investments	-	-	40,239
Taxes receivable - prior	128,691	-	-
Special assessments receivable - prior	46,148	-	-
Accounts receivable	4,095,586	157,625	197
Accrued interest receivable	69,744	-	-
Loans receivable	145,707	-	-
Due from other governments	7,845,904	-	33,061
Inventories	556,889	-	-
Prepaid expenses	-	-	2,673
Investment in joint ventures	27,212,193	-	-
Special assessments - noncurrent	3,491,693	-	-
Capital assets			
Non-depreciable	17,368,800	-	-
Depreciable - net of accumulated depreciation	100,709,565	4,796,086	7,193
Total Assets	\$ 196,178,350	\$ 5,955,969	\$ 95,315
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 5,039,672	\$ -	\$ -
Related to other post-employment benefits	52,363	-	-
Total Deferred Outflows of Resources	\$ 5,092,035	\$ -	\$ -
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 555,583	\$ 75,156	\$ 335
Salaries payable	334,665	-	-
Contracts payable	1,220,979	-	-
Due to other governments	1,100,837	-	-
Accrued interest payable	229,757	-	-
Long-term liabilities			
Due within one year	802,321	-	2,390
Due in more than one year	13,806,557	-	162
Other post-employment benefits	681,907	-	-
Net pension liability	11,090,532	-	-
Total Liabilities	\$ 29,823,138	\$ 75,156	\$ 2,887

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Component Units		
	Primary Government	East Koochiching	Housing and
	Governmental Activities	Sanitary Sewer District	Redevelopment Authority
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 243,613	\$ -	\$ -
Related to other post-employment benefits	35,085	-	-
Section 8 Emergency Housing Vouchers revenue	-	-	23,220
Total Deferred Inflows of Resources	\$ 278,698	\$ -	\$ 23,220
<u>Net Position</u>			
Net investment in capital assets	\$ 104,688,365	\$ 4,796,086	\$ 7,193
Amounts restricted for			
General government	2,564,722	-	-
Public safety	430,134	-	-
Highways and streets	5,379,853	-	-
Conservation of natural resources	2,018,915	-	-
Economic development	27,212,193	-	17,019
Capital replacement	-	14,699	-
Unrestricted amounts	28,874,367	1,070,028	44,996
Total Net Position	\$ 171,168,549	\$ 5,880,813	\$ 69,208

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**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Revenues			
Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 4,265,967	\$ 274,477	\$ 1,807,487	\$ 1,260,492
Public safety	6,096,679	151,034	839,498	118,389
Highways and streets	5,857,375	84,775	2,664,875	7,393,055
Sanitation	2,396,317	1,606,496	72,440	-
Human services	4,929,172	1,064,299	2,580,367	-
Health	1,135,550	393,307	4,854,907	-
Culture and recreation	418,618	-	111,920	5,997
Conservation of natural resources	4,131,699	4,606,998	488,838	-
Economic development	1,161,561	(245,312)	299,986	-
Interest	362,137	-	-	-
Total governmental activities	\$ 30,755,075	\$ 7,936,074	\$ 13,720,318	\$ 8,777,933
Component units				
East Koochiching Sanitary Sewer District	\$ 1,102,779	\$ 590,682	\$ -	\$ -
Housing and Redevelopment Authority	\$ 614,701	\$ 53,804	\$ 570,783	\$ 2,089

General revenues

Taxes
Grants and contributions not restricted to specific programs
Payments in lieu of taxes
Investment earnings
Insurance dividends
Miscellaneous

Total general revenues

Change in net position

Net position - January 1

Net position - December 31

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position		
Primary	Component Units	
Government	East Koochiching	Housing and
Governmental	Sanitary Sewer	Redevelopment
Activities	District	Authority
\$ (923,511)		
(4,987,758)		
4,285,330		
(717,381)		
(1,284,506)		
4,112,664		
(300,701)		
964,137		
(1,106,887)		
(362,137)		
\$ (320,750)		
	\$ (512,097)	
		\$ 11,975
\$ 6,810,824	\$ -	\$ -
1,821,889	4,234	-
2,837,141	-	-
(676,351)	2,825	7
86,108	-	-
-	-	(51)
\$ 10,879,611	\$ 7,059	\$ (44)
\$ 10,558,861	\$ (505,038)	\$ 11,931
160,609,688	6,385,851	57,277
\$ 171,168,549	\$ 5,880,813	\$ 69,208

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

<u>Assets</u>	<u>Special Revenue Funds</u>				
	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Public Health & Human Services</u>	<u>Land and Forestry</u>	<u>Island View Debt Service Fund</u>
Cash and pooled investments	\$ 6,222,415	\$ 7,227,629	\$ 3,738,902	\$ 3,032,240	\$ 370,133
Taxes receivable - prior	63,050	12,857	46,290	-	-
Special assessments receivable - prior	-	-	-	-	4,867
Accounts receivable	6,655	1,486	36,780	3,979,783	-
Loans receivable	145,707	-	-	-	-
Accrued interest receivable	34,063	-	-	-	-
Due from other funds	2,435,914	-	-	-	-
Due from other governments	2,472,564	2,493,067	495,589	24,441	14,375
Inventories	-	556,889	-	-	-
Special assessments - noncurrent	-	-	-	-	3,195,148
Total Assets	\$ 11,380,368	\$ 10,291,928	\$ 4,317,561	\$ 7,036,464	\$ 3,584,523
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 120,984	\$ 177,540	\$ 148,595	\$ 4,504	\$ -
Salaries payable	127,336	59,562	103,704	27,576	-
Contracts payable	-	210,897	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	24,121	1,166	4,456	1,069,033	-
Total Liabilities	\$ 272,441	\$ 449,165	\$ 256,755	\$ 1,101,113	\$ -
Deferred Inflows of Resources					
Unavailable Revenues					
County State Aid Highway Allotment	\$ -	\$ 2,086,037	\$ -	\$ -	\$ -
Land and timber sales	-	-	-	2,527,801	-
Loans	145,707	-	-	-	-
Special assessments	-	-	-	-	3,200,015
Taxes	36,642	6,683	25,537	-	-
Total Deferred Inflows of Resources	\$ 182,349	\$ 2,092,720	\$ 25,537	\$ 2,527,801	\$ 3,200,015
Fund Balances					
Non-spendable	\$ -	\$ 556,889	\$ -	\$ -	\$ -
Restricted	3,294,776	3,293,816	-	2,018,915	384,508
Committed	357,786	-	-	-	-
Assigned	1,297,498	3,899,338	4,035,269	1,388,635	-
Unassigned	5,975,518	-	-	-	-
Total Fund Balances	\$ 10,925,578	\$ 7,750,043	\$ 4,035,269	\$ 3,407,550	\$ 384,508
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,380,368	\$ 10,291,928	\$ 4,317,561	\$ 7,036,464	\$ 3,584,523

EXHIBIT 3

	Northland Integrated				
	Behavioral Health		Other		
Island View	Service Center	Jail	Governmental	Total	
Capital Project	Capital Project	Capital Project	Funds	Governmental	
Fund	Fund	Fund	(Statement 1)	Funds	
\$ -	\$ 1,063,203	\$ 9,876,953	\$ 2,975,955	\$ 34,507,430	
-	-	-	6,494	128,691	
-	-	-	41,281	46,148	
-	-	-	70,882	4,095,586	
-	-	-	-	145,707	
-	-	35,681	-	69,744	
-	-	-	-	2,435,914	
-	2,288,986	-	56,882	7,845,904	
-	-	-	-	556,889	
-	-	-	296,545	3,491,693	
\$ -	\$ 3,352,189	\$ 9,912,634	\$ 3,448,039	\$ 53,323,706	
\$ -	\$ -	\$ 5,000	\$ 98,960	\$ 555,583	
-	-	-	16,487	334,665	
-	1,010,082	-	-	1,220,979	
2,330,712	-	-	105,202	2,435,914	
-	-	-	2,061	1,100,837	
\$ 2,330,712	\$ 1,010,082	\$ 5,000	\$ 222,710	\$ 5,647,978	
\$ -	\$ -	\$ -	\$ -	\$ 2,086,037	
-	-	-	-	2,527,801	
-	-	-	-	145,707	
-	-	-	337,826	3,537,841	
-	-	-	3,454	72,316	
\$ -	\$ -	\$ -	\$ 341,280	\$ 8,369,702	
\$ -	\$ -	\$ -	\$ -	\$ 556,889	
-	2,342,107	9,907,634	570,701	21,812,457	
-	-	-	-	357,786	
-	-	-	2,361,668	12,982,408	
(2,330,712)	-	-	(48,320)	3,596,486	
\$ (2,330,712)	\$ 2,342,107	\$ 9,907,634	\$ 2,884,049	\$ 39,306,026	
\$ -	\$ 3,352,189	\$ 9,912,634	\$ 3,448,039	\$ 53,323,706	

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022**

Fund balances - total governmental funds (Exhibit 3)	\$	39,306,026
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		118,078,365
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Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		27,212,193
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		8,369,702
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Long-term liabilities, including bonds and notes payable, are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	\$ (229,757)	
General obligation bonds	(10,636,036)	
Revenue bonds	(3,098,235)	
Right-to-use lease liability	(12,080)	
Termination benefits	(174,307)	
Compensated absences payable	(688,220)	
		(14,838,635)

Other post-employment benefits and related outflows/inflows of resources represent the
allocation of the other post employment benefit obligations to the County. Such
balances are not reported in the governmental funds:

Deferred outflows of resources related to other post-employment benefits	\$ 52,363	
Deferred inflows of resources related to other post-employment benefits	(35,085)	
Other post-employment benefits	(681,907)	
		(664,629)

Net pension liability and related outflows/inflows of resources represent the
allocation of the pension obligations of the statewide plans to the County. Such
balances are not reported in the governmental funds:

Deferred outflows of resources related to pensions	\$ 5,039,672	
Deferred inflows of resources related to pensions	(243,613)	
Net pension liability	(11,090,532)	
		(6,294,473)

Net position of governmental activities (Exhibit 1)	\$	171,168,549
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**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds				Island View Debt Service Fund
	General Fund	Road and Bridge	Public Health and Human Services	Land and Forestry	
Revenues					
Taxes	\$ 3,819,504	\$ 1,017,791	\$ 1,703,558	\$ -	\$ -
Special assessments	-	-	-	-	198,146
Licenses and permits	31,830	-	-	-	-
Intergovernmental	7,339,091	14,413,782	3,709,134	297,922	28,248
Charges for services	244,522	48,099	597,851	-	-
Fines and forfeitures	18,265	-	-	-	-
Investment earnings	(788,311)	-	-	-	1,962
Gifts and contributions	8,566	-	-	-	-
Land and timber sales	-	-	-	5,450,787	-
Miscellaneous	704,572	36,676	471,896	3,431	-
Total Revenues	\$ 11,378,039	\$ 15,516,348	\$ 6,482,439	\$ 5,752,140	\$ 228,356
Expenditures					
Current					
General government	\$ 3,976,582	\$ -	\$ -	\$ -	\$ -
Public safety	5,626,564	-	-	-	-
Highways and streets	-	11,389,326	-	-	-
Sanitation	-	-	-	-	-
Human services	-	-	4,741,188	-	-
Health	-	-	1,140,946	-	-
Culture and recreation	333,401	-	-	-	-
Conservation of natural resources	175,253	-	-	3,745,075	-
Economic development	685,664	-	-	-	-
Total Current	\$ 10,797,464	\$ 11,389,326	\$ 5,882,134	\$ 3,745,075	\$ -
Debt Service					
Principal retirement	\$ -	\$ -	\$ -	\$ -	\$ 155,000
Interest	-	-	-	-	89,989
Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 244,989
Capital Outlay					
Public safety	\$ 97,318	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	222,963	-	-	-
Sanitation	-	-	-	-	-
Health	-	-	-	-	-
Conservation of natural resources	-	-	-	17,606	-
Total Capital Outlay	\$ 97,318	\$ 222,963	\$ -	\$ 17,606	\$ -
Total Expenditures	\$ 10,894,782	\$ 11,612,289	\$ 5,882,134	\$ 3,762,681	\$ 244,989
Excess of Revenues Over					
Excess of Revenues Over (Under) Expenditures	\$ 483,257	\$ 3,904,059	\$ 600,305	\$ 1,989,459	\$ (16,633)
Other Financing Sources (Uses)					
Transfers in	\$ 1,047,264	\$ 354,116	\$ 64,000	\$ -	\$ -
Transfers out	(150,000)	-	-	(1,555,496)	-
Proceeds from issuance of debt	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 897,264	\$ 354,116	\$ 64,000	\$ (1,555,496)	\$ -
Net Change in Fund Balance	\$ 1,380,521	\$ 4,258,175	\$ 664,305	\$ 433,963	\$ (16,633)
Fund Balance - January 1	\$ 9,545,057	\$ 3,190,127	\$ 3,370,964	\$ 2,973,587	\$ 401,141
Increase (decrease) in inventories	-	301,741	-	-	-
Fund Balance - December 31	\$ 10,925,578	\$ 7,750,043	\$ 4,035,269	\$ 3,407,550	\$ 384,508

EXHIBIT 5

Island View Capital Project Fund	Northland Integrated Behavioral Health Service Center Capital Project Fund	Jail Capital Project Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 316,609	\$ 6,857,462
-	-	-	660,434	858,580
-	-	-	4,660	36,490
-	4,441,655	-	992,397	31,222,229
-	-	-	782,547	1,673,019
-	-	-	-	18,265
-	-	108,124	1,874	(676,351)
-	-	-	-	8,566
-	-	-	-	5,450,787
-	-	-	175,247	1,391,822
\$ -	\$ 4,441,655	\$ 108,124	\$ 2,933,768	\$ 46,840,869
\$ -	\$ -	\$ -	\$ -	\$ 3,976,582
-	-	-	-	5,626,564
-	-	-	-	11,389,326
-	-	-	1,809,079	1,809,079
-	-	-	-	4,741,188
-	-	-	-	1,140,946
-	-	-	-	333,401
-	-	-	166,197	4,086,525
-	-	-	475,897	1,161,561
\$ -	\$ -	\$ -	\$ 2,451,173	\$ 34,265,172
\$ -	\$ -	\$ -	\$ 242,000	\$ 397,000
-	-	12,826	9,820	112,635
\$ -	\$ -	\$ 12,826	\$ 251,820	\$ 509,635
\$ -	\$ -	\$ 59,500	\$ -	\$ 156,818
-	-	-	-	222,963
510,460	-	-	113,785	624,245
-	4,535,473	-	-	4,535,473
-	-	-	-	17,606
\$ 510,460	\$ 4,535,473	\$ 59,500	\$ 113,785	\$ 5,557,105
\$ 510,460	\$ 4,535,473	\$ 72,326	\$ 2,816,778	\$ 40,331,912
\$ (510,460)	\$ (93,818)	\$ 35,798	\$ 116,990	\$ 6,508,957
\$ -	\$ -	\$ -	\$ 290,116	\$ 1,755,496
-	-	-	(50,000)	(1,755,496)
-	-	9,871,836	-	9,871,836
\$ -	\$ -	\$ 9,871,836	\$ 240,116	\$ 9,871,836
\$ (510,460)	\$ (93,818)	\$ 9,907,634	\$ 357,106	\$ 16,380,793
\$ (1,820,252)	\$ 2,435,925	\$ -	\$ 2,526,943	\$ 22,623,492
-	-	-	-	301,741
\$ (2,330,712)	\$ 2,342,107	\$ 9,907,634	\$ 2,884,049	\$ 39,306,026

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 16,380,793

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

Governmental funds report capital outlay as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 13,777,719	
Current year depreciation	(3,682,791)	
Net book value of assets disposed	<u>(201,285)</u>	9,893,643

Change in value of the joint venture does not provide current financial resources and
is not reported in the governmental funds. (519,856)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the governmental funds.

Change in deferred inflows of resources (5,066,910)

The repayment of the principal of long-term debt consumes the current financial resources
of governmental funds, however, the transaction has no effect on net position.

Proceeds from issuance of debt	\$ (9,720,000)	
Amortization of premium	(175,209)	
Right-to-use liability	(12,080)	
Principal repayments	<u>397,000</u>	(9,510,289)

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	\$ (226,129)	
Compensated absences payable	(26,427)	
Termination benefits	3,197	
Inventories	<u>301,741</u>	52,382

Net pension asset and liability do not represent an impending source or use of current resources.
Therefore, the change in the asset, liability, and related deferrals of resources are not
reported in the governmental funds.

Change in		
Deferred Outflows related to other post-employment benefits	\$ (41,016)	
Deferred Inflows related to other post-employment benefits	12,045	
Other post-employment benefits	(32,799)	
Deferred Outflows related to net pension liabilities	889,589	
Deferred Inflows related to net pension liabilities	5,227,791	
Net pension liability	<u>(6,726,512)</u>	(670,902)

Change in net position of governmental activities (Exhibit 2) \$ 10,558,861

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds (Statement 5)</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 43,365	\$ 352,623	\$ 395,988
Due from other governments	-	40,681	40,681
Total Assets	<u>\$ 43,365</u>	<u>\$ 393,304</u>	<u>\$ 436,669</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 452	\$ 452
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	<u>\$ 43,365</u>	<u>\$ 392,852</u>	<u>\$ 436,217</u>

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 6)	Total
Additions			
Contributions:			
Individuals	\$ -	\$ 1,893,699	\$ 1,893,699
Property tax collections for other governments	-	34,644,500	34,644,500
License and fees collected for State	-	2,439,433	2,439,433
Miscellaneous	1,019,065	538,278	1,557,343
Total Additions	\$ 1,019,065	\$ 39,515,910	\$ 40,534,975
Deductions			
Medical, dental, and life insurance	\$ -	\$ 1,894,600	\$ 1,894,600
Payments of property tax to other governments	-	34,639,476	34,639,476
Payments to state	-	2,439,433	2,439,433
Payments to individuals	1,037,125	-	1,037,125
Payments to other entities	-	555,502	555,502
Total Deductions	\$ 1,037,125	\$ 39,529,011	\$ 40,566,136
Change in net position	\$ (18,060)	\$ (13,101)	\$ (31,161)
Net Position – January 1	61,425	405,953	467,378
Net Position – December 31	\$ 43,365	\$ 392,852	\$ 436,217

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Koochiching County was established December 19, 1906, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present Koochiching County (the primary government) and its component units for which the County is financially accountable. 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 participates in joint ventures and jointly-governed organizations which are described in Notes section VII, subdivisions E and F, respectively.

Blended Component Unit

Koochiching Development Authority is presented in these financial statements as a blended component unit. The organization was established to assume primary responsibility for development activities within the County. Although the organization is legally separate from the County, it is reported as if it were part of Koochiching County because its governing body is the same as the governing body of the County. Financial information on the Koochiching Development Authority can be obtained at the Koochiching County Courthouse, 715 4th Street, International Falls, Minnesota 56649.

Discretely Presented Component Units

The Koochiching County Housing and Redevelopment Authority (HRA) and the East Koochiching Sanitary Sewer District are presented in these financial statements as discretely presented component units in the government-wide financial statements. The HRA and the East Koochiching Sanitary Sewer District are reported in separate columns to emphasize that they are legally separate from the County.

1. East Koochiching Sanitary Sewer District

The East Koochiching Sanitary Sewer District provides waste management services for participating rural users and cities within the sewer district. The eight-member governing body, appointed by the Koochiching County Board of Commissioners, includes a Koochiching County Commissioner, and governs the District. The financial statements included are as of and for the year ended December 31, 2022. Complete financial statements of the East Koochiching Sanitary Sewer District can be obtained by contacting the East Koochiching Sanitary Sewer District at 1412 Highway 71, International Falls, MN 56649.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

2. Housing and Redevelopment Authority (HRA) of Koochiching County

The Koochiching County HRA administers government funded programs which provide rental assistance to eligible seniors, singles, families, and persons with disabilities to secure affordable housing within the County. The five-member governing body is appointed by the Koochiching County Board of Commissioners. The financial statements included are as of and for the year ended June 30, 2022. Complete financial statements of the HRA can be obtained by contacting the HRA at 12060 Main Street, Northome, Minnesota 56661.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) display information about the primary government and its component units. 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.

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

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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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 and blended component unit. 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 separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services restricted, and assigned to various highways and streets purposes.

The Public Health and Human Services Special Revenue Fund is used to account for and report economic assistance and community health and social services programs. Financing is provided by annual tax levy and intergovernmental revenues assigned to various public health, income maintenance, and social services purposes.

The Land and Forestry Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota, pursuant to Minn. Stat. § 282, and to account for and report financial transactions of various operations of the County Forest restricted and assigned to land and forestry.

The Island View Debt Service Fund is used to account for and report the financial resources that are restricted, for the payment of long-term debt principle, interest, and related costs for the Island View Wastewater Project.

The Island View Capital Project Fund is used to account for and report the financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Jail Capital Project Fund is used to account for and report the financial transactions of the capital project for construction of a new jail restricted for public safety.

The Northland Integrated Behavior Health Service Center Capital Project Fund is used to account for and report the financial transactions restricted for the Northland Integrated Behavior Health Service Center.

Additionally, the County reports the following funds types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Debt Service Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than special revenue or capital projects.

Fiduciary Funds are custodial in nature and do not present results of operations or have a measurement focus. The County reports the following fiduciary funds:

The Social Welfare Private Purpose Trust Fund is used to manage the day-to-day finances of Koochiching County citizens that are not able to manage their own finances.

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers property tax revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general 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.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2022, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were \$212,521. Total investment deficits for 2022 were \$676,351.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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 on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

Taxes receivable consist of uncollected taxes payable in the years 2012 through 2022. Taxes receivable are offset by unavailable revenue for the amount not collectible within 60 days of December 31 to indicate they are not available to pay current expenditures.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable government funds to indicate that they are not available for appropriation and are not expendable available resources.

No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

3. Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments payable in the years 2012 through 2022 and noncurrent special assessments payable in 2023 and after. Special assessments receivable is offset by unavailable revenue for the amount not collectible within 60 days of December 31 to indicate that they are not available to pay current expenditures. No allowance for uncollectible special assessments is shown because such amounts are not expected to be material.

4. Loans Receivable

Loans receivable consist of an economic development loan between the County and the Koochiching County Economic Development Authority for the construction of a cold box site, a rural fire boat loan, and the Littlefork Medical Center loan for capital improvements necessary to keep the facility operating. Scheduled collections on the loans range from 3 to 5 years.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Inventories

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

6. Capital Assets

Capital assets, which include land, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of \$10,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction in progress consist of highway projects and the Island View sewer project.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Buildings and improvements	15-100
Machinery and equipment	5-20

7. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

The County reports property taxes, loans, special assessments, land and timber sales, and County State Aid Highway Allotment as deferred inflows of resources in the governmental fund financial statements. In addition, the County reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate, and Section 8 Emergency Housing vouchers. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide 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 and are charged to the department from which the employee resigned or retired. The current portion of the liability consists of an amount based on a trend analysis of current usage of paid time off. The noncurrent portion consists of the remaining amount of paid time off. The compensated absences liability is liquidated by the General Fund, and the Road and Bridge, Public Health and Human Services, Environmental Services, and Land and Forestry Special Revenue Funds.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The pension liability is liquidated by the General Fund, and the Road and Bridge, Public Health and Human Services, Environmental Services, and Land and Forestry Special Revenue Funds.

10. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

10. Other Postemployment Benefits (OPEB) (continued)

retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement.

All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2022. The County uses the actuarial method of valuation to determine its Other Post-Employment Benefit (OPEB) liability. The General Fund, and the Road and Bridge, Public Health and Human Services, Environmental Services, and Land and Forestry Special Revenue Funds are typically used to liquidate governmental OPEB liabilities.

11. Long-Term Obligations

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources when issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net Position and Fund Balance

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

In the fund financial statements, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Administration Director.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund and major funds of amounts not less than three but no more than five months of next year's budgeted expenditures. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by the amount of budget funding determined in each fund in the next budget cycle.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County will set aside amounts as deemed necessary through its annual planning that can only be expended when unforeseen and emergencies exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County does not identify an amount for stabilization as of December 31, 2022.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned

13. Use of Estimates

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

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

13. Use of Estimates (continued)

disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Tax Abatement

The County has a business subsidy program, and on August 28, 2018, the Koochiching County Board of Commissioners approved an Economic Development tax abatement pursuant to Minnesota Statute §§ 469.1812-.1815 for the Ranier Development Company, LLC and the Cantilever Bridge Distillery, LLC, (Developer) whereas the Developer endeavors to spur economic growth in the County by redeveloping the property into a distillery and a boutique hotel which will bring jobs and tourism revenue into the area. The County agrees to abate 100% of the County’s share of ad valorem property taxes on the property for a period not to exceed 15 years with respect to the taxes payable in 2021 through 2034 in a total not to exceed \$500,000. As of December 31, 2022, \$4,945 of property tax has been abated.

The County has a business subsidy program, and on August 17, 2021, the Koochiching County Board of Commissioners approved an Economic Development tax abatement pursuant to Minnesota Statute §§ 469.1812-.1815 for the IFalls Group, LLC (Developer) whereas the Developer endeavors to spur economic growth in the County by developing the 87-room Cobblestone Hotel and Suites which will bring jobs and tourism revenue into the area. The County agrees to abate 100% of the County’s share of ad valorem property taxes on the property for a period not to exceed 10 years with respect to the taxes payable in 2023 through 2032 in a total not to exceed \$50,000 per year. The tax abatements for this program will begin in 2023.

The County has a business subsidy program, and on August 12, 2021, the Koochiching County Board of Commissioners approved an Economic Development tax abatement pursuant to Minnesota Statute §§ 469.1812-.1815 for IF Properties, LLC., and William D. Aho (their designee) Developer endeavors to spur economic growth in the County by redeveloping their property into a 84-room hotel with swimming pool which will bring jobs and tourism revenue into the area. The County agrees to abate 100% of the County’s share of ad valorem property taxes on the property for a period not to exceed \$534,000. The tax abatements for this program will begin in 2023.

B. Deficit Unassigned Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2022, which will be eliminated with future charges for services:

Island View Capital Project Fund	\$ 2,330,712
Jackfish Bay Debt Service Fund	48,320

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

II. Stewardship, Compliance, and Accountability (Continued)

C. Land Management

The County manages approximately 287,123 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliations of the County’s total deposits and investments to the basic financial statements, as of December 31, 2022, are as follows:

Governmental funds	
Cash and pooled investments	\$ 34,507,430
Fiduciary funds	
Cash and pooled investments	352,623
Total cash and investments	\$ 34,860,053
Cash on hand	\$ 2,450
Checking accounts	7,209,258
Savings accounts	106,384
Certificates of Deposit	1,100,000
Investments	26,441,961
Total deposits and investments	\$ 34,860,053

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent 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 standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy requires that all deposits be protected by deposit insurance, bond or collateral, and documentation of perfected security interests in pledged collateral. The collateral requirements, per County policy, are consistent with Minnesota statutes. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

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

- (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 Statute, § 118A.04, subdivision 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 certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (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. It is the County's policy to minimize interest rate risk by structuring the type and maturity of investments to meet cash requirements for ongoing operations. The County invests in both short-term and long-term investments so that a portion of the portfolio matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Interest Rate Risk (Continued)

At December 31, 2022, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
Federal Home Loan Bank	\$ 2,338,929	\$ 382,314	\$ 1,471,751	\$ 484,864
Federal Home Loan Mortgage Corporation	336,620	-	336,620	-
Federal Farm Credit Bank	1,680,549	723,533	746,393	210,623
U.S. Treasury Notes	1,325,208	939,272	385,936	-
Negotiable CDS	2,844,258	2,844,258	-	-
Fixed Income Funds - Bonds	4,184,613	561,374	2,448,200	1,175,039
Money Market	13,731,784	13,731,784	-	-
Total Investments	\$ 26,441,961	\$ 19,182,535	\$ 5,388,900	\$ 1,870,526
	100%	73%	20%	7%

Credit Risk

Generally, a 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. The County's exposure to credit risk as of December 31, 2022, is as follows:

	S & P Rating	Fair Value
Federal Home Loan Bank	AA+	\$ 2,338,929
Federal Home Loan Mortgage Corporation	N/R	336,620
Federal Farm Credit Banks Funding Corp	AA+	1,680,548
U.S. Treasury Notes	N/A	1,325,209
Fixed Income Funds - Taxable Bonds	AA-	357,731
Fixed Income Funds - Taxable Bonds	AA	747,598
Fixed Income Funds - Taxable Bonds	AAA	232,943
Fixed Income Funds - Taxable Bonds	AA+	980,358
Fixed Income Funds - Taxable Bonds	N/A	1,675,417
Fixed Income Funds - Taxable Bonds	N/R	190,568
Negotiable CDs	N/R	2,844,258
Cash/Money Market	N/A	13,731,782
		\$ 26,441,961

N/A – not applicable

N/R – not rated

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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 that are in the possession of an outside party. The County's investment policy is to minimize custodial credit risk by limiting investments to the types of securities permitted by Minnesota Statute, Chapter 118A and by obtaining broker certification forms and documentation of perfected security interest in pledged collateral from authorized financial institutions, brokers/dealers, and intermediaries or advisors. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk.

At December 31, 2022, the following investments may be subject to custodial credit risk:

Money Market	\$	13,217,350
Mortgage Backed Securities		4,189,680
Fixed Income Funds - Taxable Bonds		4,024,752
Federal Treasury Note		1,274,581
 Total Custodial Credit Risk	 \$	 <u>22,706,363</u>

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, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County's policy is to minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. This will be based on applicable opinion units. On December 31, 2022, the following County investments were subject to concentration of credit risk:

Concentration of Credit Risk		
Investment	Fair Value	Concentration Percentage
Negotiable Certificates of Deposits	2,844,258	8%
Fixed Income Funds - Taxable Bonds	4,184,613	12%

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and;
- Level 3: Unobservable inputs.

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

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2022, the County had \$13,353,999 invested in the MAGIC Portfolio.

At December 31, 2022, the County had the following recurring fair value measurements:

	December 31, 2022	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)
Investments by fair value level			
Debt securities	\$ 8,540,710	\$ -	\$ 8,540,710
Money market	377,785	377,785	-
U.S. Treasuries	1,325,209	-	1,325,209
CD Holding Agency	2,844,258	-	2,844,258
Total Investments	<u>\$ 13,087,962</u>	<u>\$ 377,785</u>	<u>\$ 12,710,177</u>
Investments measured at the net asset value - MAGIC			
	<u>\$ 13,353,999</u>		

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices. The County has no level 3 securities at December 31, 2022.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2022, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes receivable	\$ 128,691	\$ -
Special assessments	3,537,841	3,491,693
Accounts receivable	4,095,586	-
Accrued interest	69,744	-
Loans receivable	331,368	185,661
Due from other governments	7,845,904	-
	<u>\$ 16,009,134</u>	<u>\$ 3,677,354</u>
Total	<u>\$ 16,009,134</u>	<u>\$ 3,677,354</u>

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,638,654	\$ 50,615	\$ -	\$ 2,689,269
Right-of-way	2,187,992	-	-	2,187,992
Construction in progress	27,426,431	12,623,756	27,558,648	12,491,539
	<u>\$ 32,253,077</u>	<u>\$ 12,674,371</u>	<u>\$ 27,558,648</u>	<u>\$ 17,368,800</u>
Capital assets being depreciated/amortized:				
Infrastructure	\$ 109,112,359	\$ 27,767,722	\$ 209,075	\$ 136,671,006
Buildings and improvements	6,217,529	164,488	-	6,382,017
Machinery and equipment	10,840,951	717,706	1,161,187	10,397,470
Right-to-use	-	12,080	-	12,080
	<u>\$ 126,170,839</u>	<u>\$ 28,661,996</u>	<u>\$ 1,370,262</u>	<u>\$ 153,462,573</u>
Less: accumulated depreciation/amortization for				
Infrastructure	\$ 37,720,752	\$ 2,724,939	\$ 138,380	\$ 40,307,311
Buildings and improvements	4,252,940	88,739	-	4,341,679
Machinery and equipment	8,265,502	869,113	1,030,597	8,104,018
	<u>\$ 50,239,194</u>	<u>\$ 3,682,791</u>	<u>\$ 1,168,977</u>	<u>\$ 52,753,008</u>
Total capital assets, depreciated/amortized, net	<u>\$ 75,931,645</u>	<u>\$ 24,979,205</u>	<u>\$ 201,285</u>	<u>\$ 100,709,565</u>
Governmental Activities Capital and Lease Assets, Net	<u>\$ 108,184,722</u>	<u>\$ 37,653,576</u>	<u>\$ 27,759,933</u>	<u>\$ 118,078,365</u>

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Depreciation Expense

Depreciation and amortization expense was charged to functions of the County as follows:

General government	\$	70,634
Public safety		151,255
Highways and streets, including depreciation of infrastructure assets		2,555,470
Sanitation/Solid Waste		797,700
Social services		43,326
Health		18,568
Culture and recreation		14,522
Conservation of natural resources		31,316
Total Depreciation Expense	\$	3,682,791

Construction Contracts

The County has two active construction contracts as of December 31, 2022, for the road and bridge projects. Construction contracts are being financed by County taxes and intergovernmental revenue from state and federal agencies. The contracts include the following:

	Spent-to-Date	Remaining Contracts
Governmental activities		
Highways and streets	\$ 4,872,407	\$ 4,294,020

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Island View Capital Project Fund	\$ 2,330,712	Cash deficit
	Jackfish Bay Debt Service Fund	105,202	Cash deficit
Total Due To/From Other Funds		\$ 2,435,914	

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result mainly from the temporary transfers to fund cash deficits.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following operating transfers:

Transfer to General Fund from Land and Forestry Special Revenue Fund	\$ 30,000	Rent payment
	1,017,264	Forfeited tax settlement
Transfer to Road and Bridge Special Revenue Fund from General Fund	50,000	Union Contract Settlements
from Land and Forestry Special Revenue Fund	254,116	Forfeited tax settlement
from County Development Special Revenue Fund	50,000	Budget transfer allocation
Transfer to Public Health and Human Services Special Revenue Fund from General Fund	64,000	Union Contract Settlements
Transfer to Environmental Services Special Revenue Fund from General Fund	36,000	Union Contract Settlements
from Land and Forestry Special Revenue Fund	<u>254,116</u>	Forfeited tax settlement
Total Interfund Transfers	<u>\$ 1,755,496</u>	

C. Liabilities and Deferred Inflows of Resources

1. Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Maximum vacation earnings are 240 hours. Vacation Bonus Leave (VBL) can be accumulated for every 8 hours of sick leave earned beyond the maximum, then 4 hours of VBL can be accumulated with a maximum of 6 days per year which can be earned with VBL, and is capped at 48 hours which can be carried over to the next year.

Maximum sick leave earnings are 960 hours. At severance, after a minimum of 20 years of employment, the employee retiring shall receive 25 percent of their accumulated sick leave; minimum of 25 years will receive 40 percent; minimum 30 years will receive 50 percent. Employees with a minimum of 10 years of County employment, but less than 20 years benefits, shall receive severance pay in the amount of 25 percent of their accumulated sick leave. Road and Bridge personnel who were hired prior to July 1, 1988 may accrue 150 days or 1,200 hours of sick leave. Sick leave is accrued at four hours of sick leave per pay period of continuous employment.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$755,609 at December 31, 2022, is available to employees in the event of illness-related absences and is not paid to them at termination.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Healthcare-related Termination Benefits

Koochiching County provides health insurance benefits to elected officials who meet eligibility requirements as established by Board motions. Employer contributions are financed when vested at retirement for elected officials. The monetary contribution under the plan would be equal to one year of non-union annual cafeteria plan contribution for every year of service including a maximum cap of three years, with that amount held by Koochiching County and used to provide insurance coverage as chosen by the retiring official.

At December 31, 2022, there were 10 participants in the plan, and the County's liability for termination benefits was \$174,307. For more information concerning the requirements and benefits provided contact the Koochiching County Administration Director at 715 4th Street, International Falls, Minnesota 56649.

3. Long-Term Debt

Bonds Payable

Koochiching County General Obligation Revenue Notes, Series 2005 represent debt incurred for the construction of the Jackfish Bay wastewater project. These notes have an original issue amount of \$4,394,750, with additional net issues of \$25,063 in 2009 and \$11,026 in 2011, for a total issue of \$4,430,839. They carry a net interest rate of 1.0 percent and are due in annual installments of \$244,000 to \$249,000 paid from the Jackfish Bay Debt Service Fund through 2025. The balance due on these notes at December 31, 2022 is \$740,000.

Koochiching County General Obligation Sewer Revenue Bonds, Series 2017A represent debt incurred for a sewer project. These bonds have an original issue amount of \$3,530,000, carry an interest rate of 2.0 percent, and are due in annual installments of \$160,000 to \$235,000 paid from the Island View Debt Service Fund through 2037. The balance due on these bonds at December 31, 2022 is \$3,085,000.

Koochiching County General Obligation Jail Bonds, Series 2022A represent debt incurred for a new jail project. These bonds have an original issue amount of \$9,720,000, carry an interest rate of 3.26 percent, and are due in annual installments of \$215,000 to \$665,000 to be paid from the Jail Bonds Debt Service Fund through 2043. The balance due on these bonds at December 31, 2022 is \$9,720,000.

4. Debt Service Requirements

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

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation					
	Revenue Notes, Series 2005		Revenue Bond, Series 2017A		Jail Bonds of 2022	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 244,000	\$ 7,400	\$ 160,000	\$ 86,344	\$ -	\$ 304,627
2024	247,000	4,960	165,000	83,094	215,000	334,175
2025	249,000	2,490	165,000	79,794	360,000	322,675
2026	-	-	170,000	75,594	370,000	308,075
2027	-	-	175,000	70,419	385,000	292,975
2028-2032	-	-	935,000	269,895	2,175,000	1,224,625
2033-2037	-	-	1,080,000	119,520	2,550,000	849,275
2038-2042	-	-	235,000	3,672	3,000,000	385,875
2043	-	-	-	-	665,000	11,638
Total	<u>\$ 740,000</u>	<u>\$ 14,850</u>	<u>\$ 3,085,000</u>	<u>\$ 788,332</u>	<u>\$ 9,720,000</u>	<u>\$ 4,033,940</u>

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Revenue Notes, Series 2005	\$ 982,000	\$ -	\$ 242,000	\$ 740,000	\$ 244,000
General Obligation Sewer Revenue Bonds, Series 2017A	3,240,000	-	155,000	3,085,000	160,000
Premium	14,062	-	827	13,235	-
General Obligation Jail Bonds, Series 2022A	-	9,720,000	-	9,720,000	-
Premium	-	176,036	-	176,036	-
Termination Benefits	177,504	6,964	10,161	174,307	-
Governmental Activities Long-Term Liabilities	<u>\$ 4,413,566</u>	<u>\$ 9,903,000</u>	<u>\$ 407,988</u>	<u>\$ 13,908,578</u>	<u>\$ 404,000</u>

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources (Continued)

6. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, loans, County State Aid Highway Allotment, and timber sales receivables not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2022, are summarized below by fund:

	Taxes	Special Assessments	Loans	County State Aid Highway Allotment	Timber Sales	Total
Governmental funds						
General Fund	\$ 36,642	\$ -	\$ 145,707	\$ -	\$ -	\$ 182,349
Special Revenue Funds						
Road and Bridge	6,683	-	-	2,086,037	-	2,092,720
Community Services	25,537	-	-	-	-	25,537
Environmental Services	3,454	40,826	-	-	-	44,280
Land and Forestry	-	-	-	-	2,527,801	2,527,801
Debt Service Funds						
Jackfish Bay	-	297,000	-	-	-	297,000
Island View	-	3,200,015	-	-	-	3,200,015
	<u>\$ 72,316</u>	<u>\$ 3,537,841</u>	<u>\$ 145,707</u>	<u>\$ 2,086,037</u>	<u>\$ 2,527,801</u>	<u>\$ 8,369,702</u>

C. Fund Balances

Fund balances at year-end December 31, 2022, were as follows:

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Fund Balances (Continued)

	General Fund	Special Revenue Funds			Island View Debt Service Fund	Major Capital Project Funds	Other Governmental Funds	Total Governmental Funds
		Road and Bridge	Public Health and Human Services	Land and Forestry				
Nonspendable								
Inventories	\$ -	\$ 556,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 556,889
Restricted by enabling legislation								
American Rescue Plan	\$ 2,322,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,322,938
Aquatic Invasive Species	-	-	-	-	-	-	453,581	453,581
Buffer funding	-	-	-	-	-	-	117,120	117,120
Capital Projects	-	-	-	-	-	12,249,741	-	12,249,741
County State Aid Highway Allotment	-	3,293,816	-	-	-	-	-	3,293,816
Debt service	-	-	-	-	384,508	-	-	384,508
Drug and Alcohol Resistance Education	3,027	-	-	-	-	-	-	3,027
Enhanced 911	377,451	-	-	-	-	-	-	377,451
Fine contingency	10,779	-	-	-	-	-	-	10,779
Flex funds	6,430	-	-	-	-	-	-	6,430
Forest road management	-	-	-	459,929	-	-	-	459,929
Habitat Sharing Project	-	-	-	10,495	-	-	-	10,495
Handgun permits	144,238	-	-	-	-	-	-	144,238
Help America Vote Act	22,360	-	-	-	-	-	-	22,360
Legacy grant	-	-	-	12,622	-	-	-	12,622
Park development	-	-	-	447,390	-	-	-	447,390
Recorder's project	104,746	-	-	-	-	-	-	104,746
Recorder's technology	164,247	-	-	-	-	-	-	164,247
Reserve timber/reserve development	-	-	-	364,502	-	-	-	364,502
Resource development	-	-	-	723,977	-	-	-	723,977
Safe and sober communities	4,334	-	-	-	-	-	-	4,334
Veterans administration grant	5,951	-	-	-	-	-	-	5,951
Together with Veterans grant	44,506	-	-	-	-	-	-	44,506
Zero tolerance attorney	38,447	-	-	-	-	-	-	38,447
Zero tolerance sheriff	45,322	-	-	-	-	-	-	45,322
Total restricted	\$ 3,294,776	\$ 3,293,816	\$ -	\$ 2,018,915	\$ 384,508	\$ 12,249,741	\$ 570,701	\$ 21,812,457
Committed to								
Motor pool	\$ 12,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,791
Unbudgeted building repairs	287,345	-	-	-	-	-	-	287,345
Veterans transportation	57,650	-	-	-	-	-	-	57,650
Total committed	\$ 357,786	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 357,786
Assigned to								
General government	\$ 1,259,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,259,069
Community services	-	-	4,035,269	-	-	-	-	4,035,269
Public safety	38,429	-	-	-	-	-	-	38,429
Environmental services	-	-	-	-	-	-	1,584,238	1,584,238
Forest development	-	-	-	1,388,635	-	-	-	1,388,635
Highways and streets	-	3,899,338	-	-	-	-	-	3,899,338
County development	-	-	-	-	-	-	287,472	287,472
Sanitation	-	-	-	-	-	-	76,302	76,302
Economic development	-	-	-	-	-	-	413,656	413,656
Total assigned	\$ 1,297,498	\$ 3,899,338	\$ 4,035,269	\$ 1,388,635	\$ -	\$ -	\$ 2,361,668	\$ 12,982,408
Unassigned	\$ 5,975,518	\$ -	\$ -	\$ -	\$ -	\$ (2,330,712)	\$ (48,320)	\$ 3,596,486
Total Fund Balances	\$ 10,925,578	\$ 7,750,043	\$ 4,035,269	\$ 3,407,550	\$ 384,508	\$ 9,919,029	\$ 2,884,049	\$ 39,306,026

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

A. Plan Description

Koochiching County provides a single-employer defined benefit healthcare plan to eligible retirees and their dependents. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The contribution requirements of the plan and the County are established and may be amended by the Koochiching County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2022, there were approximately 125 participants in the plan, with 4 retirees.

B. Total OPEB Liability

The County's total OPEB liability of \$681,907 was determined by an actuarial valuation date of January 1, 2021, and measurement date of January 1, 2022.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial methods and assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation/Census Data Date:	January 1, 2021
Measurement Date:	January 1, 2022
Reporting Date:	December 31, 2022
Actuarial Cost Method:	Entry Age, level percentage of pay.
Amortization of Deferred Resource Flows:	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Discount Rate:	2.00%
20-Year Municipal Bond Yield:	2.00%
Inflation Rate:	2.00%
Salary Increases:	2.00%
Medical Trend Rate:	6.25% in 2022, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate assumption of 2.00 percent was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

B. Total OPEB Liability (Continued)

Mortality rates are based on Pub-2010 (Blue Collar for Public Safety, White Collar for others) with MP-2020 Generational Improvement Scale.

The actuarial assumptions are based on input from a variety of published sources of historical and projected future financial data, and the most recent actuarial valuation for PERA dated June 30, 2022.

C. Changes in Total OPEB Liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ 649,108
Changes for the year:	
Service cost	67,907
Interest cost	13,853
Benefit payments	(48,961)
Net change in Total OPEB Liability	32,799
Total OPEB Liability at January 1, 2022	\$ 681,907

D. OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate healthcare cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate and healthcare cost trend rate:

OPEB Liability (Asset) Sensitivity Analysis				OPEB Liability (Asset) Sensitivity Analysis			
OPEB Liability (Asset) at Different Discount Rates				OPEB Liability (Asset) at Different Healthcare Cost Trend Rates			
1% Lower	1.00%	\$	721,713	1% Lower	5.50%	\$	615,108
Current Discount Rate	2.00%	\$	681,907	Current Discount Rate	6.50%	\$	681,907
1% Higher	3.00%	\$	644,159	1% Higher	7.50%	\$	760,578

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB) (Continued)

E. Fund Status and Funding Progress

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

For the year ended December 31, 2022, the County recognized OPEB expense of \$61,770.

At December 31, 2022, Koochiching County reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ -	\$ 19,752
Assumption changes	12,222	15,333
Estimated employer contributions	40,141	-
Total	\$ 52,363	\$ 35,085

The \$40,141 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Future Recognition
2023	\$ (7,970)
2024	\$ (7,965)
2025	\$ (1,429)
2026	\$ (5,499)

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB) (Continued)

H. Changes in Actuarial Assumptions and Plan Provisions

There were no changes in actuarial assumptions in 2022.

V. Defined Benefit Pension Plans

A. Plan Descriptions

Koochiching 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 Koochiching 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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided

1. General Employees Plan Benefits (Continued)

Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when the age plus years of service equals 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 percent 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 percent 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 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of the 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 equals 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.

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of the 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 equals at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the plan's funding status declines to 85 percent or below

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided

3. Correctional Plan Benefits (Continued)

for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 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.

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 percent of their annual covered salary in fiscal year 2022 and Koochiching County was required to contribute 7.50 percent for Coordinated Plan members. Koochiching County's contributions to the General Employees Fund for the year ended December 31, 2022, were \$528,817. Koochiching County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and Koochiching County was required to contribute 17.70 percent for Police and Fire Plan members. Koochiching County's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$186,006. Koochiching County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in fiscal year 2022 and Koochiching County was required to contribute 8.75 percent for Correctional Plan members. Koochiching County's contributions to the Correctional Fund for the year ended December 31, 2022, were \$46,044. Koochiching 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, Koochiching County reported a liability of \$6,945,869 for its proportionate share of the General Employees Fund's net pension liability. Koochiching 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

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Koochiching County totaled \$203,697.

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. Koochiching County's proportionate share of the net pension liability was based on Koochiching 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. Koochiching County's proportionate share was .0877 percent at the end of the measurement period and .0884 percent for the beginning of the period.

Koochiching County's	
Proportionate share of the net pension liability	\$ 6,945,869
State of Minnesota's proportionate share of	
the net pension liability associated with	
Koochiching County	<u>203,697</u>
Total	<u>\$ 7,149,566</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2022, Koochiching County recognized pension expense of \$1,068,236 for its proportionate share of the General Employees Plan's pension expense. In addition, Koochiching County recognized an additional \$30,437 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, Koochiching 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:

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 58,017	\$ 74,602
Changes in actuarial assumptions	1,584,144	27,671
Net collective difference between projected and actual investment earnings investment earnings	93,957	-
Changes in proportion	74,943	27,948
Contributions paid to PERA subsequent to the measurement date	298,972	-
Total	<u>\$ 2,110,033</u>	<u>\$ 130,221</u>

The \$298,972 reported as deferred outflows of resources related to pensions resulting from Koochiching County’s 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 ended December 31:	Pension Expense Amount:
2023	\$ 628,285
2024	\$ 660,289
2025	\$ (235,885)
2026	\$ 628,151

2. Police and Fire Fund Pension Costs

At December 31, 2022, Koochiching County reported a liability of \$3,468,229 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. Koochiching County’s proportionate share of the net pension liability was based on Koochiching 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. Koochiching County’s proportionate share was .08 percent at the end of the measurement period and .081 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1,

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

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 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, Koochiching County recognized pension expense of \$673,544 for its proportionate share of the Police and Fire Plan’s pension expense. Koochiching County recognized \$151,545 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. Koochiching County recognized \$7,173 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.

At December 31, 2022, Koochiching County reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 213,700	\$ -
Changes in actuarial assumptions	2,056,108	21,658
Net collective difference between projected and actual investment earnings investment earnings	27,119	-
Changes in proportion	29,535	51,861
Contributions paid to PERA subsequent to the measurement date	108,309	-
Total	\$ 2,434,771	\$ 73,519

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

The \$108,309 reported as deferred outflows of resources related to pensions resulting from Koochiching 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:

<u>Year ended December 31:</u>	<u>Pension Expense Amount:</u>
2023	\$ 434,003
2024	\$ 430,313
2025	\$ 381,162
2026	\$ 720,961
2027	\$ 286,504

3. Correctional Plan Pension Costs

At December 31, 2022, Koochiching County reported a liability of \$676,434 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. Koochiching County’s proportionate share of the net pension liability was based on Koochiching 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. Koochiching County’s proportionate share was .2035 percent at the end of the measurement period and .2350 percent for the beginning of the period.

For the year ended December 31, 2022, Koochiching County recognized pension expense of \$247,050 for its proportionate share of the Correctional Plan’s pension expense.

At December 31, 2022, Koochiching 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:

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

3. Correctional Plan Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 23,110
Changes in actuarial assumptions	459,673	1,039
Difference between projected and actual investment earnings	-	14,458
Changes in proportion	6,801	1,266
Contributions paid to PERA subsequent to the measurement date	28,394	-
Total	\$ 494,868	\$ 39,873

The \$28,394 reported as deferred outflows of resources related to pensions resulting from Koochiching County’s 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 ended December 31:	Pension Expense Amount:
2023	\$ 196,918
2024	\$ 205,246
2025	\$ (29,906)
2026	\$ 54,343

4. Total Pension Expense

The total pension expense for all plans recognized by Koochiching County for the year ended December 31, 2022, was \$2,055,836.

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 weighing 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:

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

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 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054, and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent 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 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

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

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

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

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 6.5% to 5.4%.

Changes in Plan Provisions:

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

Correctional Fund

Changes in Actuarial Assumptions:

- The mortality rate 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 were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund 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 percent (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

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

G. Discount Rate (Continued)

percent for the Police and Fire Fund and 5.42 percent 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 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

H. Pension Liability Sensitivity

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

Sensitivity Analysis			Sensitivity Analysis		
Net Pension Liability (Asset) at Different			Net Pension Liability (Asset) at Different		
Discount Rates			Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	5.50%	\$ 10,971,364	1% Lower	4.40%	\$ 5,248,720
Current Discount Rate	6.50%	\$ 6,945,869	Current Discount Rate	5.40%	\$ 3,468,229
1% Higher	7.50%	\$ 3,644,342	1% Higher	6.40%	\$ 2,028,809

Sensitivity Analysis		
Net Pension Liability (Asset) at Different		
Discount Rates		
Correctional Fund		
1% Lower	4.42%	\$ 1,191,505
Current Discount Rate	5.42%	\$ 676,434
1% Higher	6.42%	\$ 271,473

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.

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Five employees of Koochiching County are 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 five percent of salary which is matched by the elected official's

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 two percent of employer contributions and twenty-five hundredths of one percent (.25) of the assets in each member's account annually.

Total contributions made by Koochiching County during fiscal year 2022 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 10,160	\$ 10,160	5%	5%	5%

VII. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Worker's 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 and 2023. 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. The MCIT carries reinsurance for its property lines to protect against

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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.

C. Conduit Debt

In 2009, the County issued a \$406,695 Facility Revenue Note (Citizens for Backus Project), Series 2009A and a \$230,000 Recovery Zone Facility Note (Citizens for Backus Project), Series 2009B to provide funds to finance the renovation, improvement and equipping by Citizens for Backus/AB, Inc. of a portion of the third floor of the community center facility, located at 900 Fifth Street in the City of International Falls, Minnesota. The notes are secured by the property financed and are payable solely from the revenues of Citizens for Backus/AB, Inc. The County is not obligated in any manner for repayment of the notes. Accordingly, the notes are not reported as liabilities in the financial statements. As of December 31, 2022, the outstanding principal balances were \$225,783 and \$121,011, respectively.

D. Joint Ventures

Arrowhead Health Alliance

Carlton, Cook, Koochiching, and Lake Counties entered into a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 256B.692, for the purpose of organizing, governing, planning, and administering a county-based purchasing entity to participate in prepaid health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services.

Control of the Arrowhead Health Alliance is vested in a Board of Directors composed of one representative from each of the member counties. Lake County is the fiscal agent for the Alliance. No County experiences a financial benefit or burden as a result of membership.

Koochiching County contributed \$6,750 to Arrowhead Health Alliance for the year ended December 31, 2022. Complete financial information can be obtained from the Lake County Auditor's office.

Arrowhead Region Emergency Management Association

The County, in joint powers agreement pursuant to Minnesota Statute, § 471.59, participates with Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Lake, Pine, and Saint Louis Counties, and the Bois Forte, Fond du Lac, Grand Portage, Leech Lake, and Mille Lacs Tribes, and the City of Duluth, for the purpose of supporting the planning, operational and recovery needs of the emergency medical services in Northeast Minnesota.

Control of the Arrowhead Region Emergency Management Association is vested in a Board of Directors composed of at least one representative from each of the member counties, tribal units, and the City of Duluth. No county experiences a financial benefit or burden as a result of membership.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Arrowhead Region Emergency Management Association (Continued)

Koochiching County did not contribute to the Arrowhead Region Emergency Management Association for the year ended December 31, 2022. Complete financial information can be obtained from the Arrowhead EMS Association located at 4219 Enterprise Circle, Duluth, MN 55811.

Arrowhead Regional Corrections

The County, in joint powers agreement pursuant to Minnesota Statute, § 471.59, participates with Carlton, Cook, Lake, and St. Louis Counties in the Arrowhead Regional Corrections Board, which was established pursuant to the Community Corrections Act, Minnesota Statute, § 401.01-.16.

The Arrowhead Regional Corrections Board comprises three major divisions: juvenile institutional services, adult institutional services, and court and field services. These divisions are composed of the five participating counties' probation departments, the Arrowhead Juvenile Detention Center, and the Northeast Regional Corrections Center. Arrowhead Regional Corrections is governed by an eight-member board, including three commissioners from St. Louis County and one commissioner from the remaining counties who share an additional floating seat. Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties.

Koochiching County contributed \$889,600 to Arrowhead Regional Corrections for the year ended December 31, 2022. Separate financial information can be obtained from the Arrowhead Regional Corrections Office, 211 W. Second St., Ste. 450, Duluth, Minnesota 55802.

Aitkin-Itasca-Koochiching Community Health Services (CHS) Board

Aitkin, Itasca, and Koochiching Counties entered into a joint-powers agreement, creating and operating the Aitkin-Itasca-Koochiching CHS Board, effective January 1, 1977. This agreement is entered into under the authority of the Community Health Services Act of 1076 and is pursuant to the provisions of Minnesota Statute, § 471.59 for the development and maintenance of an integrated system of community health services.

The CHS Board is comprised of two members from Aitkin and Koochiching Counties and three members from Itasca County, each appointed by the participating counties. Funding is obtained through federal, state, local, and private sources. Itasca County receives all funds and appropriates to each county its share through its agency fund. Koochiching County records its revenues and expenditures in its Public Health and Human Services Nursing Special Revenue Fund. Koochiching County made no contribution to the CHS Board in 2022.

Complete financial information can be obtained from the Aitkin, Itasca, Koochiching Community Health Services Board Administrator, 1209 SE 2nd Avenue, Grand Rapids, MN 55744.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Big Fork River Board

The Big Fork River Board was established through a joint-powers agreement pursuant to Minnesota Statute, § 471.59 for the purpose of protecting the Big Fork River from uncontrolled and unplanned development. The joint powers members are Koochiching and Itasca Counties, and the Cities of Big Falls and Bigfork. The governing body of the board is comprised of six members. Two county board commissioners are appointed from each member county, and one elected city official is appointed from each member city. Koochiching County contributed \$750 to the Big Fork River Board during 2022. Complete financial information can be obtained from Itasca County, Grand Rapids, Minnesota 55744.

Blackduck Emergency Medical Services Special Taxing District Board

The County entered into a joint powers agreement made pursuant to the authority conferred by Minnesota Statute, § 471.59 creating an emergency medical services special taxing district pursuant to Minnesota Statute, § 144F.01. Members of this agreement include Beltrami, Itasca, and Koochiching counties, and the City of Blackduck, and Hines Township.

The purpose of this agreement is to establish a Board of Directors to organize, govern, oversee, equip and manage an emergency medical services special taxing district for the Blackduck area which shall be called the Blackduck Emergency Medical Services Special Taxing District which provides out-of-hospital emergency medical services including first responder or rescue squads, ambulance services, medical control functions, communications, equipment and systems, and programs of regional emergency medical services. The elected officers of the board consist of a chair, vice chair, and a secretary/treasurer and serve a two year term.

Koochiching County contributed \$22,629 to the Blackduck Emergency Medical Services Special Taxing District Board in 2022. Complete financial information can be obtained from the Blackduck Ambulance Association, Inc., 55 Railroad Avenue SE, P.O. Box 400, Blackduck, Minnesota 56630.

International Falls – Koochiching County Airport Commission

The County entered into an agreement with the City of International Falls to share in future costs of construction, maintenance, and operation of the airport. If this agreement is terminated, disposition of assets will be determined in a manner agreed upon. If no agreement is reached, an advisory board will be appointed to determine the disposition, including the continued use of the property as a public airport.

The governing body of the Commission is comprised of five members. Two members are from the City Council and two are from the Board of County Commissioners. The fifth member is appointed by the City Council subject to the approval of the County Board.

Koochiching County contributed \$633,448 during 2022 to the International Falls – Koochiching County Airport Commission.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

International Falls – Koochiching County Airport Commission (Continued)

Both the City of International Falls and Koochiching County have an explicit and measurable right to its share of the total capital surplus of the Airport Commission. Gains and losses are allocated annually to both members based on the percentage of their utilization. Koochiching County's equity interest in the Airport Commission at December 31, 2022 was \$27,212,193. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as General Fund expenses or revenues.

Complete financial information can be obtained from the International Falls-Koochiching County Airport, International Falls, Minnesota 56649.

Joint Powers Natural Resources Board

The Joint Powers Natural Resources Board was formed in 1985 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Aitkin, Beltrami, Koochiching, Koochiching, Lake of the Woods, Mahnomen, Marshall, and Pennington Counties. The purpose of the Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in Northern Minnesota, and to ensure that there is an interrelated plan for the use and protection of both public and private resources.

Control of the Natural Resources Board is vested in the Joint County Natural Resources Board, which is comprised of at least one resident of each member county appointed by their respective county board, as provided in the Natural Resources Board's bylaws. In the event of dissolution of the Joint County Natural Resources Board, the net assets of the Natural Resources Board at that time will be distributed to the respective member counties in proportion to the contribution of each.

Financing is provided by appropriations from member counties. Koochiching County contributed \$1,000 to the Joint County Natural Resources Board for the year ended December 31, 2022. Separate financial information can be obtained from the Natural Resources Board's Treasurer, 206 8th Avenue SE, Baudette, Minnesota 56623.

Koochiching County Development Association

Koochiching County, along with the Cities of Big Falls, International Falls, Little Fork, Northome/Mizpah, and Ranier, created the Koochiching Economic Development Partnership to jointly and cooperatively coordinate, consolidate, and facilitate future planning and actions for the economic development of the Koochiching County area. The partnership is governed by a board of directors comprising one director from each party except for Koochiching County and the City of International Falls which are entitled to two directors. No member experiences a financial benefit or burden as a result of membership. Koochiching County contributed \$60,000 to the Joint Powers Natural Resources Board. Complete financial information can be obtained from Koochiching County, 715 4th Street, International Falls, MN 56649.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement pursuant to Minnesota Statute, § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for the benefit of members.

MCIS is governed by a thirteen-member board, comprised of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the members. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined, since it will depend on the number of counties that are members when the agreement is dissolved. Koochiching County made no contribution to MCIS for the year ended December 31, 2022. Separate financial information can be obtained from Minnesota Counties Information Systems, 413 S.E. 7th Avenue, Grand Rapids, Minnesota 55744.

Minnesota Counties Computer Cooperative (MCCC)

The Minnesota Counties Computer Cooperative (MCCC) was established in 1978 pursuant to Minnesota Statute, § 471.59 and works with all Minnesota Counties as a joint powers organization facilitating services and training, providing software and other cost-effective measures to substantially reduce technology costs for counties, cities, and agencies.

Control of the Cooperative is vested in a Board of Directors which is composed of four officers and five representatives appointed by the member counties. The County's responsibility does not extend beyond making this appointment.

Koochiching County made payments in the amount of \$25,498 to the MCCC for the year ended 2022. Complete financial information can be obtained from the Minnesota Counties Computer Cooperative office, 100 Empire Dr. #201, St. Paul, MN 55103.

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers' agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program. The United State Congress, through the Workforce Investment Act, authorizes states to establish "service delivery areas" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such and the Northeast Minnesota Office of Job Training is designed as the grant recipient and administrator for the service delivery area. The County is not a funding mechanism for this organization. The governing body is comprised of seven members, one from the Board of Commissioners of each participating county.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

Koochiching County made no contribution to the Northeast Minnesota Office of Job Training for the year ended December 31, 2022. Separate financial information can be obtained from the Northeast Minnesota Office of Job Training, 820 North Ninth Street, Suite 210, Virginia, Minnesota 55792.

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minnesota Statutes, §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications.

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia, along with three tribes including Grand Portage Band of Chippewa, Leech Lake Band of Ojibwe, and Mille Lacs Band of Ojibwe. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Councilor from each of the member cities, and one tribal member. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

St. Louis County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Koochiching County made no contribution to the Northeast Minnesota Regional Radio Board for the year ended December 31, 2022. Separate financial information can be obtained from St. Louis County, 100 North 5th Avenue West, Room 201, Duluth, MN 55802-1293

Northeast Service Cooperative

The Northeast Service Cooperative (NESC) was established in 1976, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NESC is located in the Arrowhead region, which includes Aitkin, Carlton, Itasca, Koochiching, St. Louis, Lake and Cook Counties covering a total of 17,950 miles. The NESC provides service to school districts, and cities, counties, and other governmental agencies in the northeast region. The Northeast Service Cooperative's purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NESC is governed by an eleven member Board of Directors consisting of nine school board members elected at large by their peers and two representatives from city, county, and other governmental agency members throughout the seven-county region. Three superintendents serve the Board of Directors in an ex-officio capacity. No member experiences a financial benefit or burden as a result of membership. The County's participation consists of annual dues of \$200 plus the cost of health plan premiums of \$1,697,999 in 2022. Complete financial information can be obtained from the Northeast Service Cooperative, 5525 Emerald Avenue, Mountain Iron, Minnesota 55768.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northern Counties Land Use Coordinating Board (NCLUCB)

The NCLUCB was created in 1983 in a joint powers agreement pursuant to Minnesota Statute, § 471.59 for the purpose of providing local government perspective regarding regulation, implementation, and coordination of environmental and natural resources policies with state and federal partners.

The joint powers are Aitkin, Cook, Itasca, Koochiching, Lake, Lake of the Woods, Pennington, Roseau, and St. Louis Counties. Three elected county commissioners from St. Louis County and two from each of the other member counties comprise the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund.

Koochiching County contributed \$1,000 in dues to the NCLUCB for the year ended December 31, 2022. St. Louis County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the Northern Counties Land Use Board, Room 607, Government Services Center, 320 West Second Street, Duluth, Minnesota 55802.

Paul Bunyan Drug Task Force

The Paul Bunyan Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami County, the City of Bemidji, the Bureau of Indian Affairs, Cass County, Hubbard County, the City of International Falls, Koochiching County, Leech Lake Reservation, Mahnomen County, the Minnesota National Guard Counterdrug Task Force, the City of Park Rapids, and the White Earth Reservation. The purpose of the Paul Bunyan Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

Control of the Paul Bunyan Task Force is established by a majority vote represented with one vote from each member organization. In the event of dissolution of the Task Force, the net assets shall be liquidated to the member organizations based on their percentage of population of all member counties and cities.

The Paul Bunyan Task Force has no long-term debt. Financing is provided by the profits from forfeitures and seizures pursuant to Minnesota Statute, § 609.531. Koochiching County made no contributions to the Paul Bunyan Drug Task Force for the year ended December 31, 2022. The City of Bemidji, in an agent capacity, reports the cash transactions of the Task Force on its financial statements. Complete financial information can be obtained from the City of Bemidji, Administrative Offices - County Hall, 317 - 4th Street N.W., Bemidji, Minnesota 56601.

Rainy River/Rapid River Management Board

The Rainy River/Rapid River Management Board was established on December 17, 1991 through a joint powers agreement, pursuant to Minnesota Statute, § 471.59, for the purpose of protecting the Rainy and Rapid Rivers from uncontrolled and unplanned development. The joint powers members are Koochiching and Lake of the Woods Counties. Two county board commissioners appointed by each County Board comprise the membership of the Board; however, representation from the Cities of Baudette and International Falls has been solicited.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

d. Joint Ventures

Rainy River/Rapid River Management Board (Continued)

Any other information on this Board can be obtained from the Koochiching County Auditor-Treasurer's Office, Courthouse, International Falls, Minnesota 56649. During 2022, there were no related party transactions between the County and the Rainy River/Rapid River Management Board.

Voyageurs National Park Water Basin

On December 11, 2009, the County entered into a joint powers agreement pursuant to Minnesota Statute, § 471.59 with St. Louis County for the purpose of providing an environmentally sensitive and responsible solution to the problem of non-compliant and failing septic systems on certain properties located within the project area. The County extended this agreement on June 2, 2015. This agreement will govern the application for, solicitation, and administration of funds received for the purpose of planning, grant writing, engineering, conservation, environmental studies, and the development, management and construction of wastewater treatment for property within the project area.

The governing body is comprised of four members, two County commissioners appointed by the St. Louis County Board and two County commissioners appointed by the Koochiching County Board. Koochiching County contributed \$29,150 to the Voyageurs National Park Water Basin for the year ended December 31, 2022. The St. Louis County Auditor acts as fiscal agent for the Board. Separate financial information can be obtained from the St. Louis County Courthouse, 100 North 5th Avenue West, Duluth, Minnesota 55802.

E. Jointly-Governed Organizations

Arrowhead Library System

The Arrowhead Library System was formed pursuant to Minnesota Statute, § 134.20, effective January 1968, and includes Carlton, Cook, Itasca, Koochiching, Lake, Lake of the Woods, and St. Louis Counties. Control of the Library is vested in the Arrowhead Library Board, which is composed of 20 members with staggered terms made up of the following: six members from St. Louis County, three members from Itasca County, two members from each of the other member counties, and one member from the area at large. Koochiching County made \$53,644 in contributions to the Library for the year ended December 31, 2022.

Economic Development Authority of Koochiching County

The Economic Development Authority of Koochiching County was created by 2000 Minnesota Laws Chapter 484, Article 1, Section 2, consisting of two Koochiching County Commissioners, two members of the International Falls City Council, two residents of Koochiching County, and one state legislator representing Koochiching County.

The duties of the Authority are to hire economic development staff, establish economic development priorities for Koochiching County, and approve economic development projects for Koochiching County.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Economic Development Authority of Koochiching County (Continued)

Koochiching County made no contributions to the Authority in 2022. Complete financial information can be obtained from the Economic Development Authority, P.O. Box 138, International Falls, MN 56649.

Koochiching County Family Services Collaborative

The Koochiching County Family Services Collaborative was established pursuant to Minnesota Statute, § 124D.23. The Collaborative includes Koochiching County; several County agencies; KOOTASCA Community Action, Inc.; Arrowhead Regional Corrections; and Independent School Districts No. 361,362 and 363. The purpose of the Collaborative is to improve the lives of families and children through efforts focused on prevention and early intervention. The Collaborative seeks to empower parents and families to solve their own problems through support, information, skill building, and advocacy.

Control of the Koochiching County Family Services Collaborative is vested in a Board of Directors. The County has four members on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues.

Koochiching County is the fiscal agent for the Collaborative which is accounted for in a Custodial Fund. Collaborative Fund assets and liabilities were \$39,962 as of December 31, 2022. Separate financial information can be obtained from the Koochiching County Community Services Office, 1000 5th Street, International Falls, Minnesota 55744.

KOOTASCA Community Action, Inc.

KOOTASCA Community Action, Inc. is a non-profit human service agency serving Itasca and Koochiching Counties in Northern Minnesota. KOOTASCA is governed by a fifteen-member board, with seven members appointed by Koochiching County and eight members appointed by Itasca County, and serves low-income families connected to the community to get out of poverty by providing housing and Head Start programs and crisis services. Koochiching County made no contribution to KOOTASCA Community Action, Inc. in 2022.

Minnesota Department of Corrections Sentence to Serve (STS) Program

Koochiching County, in conjunction with other local governments, participates in the State of Minnesota's STS program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects.

Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Koochiching County has no operations or financial control over the STS program and does not budget for this program.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Minnesota Department of Corrections Sentence to Serve (STS) Program (Continued)

Koochiching County made no contribution to the STS Program for the year ended 2022. Complete financial information can be obtained from the Minnesota Department of Corrections Sentence to Serve Program, Field Services Director, 1450 Energy Park Drive, Suite 200, St. Paul, MN 55108.

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies and Principles

Established March 22, 1982, the East Koochiching Sanitary Sewer District is a component unit of Koochiching County and is reported in a separate column in the County's financial statements to emphasize that the East Koochiching Sanitary Sewer District is a legally separate entity from Koochiching County. The East Koochiching Sanitary Sewer District operates as a local government unit for the purpose of billing and collecting revenues for sewage services to taxpayers in the portion of the North Koochiching Area Sanitary District not included in the International Falls, South International Falls, and Ranier municipalities. An eight-person board, appointed by Koochiching County Board, and including one Koochiching County commissioner, governs the District.

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of the Note.

1. Basic Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following fund category (further divided by fund type) is used by the District:

Proprietary Funds - Proprietary funds account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the District's activities are accounted for through proprietary funds.

Enterprise Funds - Enterprise funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to customers on a continuing basis be financed or recovered primarily through user charges.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies and Principles (Continued)

2. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Grants and similar items are recognized when all requirements imposed by the provider has been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments purchased with a maturity of three months or less.

4. Assets, Liabilities and Net Position

- a. The District's investments are stated at fair value.
- b. The District has no significant inventories and records supplies and materials as expenses when purchased.
- c. Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing lines and distribution system, and equipment. The cost of normal maintenance and repairs that do not add the value of the asset or materially extend asset lives is not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives. When assets are no longer needed by the District, such assets are either disposed of if it is determined there is no value, or sold for an immaterial amount. Useful lives vary from 30 years for lines and distribution system, and 5 years for equipment.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies and Principles

4. Assets, Liabilities and Net Position (Continued)

Net position represents the difference between assets and liabilities in the fund financial statements. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term liability used to build or acquire the capital assets.

Use of Estimates

The preparation of financial statements 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 expenses during the reporting period. Actual results could differ from these estimates.

B. Cash and Cash Equivalents and Investments

Cash and cash equivalents are comprised of:

Cash	\$	502,158
Petty Cash		100
Certificates of deposit		500,000
Total	\$	1,002,258

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits.

The District maintains deposits at financial institutions authorized by its District members. Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the District or in a financial institution other than that furnishing the collateral.

At December 31, 2022, the carrying amount of the District’s deposits were \$1,002,158; the bank balance was \$1,030,002. Of the bank balance, \$324,219 was insured; the remaining balance of \$705,783 was collateralized with a letter of credit from the Federal Home Loan Bank of Des Moines held by the pledging financial institution’s agent in the District’s name.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures

B. Cash and Cash Equivalents and Investments (Continued)

Investments

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or securities that are in the possession of an outside party. The District's investment policy states that investments and securities will be held by a third-party custodian as evidenced by safekeeping receipts.

Credit Risk and Concentration of Credit Risk

The District will invest in quality rated investments and will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District has no investments as of December 31, 2022.

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs (other than quoted priced included within level 1) that are observable for the asset or liability – either directly or indirectly.
- Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participates would use when pricing an asset or liability.

The District held no investments subject to the fair value hierarchy during 2022.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures (Continued)

C. Capital Assets

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

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Lines and distribution system	\$ 14,143,468	\$ -	\$ -	\$ 14,143,468
Equipment	56,263	-	-	56,263
Total capital assets being depreciated	<u>\$ 14,199,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,199,731</u>
Less: accumulated depreciation for				
Lines and distribution system	\$ (9,064,744)	\$ (297,968)	\$ -	\$ (9,362,712)
Equipment	(38,244)	(2,689)	-	(40,933)
Total accumulated depreciation	<u>\$ (9,102,988)</u>	<u>\$ (300,657)</u>	<u>\$ -</u>	<u>\$ (9,403,645)</u>
Total capital assets, depreciated, net	<u>\$ 5,096,743</u>	<u>\$ (300,657)</u>	<u>\$ -</u>	<u>\$ 4,796,086</u>
Business-type activities				
Capital Assets, Net	<u>\$ 5,096,743</u>	<u>\$ (300,657)</u>	<u>\$ -</u>	<u>\$ 4,796,086</u>

D. Restricted Net Position

The District is required to deposit \$.10 per 1,000 gallons of flow to a fund for capital replacement to the treatment system per agreement with the Minnesota Public Facilities Authority. In 2022, \$1,646 was required to be deposited.

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As allowed under state statutes, the District joined the League of Minnesota Cities Insurance Trust Fund (MCIT Fund), a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays annual premiums to the Trust Fund for its Insurance coverage and retains the risk for the deductible portions of the insurance. The League of Minnesota Cities Insurance Trust Fund is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of the limits as set by the Trustees. There were no significant increases or reductions in insurance from the previous year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

VIII. East Koochiching Sanitary Sewer District – Discretely Presented Component Unit Disclosures (Continued)

F. Contingencies and Commitments

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money may be required. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

G. Jackfish Bay Sewer Line Project

In 2009, the Jackfish Bay Sewer Line Project was recorded as a capital contribution in the amount of \$8,901,146. This project was funded and paid for by Koochiching County, Minnesota. The customers on this line were billed \$126 quarterly, during 2022 by East Koochiching Sanitary Sewer District. The debt service collection is paid to Koochiching County to cover special assessments that began in 2007. The original fees assessed per household was \$10,080 and was to be paid back over twenty years. In 2022, collections of \$153,607 were paid to Koochiching County to help retire the County bond that funded the project.

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Koochiching County Housing and Redevelopment Authority (HRA) is a component unit of Koochiching County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Koochiching County. The HRA operates as a local government unit for the purpose of providing housing and redevelopment services to the local area. The governing body consists of a five-member Board appointed by the Koochiching County Board of Commissioners.

The Authority was created under the laws of the State of Minnesota. The purpose of the Authority is to administer the Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The financial statements included are as of and for the year ended June 30, 2021. The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and reporting.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures or expenses, as appropriate.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Proprietary funds are accounted for using the “economic resources: measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Fund Net Position. For this purpose, the Authority’s operating revenues result from providing low-income housing services such as housing assistance through the Section 8 Program. Operating expenses include the cost attributed to administration, utilities, maintenance, operations, Section 8 Housing Assistance Payments, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

The Authority reports the following major Enterprise Fund:

- **Section 8 Housing Choice Voucher Program** – This fund accounts for the operation of the Section 8 Voucher which is funded primarily by the U.S. Department of Housing and Urban Development. This program funds housing assistance payments to eligible low-income housing participants.
- **Bridges Program** – This program accounts for the operation of the Bridges Rental Assistance Program which is funded by the State of Minnesota and administered by the Minnesota Housing Finance Agency. The program allows qualified people to receive rental assistance immediately until they are able to receive Section 8 Housing Choice Voucher assistance.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Cash and Investments

All investments are recorded at fair valued based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of 90 days or less are also considered to be “cash equivalents”.

The Authority’s deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings de posits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities, and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent financial year.

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value at the date received. The Authority generally capitalized assets with cost of \$100 or more as purchases and construction outlays occur.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives consist of equipment for a 3–10-year duration.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted net assets are available, the Authority’s policy is to apply restricted assets first.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, deferred outflows, liabilities, deferred inflows, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Compensated Absences

All full-time employees shall receive an annual vacation with pay based on a monthly accumulation of vacation days determined based on years of service with the Housing Authority. Full-time employees may accumulate up to 30 days of vacation. Unused sick leave may accumulate up to a maximum of 90 days. Employees retiring or separating from the Housing Authority (minimum five years of employment) shall receive severance pay in the amount of 25% of accumulated sick leave.

Other Post-Employment Benefits (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan, or obligated resources to other postemployment benefits as defined in GASB Statement No. 75.

Income Taxes

The Authority is a governmental subdivision of the State of Minnesota and is exempt from Federal and State income taxes.

B. Deposits and Investments

At June 30, 2022, the Authority's carrying amount of deposits was \$52,191, and the bank balances were \$52,958. All the bank balances were covered by FDIC. Based on Minnesota Statutes requiring uninsured deposits to be collateralized at 110% of deposit balance, the balances were adequately insured.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures (Continued)

C. Accounts Receivable

A summary of accounts receivable as presented in the Statement of Net Position at June 30, 2022 are as follows:

Program participant fraud receivable	\$ 197
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D. Due From Other Governments

A summary of due from other governments as presented in the Statement of Net Position at June 30, 2022 is as follows:

HUD - Housing Assistance Payments	\$ 5,527
HUD- administrative fees	\$ 2,047
Koochiching County - Levied taxes	25,487
Total due from other governments	\$ 33,061

E. Prepaid Items

A summary of prepaid items as presented in the Statement of Net Position at June 30, 2022 are as follows:

Prepaid insurance	\$ 1,363
Prepaid software support	1,310
Total prepaid items	\$ 2,673

F. Restricted Assets

Cash and cash equivalents as presented in the Statement of Net Position at June 30, 2022 is as follows:

Emergency Housing Vouchers	\$ 40,239
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When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority’s policy is to apply restricted assets first.

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures (Continued)

G. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated Equipment and other	\$ 24,713	\$ -	\$ 602	\$ 24,111
Less: accumulated depreciation for Equipment and other	<u>15,363</u>	<u>2,106</u>	<u>551</u>	<u>16,918</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,350</u>	<u>\$ (2,106)</u>	<u>\$ 51</u>	<u>\$ 7,193</u>

H. Accounts Payable

A summary of accounts payable as presented in the Statement of Net Position at June 30, 2022 is as follows:

Vendors and contractors	<u>\$ 335</u>
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I. Accrued Compensated Absences

Compensated absences activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 981</u>	<u>\$ 7,820</u>	<u>\$ (6,249)</u>	<u>\$ 2,552</u>	<u>\$ 2,390</u>

**KOOCHICHING COUNTY
INTERNATIONAL FALLS, MINNESOTA**

IX. Koochiching County Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures (Continued)

J. Net Position

The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net investment in Capital Assets – This component groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.
- Restricted Net Position – This category represents net position of the Authority that is restricted externally by creditors, grantors, contributors, laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislations. The following is restricted at June 30, 2022:
 - Housing Assistance Payments: \$40,239 – In accordance with HUD regulations, excess housing assistance payment advances not used are restricted solely for future housing assistance payments.
- Unrestricted Net Position – This category represents net position of the Authority that is not restricted for any project or other purposes.

K. Contingencies

Amounts received or receivable from grantor 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 expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

L. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Authority purchases commercial insurance.

During the year ended June 30, 2022, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

PROPOSAL FORM

TO: Koochiching County, Minnesota
 C/O Northland Securities, Inc.
 150 South 5th Street, Suite 3300
 Minneapolis, Minnesota 55402
 Phone: 612-851-5900, Fax: 612-851-5918
 Email: PublicSale@northlandsecurities.com

Sale Date: April 22, 2024

For all or none of the \$12,695,000* General Obligation Jail Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$12,536,312.50) plus accrued interest, if any, to date of delivery (estimated to be May 22, 2024) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2026	_____ %	_____ %	2033	_____ %	_____ %	2040	_____ %	_____ %
2027	_____ %	_____ %	2034	_____ %	_____ %	2041	_____ %	_____ %
2028	_____ %	_____ %	2035	_____ %	_____ %	2042	_____ %	_____ %
2029	_____ %	_____ %	2036	_____ %	_____ %	2043	_____ %	_____ %
2030	_____ %	_____ %	2037	_____ %	_____ %	2044	_____ %	_____ %
2031	_____ %	_____ %	2038	_____ %	_____ %	2045	_____ %	_____ %
2032	_____ %	_____ %	2039	_____ %	_____ %			

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

_____ through _____
 _____ through _____
 _____ through _____
 _____ through _____
 _____ through _____

To be accumulated into a Term Bond maturing in year:

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The County may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the County with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the County will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the Koochiching County, Minnesota at 9:30 AM on April 23, 2024.

 Administration Director

 Board Chair

* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread