

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Lake County Two Harbors, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

Lake County Two Harbors, Minnesota

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**Lake County
Two Harbors, Minnesota**

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Introductory Section

Lake County Two Harbors, Minnesota

Organization

December 31, 2024

Position	Name	District	Term Expires
Elected			
Commissioner	Joseph Baltich	District 1	January 2027
Commissioner	Derrick Goutermont	District 2	January 2025
Commissioner	Rick Hogenson	District 3	January 2027
Commissioner	Jeremy Hurd	District 4	January 2027
Commissioner	Rich Sve	District 5	January 2025
Attorney	Lara Nygaard		January 2027
Auditor/Treasurer	Linda Libal		January 2027
Recorder	Lori Ekstrom		January 2027
Sheriff	Nathan Stadler		January 2027
Appointed			
Assessor	Gregg Swartwoudt		December 2028
Examiner of Titles	Scott Smith		Indefinite
Health Officer	Tolga Hanhan, M.D.		Indefinite
Highway Engineer	Jason DiPiazza		May 2025
Veterans Service Officer	Brad Anderson		May 2028
Clerk of the Board	Laurel Buchanan		Indefinite
County Administrator	Matthew Huddleston		Indefinite

Financial Section



Independent Auditor's Report

Board of County Commissioners
Lake County
Two Harbors, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Lake County's basic financial statements. The combining nonmajor governmental fund financial statements, budgetary comparison schedules for each nonmajor special revenue fund and the Debt Service Fund, the combining fiduciary fund financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 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 are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is 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 Financial Report. The other information comprises the Introductory Section 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 February 2, 2026, on our consideration of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

February 2, 2026

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Lake County Two Harbors, Minnesota

Management's Discussion and Analysis December 31, 2024 (Unaudited)

Lake County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2024. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

Financial Highlights

- Governmental activities have a total net position of \$146,001,002, of which \$100,526,140 is the net investment in capital assets and \$18,382,961 is restricted to specific purposes.
- Lake County's governmental activities' net position increased by \$10,372,102 for the year ended December 31, 2024. The Lake County Housing and Redevelopment Authority is shown as the "Discretely Presented Component Unit." The net position of the County's discretely presented component unit increased by \$2,113,412.
- The net cost of governmental activities was \$10,908,703 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$21,280,805.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Lake County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, the Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, and the Schedules of Proportionate Share of Net Pension Liability and Schedules of Contributions for the County's pension plans are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the County as a whole and present a long-term view of the County's finances. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are

taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position. You can think of the County's net position—the difference between assets and liabilities—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

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 unit**—The County includes another separate legal entity in its report. The entity, the Lake County Housing and Redevelopment Authority, is presented in a separate column. Although legally separate, this component unit is important because the County is financially accountable for it. Further financial information for this component unit is available in separately issued and audited financial statements.

The government-wide financial statements can be found in Exhibits 1 and 2.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- **Governmental funds**—All of the County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

The basic financial statements for governmental funds can be found in Exhibits 3 through 6.

Reporting the County's Fiduciary Responsibilities

The County acts as a custodian or trustee over assets that can be used only for the beneficiaries. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary funds financial statements may be found in Exhibits 7 and 8.

Lake County as a Whole

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

Table 1
Statement of Net Position
(In Thousands)

Condensed Statement of Net Position	Governmental Activities – 2024	Governmental Activities – 2023
Assets		
Current and other assets	\$ 61,114	\$ 60,116
Capital assets, net	105,104	98,786
Total Assets	\$ 166,218	\$ 158,902
Deferred Outflows of Resources	\$ 3,379	\$ 4,776
Liabilities		
Long-term liabilities outstanding	\$ 15,837	\$ 18,161
Other liabilities	2,635	4,466
Total Liabilities	\$ 18,472	\$ 22,627
Deferred Inflows of Resources	\$ 5,124	\$ 5,422
Net Position		
Net investment in capital assets	\$ 100,526	\$ 94,120
Restricted	18,383	15,388
Unrestricted	27,092	26,121
Total Net Position	\$ 146,001	\$ 135,629

Table 2
Changes in Net Position
(In Thousands)

Condensed Statement of Activities	Governmental Activities – 2024	Governmental Activities – 2023
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 3,898	\$ 4,065
Operating grants and contributions	20,914	20,090
Capital grants and contributions	3,294	574
General revenues		
Property taxes	12,249	11,838
Other taxes	3,736	3,313
Unrestricted grants and contributions	2,819	1,406
Investment earnings	2,298	2,169
Gain on sale of capital assets	45	54
Miscellaneous	134	150
Total Revenues	\$ 49,387	\$ 43,659
Expenses		
General government	\$ 7,012	\$ 5,982
Public safety	5,999	5,788
Highways and streets	7,352	8,329
Sanitation	500	455
Human services	4,564	3,935
Health	7,652	6,312
Culture and recreation	1,244	1,891
Conservation of natural resources	746	1,000
Economic development	3,651	2,549
Interest	295	309
Total Expenses	\$ 39,015	\$ 36,550
Increase (Decrease) in Net Position	\$ 10,372	\$ 7,109
Net Position – January 1	135,629	128,520
Net Position – December 31	\$ 146,001	\$ 135,629

Governmental Activities

The cost of all governmental activities this year was \$39,014,588. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was \$21,280,805, because some of the cost was paid by those who directly benefited from the programs (\$3,898,211) or by other governments and organizations that subsidized certain programs with grants and contributions (\$24,207,674). Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Thousands)

Program Function	Total Cost of Services – 2024	Total Cost of Services – 2023	Net Cost of Services – 2024	Net Cost of Services – 2023
General government	\$ 7,012	\$ 5,982	\$ 2,668	\$ 1,259
Public safety	5,999	5,788	4,933	4,492
Highways and streets	7,352	8,329	(1,439)	3,104
Human services	4,564	3,935	2,235	1,714
Health	7,652	6,312	(811)	924
All others	6,436	6,204	3,323	327
Total	\$ 39,015	\$ 36,550	\$ 10,909	\$ 11,820

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

The County's governmental funds reported a combined fund balance of \$46,968,586 in 2024, compared with \$45,289,947 in 2023, an increase of \$1,678,639. Fund balances that are classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances that are classified as unrestricted are either committed, assigned, or unassigned. Committed and assigned fund balances are fund balances for which the County has identified a specific purpose. Unassigned fund balances do not have a specific use identified, but generally support cash flows of the County.

Governmental funds reported nonspendable and restricted fund balance for 2024 of \$9,437,898, or 20.09 percent, of total fund balance. Nonspendable fund balance was \$631,056, and restricted fund balance was \$8,806,842. Unrestricted fund balance was \$37,530,688, or 79.91 percent, of total fund balance. Unrestricted fund balance was \$1,392,214 committed, \$10,566,752 assigned, and \$25,571,722 unassigned. Committed fund balances are approved by the County Board. Assigned fund balances are amounts that are to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the General Fund unless there are deficit fund balances in other funds.

The General Fund is the main operating fund of the County. At December 31, 2024, unrestricted fund balance for the General Fund was \$25,690,717, compared to \$22,727,437 in 2023. This increase in the fund balance of the General Fund is due to an unbudgeted increase in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 119.24 percent of the General Fund's operating revenues and 135.87 percent of operating expenditures.

The Road and Bridge Special Revenue Fund's unrestricted fund balance decreased to \$3,455,827 in 2024, compared to unrestricted fund balance of \$7,175,854 in 2023. In 2024, there was an unbudgeted increase in construction expenditures, along with an unbudgeted increase in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 31.73 percent of the fund's operating revenues and 24.95 percent of operating expenditures.

The Human Services Special Revenue Fund’s unrestricted fund balance was \$5,926,818 in 2024, compared to \$5,655,699 in 2023. The increase in fund balance is due to an unbudgeted increase in revenues. Unrestricted fund balance at the end of the year represented 46.48 percent of the fund’s operating revenues and 47.72 percent of operating expenditures.

The Forfeited Tax Special Revenue Fund’s unrestricted fund balance was \$36,641 in 2024. The fund did not have an unrestricted fund balance in 2023. The increase in fund balance is due to an unbudgeted increase in revenues. Unrestricted fund balance at the end of the year represented 5.54 percent of the fund’s operating revenues and 6.31 percent of the operating expenditures.

General Fund Budgetary Highlights

Over the course of the year, the County Board reviews the County’s General Fund budget and may make budget amendments. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There was a slight increase in expenditures of \$404 due to new information changing the original budget in Culture and Recreation.

In the General Fund, the actual charges to appropriations (expenditures) were \$5,268,358 over the final budget amounts. Unbudgeted expenditures included \$341,096 of trails expenditures, \$423,647 of general government expenditures, and \$3,643,354 of economic development expenditures. These were offset by savings in various other General Fund departments.

Resources available for appropriation were also above the final budgeted amount by \$7,911,182. This was primarily due to greater than expected collections in intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the County had \$105,104,044 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (See Table 4).

Table 4
Capital Assets at Year-End
(Net of Depreciation and Amortization, in Thousands)

Capital Assets	Governmental Activities – 2024	Governmental Activities – 2023
Land	\$ 3,968	\$ 3,968
Buildings and improvements	15,427	15,264
Machinery, vehicles, furniture, and equipment	3,322	2,449
Lease equipment	393	325
Infrastructure	81,994	76,779
Totals	<u>\$ 105,104</u>	<u>\$ 98,785</u>

The County’s fiscal year 2025 capital budget calls for it to spend another \$1,091,850 for miscellaneous improvements at various buildings, \$72,000 on vehicles for various departments, \$957,242 on equipment for various departments, and \$19,456,471 for road construction. The road construction will be funded by state-aid construction funds.

Long-Term Liabilities

At year-end, the County had \$8,020,000 in bonds outstanding, versus \$8,790,000 last year—a decrease of 8.76 percent—as shown in Table 5. The decrease is attributed to scheduled payments on the bonds.

Table 5
Outstanding Long-Term Liabilities at Year-End
(in Thousands)

Outstanding Debt	Governmental Activities – 2024	Governmental Activities – 2023
General obligation bonds	\$ 8,020	\$ 8,790
Lease liability	408	333
Compensated absences	1,986	1,758
Net pension liability	4,620	6,742
Other postemployment benefits liability	676	398
Unamortized premium	127	141
Total	\$ 15,837	\$ 18,162

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is below this state-imposed limit.

Other obligations include lease liability, compensated absences, other postemployment benefits, and net pension liability. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting the fiscal year 2025 budget and tax rates.

- County General Fund expenditures for 2025 are budgeted to increase 11.28 percent over 2024.
- Property tax levies increased 2.24 percent for 2025.

Contacting Lake County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Interim County Auditor/ Treasurer, Ronelle Radle, Lake County Courthouse, 601 – 3rd Avenue, Two Harbors, Minnesota 55616.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

**Lake County
Two Harbors, Minnesota**

**Statement of Net Position
December 31, 2024**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority</u>
<u>Assets</u>		
Cash and pooled investments	\$ 42,206,016	\$ 621,158
Receivables	17,728,262	14,294
Leases receivable		
Due within one year	51,097	-
Due in more than one year	623,706	-
Prepaid items	13,096	-
Inventories	491,422	-
Land held for resale	-	369,720
Restricted assets		
Cash and pooled investments	-	2,189,203
Capital assets		
Non-depreciable or amortizable capital assets	3,968,383	-
Depreciable or amortizable capital assets – net of accumulated depreciation and amortization	101,135,661	641,096
Total Assets	\$ 166,217,643	\$ 3,835,471
<u>Deferred Outflows of Resources</u>		
Deferred other postemployment benefits outflows	\$ 271,805	\$ -
Deferred pension outflows	3,107,328	-
Total Deferred Outflows of Resources	\$ 3,379,133	\$ -
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 2,609,158	\$ 80,261
Accrued interest payable	25,784	-
Due to primary government	-	37,536
Unearned revenue	-	2,425
Security deposits payable	-	24,196
Long-term liabilities		
Due within one year	1,787,689	4,240
Due in more than one year	8,753,036	163,400
Other postemployment benefits liability due within one year	53,556	-
Other postemployment benefits liability due in more than one year	622,320	-
Net pension liability	4,620,147	-
Total Liabilities	\$ 18,471,690	\$ 312,058

Exhibit 1*(Continued)*

**Lake County
Two Harbors, Minnesota**

**Statement of Net Position
December 31, 2024**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority</u>
<u>Deferred Inflows of Resources</u>		
Deferred other postemployment benefits inflows	\$ 173,464	\$ -
Deferred pension inflows	4,293,200	-
Deferred lease inflows	657,420	-
Total Deferred Inflows of Resources	\$ 5,124,084	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 100,526,140	\$ 477,696
Restricted for		
General government	1,258,156	-
Public safety	1,122,162	-
Highways and streets	14,234,235	-
Conservation of natural resources	443,680	-
Debt service	1,074,629	-
Human services	250,099	-
Housing	-	2,414,935
Unrestricted	27,091,901	630,782
Total Net Position	\$ 146,001,002	\$ 3,523,413

Exhibit 2

**Lake County
Two Harbors, Minnesota**

**Statement of Activities
For the Year Ended December 31, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Housing and Redevelopment Authority
Primary government						
Governmental activities						
General government	\$ 7,012,154	\$ 583,262	\$ 3,760,568	\$ -	\$ (2,668,324)	
Public safety	5,998,828	307,908	757,723	-	(4,933,197)	
Highways and streets	7,352,184	37,071	5,461,242	3,293,609	1,439,738	
Sanitation	499,879	13,923	4,413	-	(481,543)	
Human services	4,563,596	281,404	2,046,708	-	(2,235,484)	
Health	7,651,407	459,201	8,003,950	-	811,744	
Culture and recreation	1,244,395	5,000	2,019	-	(1,237,376)	
Conservation of natural resources	746,054	568,987	786,870	-	609,803	
Economic development	3,650,854	1,641,455	90,572	-	(1,918,827)	
Interest	295,237	-	-	-	(295,237)	
Total Governmental Activities	\$ 39,014,588	\$ 3,898,211	\$ 20,914,065	\$ 3,293,609	\$ (10,908,703)	
Component unit						
Housing and Redevelopment Authority	\$ 847,111	\$ 352,177	\$ 2,099,218	\$ -		\$ 1,604,284
General Revenues						
Property taxes					\$ 12,248,724	\$ 357,058
Mortgage registry and deed tax					640,939	-
Transportation sales tax					1,324,256	-
Payments in lieu of tax					1,445,559	-
Taxes – other					325,000	-
Grants and contributions not restricted to specific programs					2,819,279	18,867
Unrestricted investment earnings					2,297,503	97,686
Gain on sale of capital assets					45,447	-
Miscellaneous					134,098	35,517
Total general revenues					\$ 21,280,805	\$ 509,128
Change in net position					\$ 10,372,102	\$ 2,113,412
Net Position – Beginning					135,628,900	1,410,001
Net Position – Ending					\$ 146,001,002	\$ 3,523,413

Fund Financial Statements

Governmental Funds

Exhibit 3

**Lake County
Two Harbors, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2024**

	General	Road and Bridge	Human Services	Forfeited Tax	Nonmajor Funds	Total
<u>Assets</u>						
Cash and pooled investments	\$ 26,480,879	\$ 8,310,037	\$ 3,740,899	\$ -	\$ 3,634,563	\$ 42,166,378
Escheat cash	36,538	-	-	-	-	36,538
Petty cash and change funds	1,050	1,000	1,000	50	-	3,100
Taxes receivable – delinquent	186,396	50,220	47,887	-	28,770	313,273
Accounts receivable	11,018	-	747	859,473	-	871,238
Accrued interest receivable	206,125	-	-	-	-	206,125
Loans receivable	90,000	-	-	-	-	90,000
Leases receivable	524,297	-	-	150,506	-	674,803
Due from other funds	94,990	-	3,406	52,135	-	150,531
Due from other governments	2,456,521	10,648,610	3,069,437	-	73,058	16,247,626
Prepaid items	-	-	13,096	-	-	13,096
Inventories	-	491,422	-	-	-	491,422
Total Assets	\$ 30,087,814	\$ 19,501,289	\$ 6,876,472	\$ 1,062,164	\$ 3,736,391	\$ 61,264,130
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 549,828	\$ 139,303	\$ 88,314	\$ 1,470	\$ -	\$ 778,915
Salaries payable	217,392	80,014	84,995	12,415	-	394,816
Contracts payable	-	800,756	-	-	-	800,756
Due to other funds	3,406	52,135	20,457	74,533	-	150,531
Due to other governments	26,950	9,149	453,007	-	145,565	634,671
Total Liabilities	\$ 797,576	\$ 1,081,357	\$ 646,773	\$ 88,418	\$ 145,565	\$ 2,759,689
Deferred Inflows of Resources						
Unavailable revenue – taxes	\$ 141,618	\$ 38,452	\$ 37,472	\$ -	\$ 22,454	\$ 239,996
Unavailable revenue – grants	6,136	9,776,115	-	-	73,058	9,855,309
Unavailable revenue – long-term receivables	-	-	-	783,130	-	783,130
Deferred lease inflows	503,445	-	-	153,975	-	657,420
Total Deferred Inflows of Resources	\$ 651,199	\$ 9,814,567	\$ 37,472	\$ 937,105	\$ 95,512	\$ 11,535,855

Exhibit 3
(Continued)

**Lake County
Two Harbors, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2024**

	General	Road and Bridge	Human Services	Forfeited Tax	Nonmajor Funds	Total
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)						
Fund Balances						
Nonspendable						
Loans receivable	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Inventories	-	491,422	-	-	-	491,422
Missing heirs	36,538	-	-	-	-	36,538
Prepaid items	-	-	13,096	-	-	13,096
Restricted for						
Law library	140,813	-	-	-	-	140,813
Recorder's technology equipment	368,460	-	-	-	-	368,460
Enhanced 911	830,191	-	-	-	-	830,191
County recorder's compliance	525,607	-	-	-	-	525,607
Law and prosecutorial equipment	74,484	-	-	-	-	74,484
County roads	-	4,658,116	-	-	-	4,658,116
Sheriff's contingency fund	5,000	-	-	-	-	5,000
Title III forest	121,165	-	-	-	-	121,165
Opioid remediation	-	-	181,790	-	-	181,790
Aquatic invasive species	322,515	-	-	-	-	322,515
Debt service	-	-	-	-	1,074,629	1,074,629
Tourism and events	221,062	-	-	-	-	221,062
Public safety	212,487	-	-	-	-	212,487
Local homeless prevention	-	-	68,309	-	-	68,309
Cannabis impact	-	-	2,214	-	-	2,214
Committed to						
Election equipment	103,427	-	-	-	-	103,427
Out-of-home placement costs	-	-	1,000,000	-	-	1,000,000
Unorganized townships – emergency services	-	-	-	-	288,787	288,787
Assigned to						
Capital assets	15,568	-	-	-	-	15,568
Highways and streets	-	3,455,827	-	-	-	3,455,827
Human services	-	-	4,926,818	-	-	4,926,818
Resource development	-	-	-	-	2,131,898	2,131,898
Forfeited properties	-	-	-	36,641	-	36,641
Unassigned	25,571,722	-	-	-	-	25,571,722
Total Fund Balances	\$ 28,639,039	\$ 8,605,365	\$ 6,192,227	\$ 36,641	\$ 3,495,314	\$ 46,968,586
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 30,087,814	\$ 19,501,289	\$ 6,876,472	\$ 1,062,164	\$ 3,736,391	\$ 61,264,130

Exhibit 4

**Lake County
Two Harbors, Minnesota**

**Reconciliation of Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position—Governmental Activities
December 31, 2024**

Fund balance – total governmental funds (Exhibit 3)	\$ 46,968,586
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 105,104,044
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	\$ 10,878,435
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.	
Deferred other postemployment benefits outflows	\$ 271,805
Deferred pension outflows	3,107,328
Total outflows of resources not reported in the governmental funds	\$ 3,379,133
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General obligation bonds	\$ (8,020,000)
Compensated absences	(1,986,095)
Bond premium	(126,959)
Leases	(407,671)
Net pension liability	(4,620,147)
Other postemployment benefits liability	(675,876)
Accrued interest payable	(25,784)
Long-term liabilities not reported in the governmental funds	\$ (15,862,532)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Deferred other postemployment benefits inflows	\$ (173,464)
Deferred pension inflows	(4,293,200)
Deferred inflows of resources not reported in the governmental funds	\$ (4,466,664)
Net Position of Governmental Activities (Exhibit 1)	\$ 146,001,002

Exhibit 5

**Lake County
Two Harbors, Minnesota**

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2024

	General	Road and Bridge	Human Services	Forfeited Tax	Nonmajor Funds	Total
Revenues						
Taxes	\$ 9,494,767	\$ 3,733,261	\$ 1,787,593	\$ -	\$ 1,091,854	\$ 16,107,475
Licenses and permits	25,283	3,280	-	795	113	29,471
Intergovernmental	8,806,568	7,122,718	10,224,216	64,329	1,168,233	27,386,064
Charges for services	648,034	-	538,716	45,509	-	1,232,259
Fines and forfeits	6,000	-	-	-	-	6,000
Investment earnings	2,237,969	-	-	894	58,640	2,297,503
Gifts and contributions	600	-	-	-	-	600
Miscellaneous	325,806	33,791	201,889	550,195	501	1,112,182
Total Revenues	\$ 21,545,027	\$ 10,893,050	\$ 12,752,414	\$ 661,722	\$ 2,319,341	\$ 48,171,554
Expenditures						
Current						
General government	\$ 7,087,850	\$ -	\$ -	\$ -	\$ 3,863	\$ 7,091,713
Public safety	5,531,117	-	-	-	159,315	5,690,432
Highways and streets	-	12,133,640	-	-	-	12,133,640
Sanitation	1,018,916	-	-	-	-	1,018,916
Human services	-	-	4,744,467	-	-	4,744,467
Health	-	-	7,674,586	-	-	7,674,586
Culture and recreation	832,304	-	-	-	20,537	852,841
Conservation of natural resources	212,566	-	-	568,403	-	780,969
Economic development	3,650,854	-	-	-	-	3,650,854
Intergovernmental						
Highways and streets	-	59,499	-	-	-	59,499
Culture and recreation	170,804	-	-	-	-	170,804
Capital outlay						
General government	198,644	-	-	-	-	198,644
Highways and streets	-	1,658,711	-	-	-	1,658,711
Conservation of natural resources	-	-	-	3,084	-	3,084
Debt service						
Principal	177,378	-	-	8,281	770,000	955,659
Interest	28,222	-	-	1,237	279,569	309,028
Administrative (fiscal) charges	-	-	-	-	3,612	3,612
Total Expenditures	\$ 18,908,655	\$ 13,851,850	\$ 12,419,053	\$ 581,005	\$ 1,236,896	\$ 46,997,459
Excess of Revenues Over (Under)						
Expenditures	\$ 2,636,372	\$ (2,958,800)	\$ 333,361	\$ 80,717	\$ 1,082,445	\$ 1,174,095
Other Financing Sources (Uses)						
Transfers in	\$ 214,107	\$ 6,595	\$ -	\$ -	\$ -	\$ 220,702
Transfers out	(6,595)	-	-	-	(214,107)	(220,702)
Leases issued	260,504	-	-	-	-	260,504
Total Other Financing Sources (Uses)	\$ 468,016	\$ 6,595	\$ -	\$ -	\$ (214,107)	\$ 260,504
Net Change in Fund Balance	\$ 3,104,388	\$ (2,952,205)	\$ 333,361	\$ 80,717	\$ 868,338	\$ 1,434,599
Fund Balance – January 1	25,534,651	11,313,530	5,858,866	(44,076)	2,626,976	45,289,947
Increase (decrease) in inventories	-	244,040	-	-	-	244,040
Fund Balance – December 31	\$ 28,639,039	\$ 8,605,365	\$ 6,192,227	\$ 36,641	\$ 3,495,314	\$ 46,968,586

Exhibit 6

**Lake County
Two Harbors, Minnesota**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Government-Wide
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2024**

Net change in fund balance – total governmental funds (Exhibit 5)	\$ 1,434,599
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Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources – unavailable revenue – December 31	\$ 10,878,435
Deferred inflows of resources – unavailable revenue – January 1	(9,680,957)

Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	\$ 1,197,478
--	---------------------

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 and amortization expense. In the statement of activities, the gain or loss on the disposal of capital assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of assets sold.

Expenditures for general capital assets and infrastructure	\$ 10,754,284
Current year depreciation and amortization	(4,435,820)

Total adjustment to the government-wide statements for current year capital asset activity	\$ 6,318,464
--	---------------------

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Principal repayments of general obligation bonds	\$ 770,000
Amortization of bond premium	14,616

Total adjustment to the government-wide statements for payments, issuance, and amortization on long-term liabilities	\$ 784,616
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Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Leases issued	\$ (260,504)
Principal payments on leases	185,659

Total adjustment to the government-wide statements for financing	\$ (74,845)
--	--------------------

Exhibit 6*(Continued)***Lake County
Two Harbors, Minnesota****Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Government-Wide
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2024**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accrued interest payable	\$ 2,787
Change in compensated absences	(228,537)
Change in net pension liability	2,121,629
Change in deferred pension outflows	(1,647,246)
Change in deferred pension inflows	196,150
Change in other postemployment benefits liability	(278,109)
Change in other postemployment benefits outflows	250,512
Change in other postemployment benefits inflows	50,564
Change in inventories	244,040
Total adjustment to the government-wide statements for other activities not reported in governmental funds	\$ 711,790
Change in Net Position of Governmental Activities (Exhibit 2)	\$ 10,372,102

Fiduciary Funds

Exhibit 7

**Lake County
Two Harbors, Minnesota**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024**

	Social Welfare Private-Purpose Trust Fund		Custodial Funds	
<u>Assets</u>				
Cash and pooled investments	\$	94,223	\$	2,302,442
Due from other governments		-		331,200
Accounts receivable		-		83,009
Taxes receivable for other governments		-		791,626
Total Assets	\$	94,223	\$	3,508,277
<u>Liabilities</u>				
Accounts payable	\$	-	\$	9,089
Due to other governments		-		677,829
Due to others		-		37,735
Total Liabilities	\$	-	\$	724,653
<u>Net Position</u>				
Restricted for individuals, organizations, and other governments	\$	94,223	\$	2,783,624

Exhibit 8

**Lake County
Two Harbors, Minnesota**

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024**

	Social Welfare Private-Purpose		Custodial Funds	
	Trust Fund			
Additions				
Contributions				
Individuals	\$	431,823	\$	2,067,649
Investment earnings				
Interest, dividends, and other		-		60,459
Property tax collections for other governments		-		40,839,370
Licenses and fees collected for the state		-		506,211
Miscellaneous		-		13,820
Total Additions	\$	431,823	\$	43,487,509
Deductions				
Beneficiary payments to individuals	\$	436,926	\$	6,839
Medical, dental, and life insurance		-		146,856
Payments of property tax to other governments		-		39,063,885
Payments to the state		-		2,213,157
Administrative expense		-		1,898,559
Payments to other entities		-		308,640
Total Deductions	\$	436,926	\$	43,637,936
Change in net position	\$	(5,103)	\$	(150,427)
Net Position – January 1		99,326		2,934,051
Net Position – December 31	\$	94,223	\$	2,783,624

Lake County

Two Harbors, Minnesota

Notes to the Financial Statements

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2024. 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.

Financial Reporting Entity

Lake County was established March 1, 1866, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Lake County (primary government) and its component unit 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.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Lake County is discretely presented:

Component Unit of the County		
Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Lake County Housing and Redevelopment Authority	The County appoints members, and the Authority is a potential financial burden.	Lake County Housing and Redevelopment Authority 601 Third Avenue Two Harbors, Minnesota 55616

The Lake County Housing and Redevelopment Authority is governed by a five-member Board appointed by the Lake County Board of Commissioners. The Authority has all the powers and duties of a county housing and redevelopment authority under the provisions of Minn. Stat. §§ 469.001-.047.

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 4 - Summary of Significant Contingencies and Other Items. The County also participates in jointly-governed organizations described in Note 4.

Lake County

Two Harbors, Minnesota

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position is reported on a full accrual accounting basis with an economic resource focus, 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 clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The County does not allocate indirect expenses to functions within the financial statements.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 property tax and intergovernmental revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for property tax and intergovernmental revenues used for economic assistance and community social services programs.

The Forfeited Tax Special Revenue Fund is used to account for revenues from the sale or lease of lands forfeited to the State of Minnesota and for revenues dedicated for use in memorial forests and various land and timber projects.

Lake County Two Harbors, Minnesota

Additionally, the County reports the following fund types:

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of long-term debt.

The Social Welfare Private-Purpose Trust Fund is used to account for resources legally held in a trust for the benefit of individuals.

Custodial funds account for monies held in a fiduciary capacity that the County holds for others in an agent capacity.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. Lake County considers all revenue as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period, and for the Schools and Roads – Grants to States grant, which has a 120-day accrual period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities.

Investments are reported at their fair value at December 31, 2024. A market approach is used to value all investments other than external investment pools and money market funds, which are measured at net asset value (NAV). Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2024 were \$2,237,969.

Lake County Two Harbors, Minnesota

Lake County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the NAV per share provided by the pool.

Receivables and Payables

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

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

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

Inventories and Prepaid Items

The Road and Bridge Special Revenue Fund inventory is valued at cost using the average cost method and consists of expendable supplies and parts held for consumption and sand and gravel stockpiles. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (for example, roads, bridges, and similar items), and right-to-use assets acquired under leasing arrangements are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or the lease term:

Lake County

Two Harbors, Minnesota

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	5-50
Right-to-use buildings and building space	3
Improvements other than buildings	8-20
Public domain infrastructure	50-75
Right-to-use machinery and equipment	3-5
Furniture, equipment, and vehicles	5-20

Unearned Revenue

Governmental funds and the government-wide statements report unearned revenue in connection with resources that have been received, but not yet earned.

Pension Plan

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

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave, sick leave, and compensatory time that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. 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.

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick time.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

Lake County Two Harbors, Minnesota

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has four types of deferred inflows. The governmental funds report unavailable revenue associated with revenue received after the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County also reports deferred inflows of resources for the net present value of leases that mature beyond one year, amortized to revenue on a straight-line basis over the lease term. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on 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 expensed entirely in the year the debt was issued.

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. 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.

Classification of Net Position

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

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

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

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

Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Lake County Two Harbors, Minnesota

Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (noncurrent loans, inventories, and prepaid items).

Restricted – amounts of fund balance subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by a formal action (resolution) of Lake County’s highest level of decision-making authority, which is the Lake County Board of Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the County intends to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount of fund balance that is not restricted or committed. In the General Fund, assigned amounts represent intended uses as determined by the County Board or the Auditor/Treasurer.

Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

During the year ended December 31, 2024, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of this statement resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements.

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Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended December 31, 2024, expenditures exceeded appropriations in the following nonmajor funds:

Excess of Expenditures Over Budget

Fund	Final Budget	Expenditures	Excess
Unorganized Townships Special Revenue Fund	\$ 143,250	\$ 163,178	\$ 19,928
Resource Development Special Revenue Fund	-	20,537	20,537
Debt Service Fund	1,049,974	1,053,181	3,207

Note 3 – Detailed Notes

Assets

Deposits and Investments

The County's total cash and investments are reported as follows:

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2024

Basic Financial Statement Accounts	Primary Government	Component Unit	Fiduciary Funds	Total
Cash and pooled investments	\$ 42,206,016	\$ 621,158	\$ 2,396,665	\$ 45,223,839
Restricted assets – cash	-	2,189,203	-	2,189,203
Total	\$ 42,206,016	\$ 2,810,361	\$ 2,396,665	\$ 47,413,042

Cash and Investments	Amount
Deposits – primary government	\$ 593,987
Deposits – component unit	2,810,361
Petty cash and change funds	3,100
Escheat cash	36,538
Investments	43,969,056
Total Deposits, Cash on Hand, and Investments	\$ 47,413,042

Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect all County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Lake County Two Harbors, Minnesota

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2024, the County’s deposits were not exposed to custodial credit risk.

Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or 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. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Lake County Two Harbors, Minnesota

Interest Rate Risk as of December 31, 2024

Investment Type	<u>Interest Rate Risk</u> Maturity Date	Carrying (Fair) Value
U.S. government agency securities		
Federal Home Loan Bank Bonds	02/25/2026	\$ 240,417
Federal Home Loan Bank Bonds	03/30/2026	241,645
Federal Home Loan Bank Bonds	04/29/2026	146,535
Federal Home Loan Bank Bonds	06/15/2026	194,800
Federal Home Loan Bank Bonds	05/22/2028	299,013
Total Federal Home Loan Bank Bonds		\$ 1,122,410
Federal Home Loan Mortgage Corporation Notes		
Federal Home Loan Mortgage Corporation Notes	05/01/2028	\$ 495,840
Federal Home Loan Mortgage Corporation Notes	08/11/2028	500,690
Federal Home Loan Mortgage Corporation Notes	08/01/2028	499,055
Federal Home Loan Mortgage Corporation Notes	01/01/2029	495,205
Federal Home Loan Mortgage Corporation Notes	09/01/2029	497,025
Federal Home Loan Mortgage Corporation Notes	10/01/2029	243,797
Total Federal Home Loan Mortgage Corporation Notes		\$ 2,731,612
Federal National Mortgage Association Notes		
Federal National Mortgage Association Notes	11/01/2028	\$ 507,135
Federal National Mortgage Association Notes	02/01/2029	503,200
Federal National Mortgage Association Notes	07/01/2029	249,092
Total Federal National Mortgage Association Notes		\$ 1,259,427
Municipal bonds		
New York City Transitional Fin Auth	02/01/2025	\$ 174,470
Lancaster School, CA GO Bond	08/01/2025	230,674
New York State Dorm Authority	02/15/2027	249,881
Phoenixville, PA Area School District	11/15/2027	234,445
California Infrastructure	10/01/2026	321,256
Wisconsin State General Fund	05/01/2027	242,645
Total municipal bonds		\$ 1,453,371

Lake County Two Harbors, Minnesota

Interest Rate Risk as of December 31, 2024 (Continued)

Investment Type	<u>Interest Rate Risk</u> Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit		
JP Morgan Chase Bank	10/30/2026	\$ 188,676
BMO Harris Bank	04/13/2026	235,553
Sallie Mae Bank	07/21/2026	190,824
UBS Bank	12/21/2028	199,610
Goldman Sachs Bank	07/28/2026	233,448
State Bank of India, NY	09/28/2026	232,993
Live Oak Bank	08/11/2028	222,776
Savannah Bank	12/29/2027	248,669
Central State Bank	05/10/2028	199,978
American Express National Bank	03/03/2025	243,954
Comenity Bank	07/14/2025	198,734
Morgan Stanley Bank	08/04/2025	243,893
City National Bank	11/24/2025	245,745
Morgan Stanley Private Bank	09/16/2027	244,939
Security Bank	02/26/2027	252,285
Inb National Association	01/06/2025	247,978
Gateway First Bank	09/08/2025	244,650
Israel Discount Bank	09/15/2025	244,647
FNCB Bank	05/26/2027	246,416
Centier Bank	07/26/2027	247,997
Pitney Bowes Bank	05/17/2028	247,018
Community Financial Services Bank	02/09/2026	247,973
CoVantage Credit Union	08/06/2029	247,976
Merrick Bank	09/30/2031	242,150
Prime Security Bank	06/26/2026	251,125
San Francisco Federal Credit Union	11/27/2028	251,219
Wells Fargo Bank	01/30/2029	200,372
Flagstar Bank	05/08/2026	245,901
Tread Bank	03/28/2028	247,947
Mizrahi Tefahot Bank	07/03/2030	249,638
Total negotiable certificates of deposit		<u>\$ 7,045,084</u>
Investment pools/money market funds		
Money market fund	N/A	\$ 121,811
MAGIC Fund	N/A	30,235,341
Total investment pools/money market funds		<u>\$ 30,357,152</u>
Total Investments		<u><u>\$ 43,969,056</u></u>

N/A – Not Applicable

Lake County Two Harbors, Minnesota

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an 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.

Credit Risk of Investments as of December 31, 2024

Investment Type	Credit Rating	Rating Agency	Fair Value
Federal Home Loan Bank Bonds	AAA	Moody's	\$ 1,122,410
Federal Home Loan Mortgage Corporation Notes	AAA	Moody's	2,731,612
Federal National Mortgage Association Notes	AAA	Moody's	1,259,427
Municipal bonds			
New York City Transitional Fin Auth	Aa1	Moody's	174,470
Lancaster School, CA GO Bond	AA	S & P	230,674
New York State Dorm Authority	Aa1	S & P	249,881
Phoenixville, PA Area School District	Aa2	S & P	234,445
California Infrastructure	AAA	S & P	321,256
Wisconsin State General Fund	AA	S & P	242,645
Negotiable certificates of deposit	N/R	N/A	7,045,084
Money market fund	N/R	N/A	121,811
MAGIC Fund	N/R	N/A	30,235,341
Total			<u>\$ 43,969,056</u>

N/R – Not Rated

N/A – Not Applicable

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have an investment policy for custodial credit risk. All of Lake County's investments in negotiable certificates of deposit, money market funds, and government securities are held by the counterparty to the transactions. These investments are covered by Securities Investor Protection Corporation (SIPC) insurance or excess SIPC insurance and are, therefore, not subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the policy of the County to diversify investments to avoid risk and also for cash flow purposes. There were no investments held that totaled more than five percent of the County's total investments that were subject to concentration of credit risk.

Lake County Two Harbors, Minnesota

Fair Value Measurement

Lake County measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. 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.

At December 31, 2024, Lake County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2024

Investments by Fair Value Level	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government agency securities	\$ 5,113,449	\$ -	\$ 5,113,449	\$ -
Municipal bonds	1,453,371	-	1,453,371	-
Negotiable certificates of deposit	7,045,084	-	7,045,084	-
Total Investments Included in the Fair Value Hierarchy	\$ 13,611,904	\$ -	\$ 13,611,904	\$ -

Investments Measured NAV	December 31, 2024
Money market funds	\$ 121,811
MAGIC Portfolio	29,235,341
MAGIC Term	1,000,000
Total Investments Measured at NAV	\$ 30,357,152

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at NAV. The County invests in this pool for the purpose of the joint investment with other counties to enhance the investment earnings accruing to each member. The County's investments in MAGIC currently consist of the MAGIC Portfolio and MAGIC Term Series.

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 the 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 a Portfolio's securities or determination of its NAV not reasonably practical.

Lake County Two Harbors, Minnesota

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

The money market mutual fund value is published at NAV per share. The County invests in this money market account for short-term holdings. Shares are available to be redeemed upon proper notice without restriction or limitation.

Receivables

Receivables as of December 31, 2024, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2024

Receivables – Governmental Activities	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 313,273	\$ -
Due from other governments	16,247,626	-
Accounts	871,238	-
Interest	206,125	-
Loans receivable	90,000	85,000
Leases receivable	674,803	623,706
Total	<u>\$ 18,403,065</u>	<u>\$ 708,706</u>

Loans Receivable

Loans receivable consist of outstanding loans to a township for a wastewater project facility plan and a receivable from a local hockey association to share in the cost of the County's ice resurfacer.

Leases Receivable

As a lessor, the County is required to recognize a lease receivable and a deferred inflow of resources. The County has entered into various lease agreements where the County is the lessor in the land use lease agreements for communications towers. Lease terms range from five to ten years with options to extend the term. The lease receivable was calculated based on the interest rate charged on the lease, if available, or the County's average annual short-term monthly incremental borrowing rate. During 2024, the General Fund and Forfeited Tax Special Revenue Fund received total principal and interest payments of \$33,193 and \$21,389, respectively.

Lake County Two Harbors, Minnesota

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets – Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,968,383	\$ -	\$ -	\$ 3,968,383
Capital assets depreciated and amortized				
Buildings	\$ 25,399,156	\$ 650,574	\$ -	\$ 26,049,730
Improvements other than buildings	1,555,124	89,275	-	1,644,399
Machinery, furniture, and equipment	14,057,751	1,840,312	(129,772)	15,768,291
Infrastructure	124,499,988	7,913,619	-	132,413,607
Lease machinery and equipment	563,493	260,504	(38,792)	785,205
Total capital assets depreciated and amortized	\$ 166,075,512	\$ 10,754,284	\$ (168,564)	\$ 176,661,232
Less: accumulated depreciation and amortization for				
Buildings	\$ 10,931,842	\$ 527,282	\$ -	\$ 11,459,124
Improvements other than buildings	758,345	49,966	-	808,311
Machinery, furniture, and equipment	11,608,712	967,728	(129,772)	12,446,668
Infrastructure	47,721,295	2,698,578	-	50,419,873
Lease machinery and equipment	238,121	192,266	(38,792)	391,595
Total accumulated depreciation and amortization	\$ 71,258,315	\$ 4,435,820	\$ (168,564)	\$ 75,525,571
Total capital assets depreciated and amortized, net	\$ 94,817,197	\$ 6,318,464	\$ -	\$ 101,135,661
Capital Assets, Net	\$ 98,785,580	\$ 6,318,464	\$ -	\$ 105,104,044

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	Amount
General government	\$ 371,447
Public safety	262,320
Highways and streets, including depreciation of infrastructure assets	3,440,726
Human services	4,139
Sanitation	47,531
Culture and recreation	288,894
Conservation of natural resources	20,763
Total	<u>\$ 4,435,820</u>

Lake County Two Harbors, Minnesota

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2024, is as follows:

Due To/From Other Funds as of December 31, 2024

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Human Services Special Revenue Fund	\$ 20,457	Reimbursement for services
General Fund	Forfeited Tax Special Revenue Fund	74,533	Reimbursement for deficit cash
Total due to General Fund		<u>\$ 94,990</u>	
Forfeited Tax Special Revenue Fund	Road and Bridge Special Revenue Fund	\$ 52,135	Reimbursement for services
Human Services Special Revenue Fund	General Fund	\$ 3,406	Reimbursement for services
Total Due To/From Other Funds		<u>\$ 150,531</u>	

Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2024

Transfers Out	Transfers In	Amount	Purpose
General Fund	Road and Bridge Special Revenue Fund	\$ 6,595	To transfer funds for equipment and labor for brush cleanup and landfill expansion project
Debt Service Fund	General Fund	214,107	To close out excess bond proceeds
Total Interfund Transfers		<u>\$ 220,702</u>	

Liabilities

Payables

Payables at December 31, 2024, were as follows:

Governmental Activities Payable at December 31, 2024

Payables	Amount
Accounts payable	\$ 778,915
Salaries payable	394,816
Contracts payable	800,756
Due to other governments	634,671
Total	<u>\$ 2,609,158</u>

Lake County Two Harbors, Minnesota

Construction Commitments

The County has active construction projects as of December 31, 2024. The projects include the following:

Active Construction Commitments as of December 31, 2024

Projects	Spent-to-Date	Remaining Commitment
Roads and bridges	\$ 9,190,783	\$ 4,901,997

Long-Term Debt

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General obligation bonds					
G.O. Capital Improvement Refunding Bonds, Series 2014A	2030	\$60,000- \$355,000- \$390,000-	2.00-3.25	\$ 2,410,000	\$ 435,000
G.O. Judgment Bonds, Series 2018A	2033	\$590,000	3.00-3.25	7,235,000	4,720,000
G.O. Capital Improvement Bonds, Series 2018B	2033	\$115,000- \$235,000	3.00-3.50	2,765,000	1,850,000
G.O. Capital Improvement Bonds, Series 2019A	2034	\$70,000- \$115,000	3.00-4.00	1,400,000	1,015,000
Total				<u>\$ 13,810,000</u>	\$ 8,020,000
Plus: unamortized premium					<u>126,959</u>
Total General Obligation Bonds					<u>\$ 8,146,959</u>

Lake County Two Harbors, Minnesota

Debt Service Requirements

Debt service requirements at December 31, 2024, were as follows:

Governmental Activities

Debt Service Requirements as of December 31, 2024 General Obligation Bonds

Year Ending December 31	Principal	Interest
2025	\$ 795,000	\$ 253,919
2026	825,000	227,344
2027	850,000	201,694
2028	875,000	175,075
2029	900,000	148,388
2030-2034	3,775,000	314,550
Total	\$ 8,020,000	\$ 1,320,970

Leases

The County has entered into various lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department, fleet vehicles for various departments, copier leases for various departments, and a postage machine. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid by the General Fund and the Forfeited Tax Special Revenue Fund.

Lease Principal and Interest Requirements to Maturity As of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 190,128	\$ 24,788
2026	114,323	12,764
2027	84,488	4,879
2028	18,732	400
Total	\$ 407,671	\$ 42,831

Lake County Two Harbors, Minnesota

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation improvement refunding bonds	\$ 500,000	\$ -	\$ (65,000)	\$ 435,000	\$ 65,000
General obligation judgment bonds	5,170,000	-	(450,000)	4,720,000	465,000
General obligation capital improvement bonds	3,120,000	-	(255,000)	2,865,000	265,000
Bond premium	141,575	-	(14,616)	126,959	-
Compensated absences	1,757,558	228,537*	-	1,986,095	802,561
Leases	332,826	260,504	(185,659)	407,671	190,128
Total Long-Term Liabilities	\$ 11,021,959	\$ 489,041	\$ (970,275)	\$ 10,540,725	\$ 1,787,689

*The change in the compensated absences liability is presented as a net change.

Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

Lake County explicitly subsidizes the cost of retiree health insurance coverage for certain retired employees through a sick leave reserve program under a single employer self-insured plan. Highway Department employees with at least ten years of service who are eligible to receive a retirement benefit from PERA are eligible for up to two years of health insurance premiums paid by the County at the single rate. Highway Department employees with 20 or more years of service are eligible for up to three years of health insurance premiums. At retirement, each eligible employee's sick leave hours are converted to a dollar amount using the employee's hourly pay rate at retirement. The period of time for which the employee may receive the paid health insurance benefit is limited to the dollar value of the employee's accumulated sick leave at retirement. As of December 31, 2024, there were no retirees using their sick leave balances for insurance premiums.

Active employees who retire from the County when eligible to receive a retirement benefit from PERA and do not participate in any other health benefits program providing similar coverage will be eligible to continue coverage with respect to both themselves and their eligible dependents under the County's health benefits program. These retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of December 31, 2024, five retirees were receiving health benefits from the County's health plan. The authority to provide these benefits is established in Minn. Stat. § 471.61, subd. 2a.

The cost of OPEB is funded on a "pay-as-you-go" method.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

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Total OPEB Liability

The County's total OPEB liability of \$675,876 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2023. The OPEB liability is liquidated through the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Forfeited Tax Special Revenue Fund.

The total OPEB liability in the fiscal year-end December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The current year inflation rate is 2.50 percent.
- The salary increases are graded by service years and contract group ranging from 10.25 percent for one year of service to 3.00 percent for 27 or more years of service.
- The health care cost trend rate is 6.25 percent, decreasing to 5.00 percent over five years and then to 4.00 percent over the next 48 years.
- The current year discount rate is 3.70 percent, which is a decrease from 4.00 percent from the prior year rate. For the current valuation, GASB Statement 75 requires liabilities to be discounted based on a tax-exempt, high-quality 20-year municipal bond index.
- Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 General Improvement Scale.
- Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability for the Year Ended December 31, 2024

Total OPEB Changes for the Year	Amount
Balance at December 31, 2023	\$ 397,767
Service cost	\$ 52,283
Interest	16,879
Assumption changes	11,336
Plan changes	56,786
Difference between expected and actual experience	197,508
Benefit payments	(56,683)
Net change	\$ 278,109
Balance at December 31, 2024	\$ 675,876

Lake County Two Harbors, Minnesota

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2024

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	\$ 715,221
Current	3.70%	675,876
1% Increase	4.70%	638,945

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2024

Change in Health Care Trend Rate	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.50%	\$ 620,587
Current	6.25% Decreasing to 5.00%	675,876
1% Increase	7.25% Decreasing to 6.00%	739,936

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

For the year ended December 31, 2024, the County recognized OPEB expense of (\$22,967). The County reported deferred outflows of resources and deferred inflows of resources related to OPEB for this same time period.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,292	\$ 132,709
Changes in actuarial assumptions	17,674	40,755
Contributions made subsequent to the measurement date	84,839	-
Total	\$ 271,805	\$ 173,464

The \$84,839 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended

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December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB as of December 31, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ (16,747)
2026	(2,004)
2027	(5,979)
2028	4,202
2029	4,202
Thereafter	29,828

Changes in Actuarial Methods and Assumptions

The following changes in actuarial assumptions occurred in 2024:

- The discount rate was changed from 4.00 percent to 3.70 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Lake County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No Lake County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. The 2024 annual increase was 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

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

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service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits and disability qualification requirements vary by plan.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2023.

Member and Employer Required Contribution Rates

Pension Plan	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

Employer Contributions for the Year Ended December 31, 2024

Pension Plan	Contribution
General Employees Plan	\$ 588,760
Police and Fire Plan	239,363
Correctional Plan	66,167

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

Pension Costs

General Employees Plan

At December 31, 2024, Lake County reported a liability of \$3,241,215 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0877 percent. It was 0.0876 percent measured as of June 30, 2023. The County recognized pension expense of \$428,662 for its proportionate share of the General Employees Plan's pension expense.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended

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June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$149,126 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional \$2,247 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total General Employees Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 3,241,215
State of Minnesota's proportionate share of the net pension liability associated with the County	83,811
Total	<u>\$ 3,325,026</u>

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 303,440	\$ -
Changes in actuarial assumptions	14,801	1,225,998
Difference between projected and actual investment earnings	-	341,529
Changes in proportion	224,829	14,947
Contributions paid to PERA subsequent to the measurement date	296,295	-
Total	<u>\$ 839,365</u>	<u>\$ 1,582,474</u>

The \$296,295 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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General Employees Plan

Schedule of Amortization of Deferred Outflows and Inflows of Resources

As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (715,430)
2026	107,925
2027	(183,479)
2028	(248,420)

Police and Fire Plan

At December 31, 2024, the County reported a liability of \$1,290,286 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0981 percent. It was 0.0986 percent measured as of June 30, 2023. The County recognized pension expense of \$207,843 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized \$27,850 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional \$5,501 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total Police and Fire Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 1,290,286
State of Minnesota's proportionate share of the net pension liability associated with the County	49,185
Total	<u>\$ 1,339,471</u>

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 513,881	\$ -
Changes in actuarial assumptions	1,516,604	1,910,620
Difference between projected and actual investment earnings	-	408,220
Changes in proportion	387	228,885
Contributions paid to PERA subsequent to the measurement date	113,922	-
Total	<u>\$ 2,144,794</u>	<u>\$ 2,547,725</u>

The \$113,922 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (105,277)
2026	330,087
2027	(219,124)
2028	(550,761)
2029	28,222

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Correctional Plan

At December 31, 2024, the County reported a liability of \$88,646 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.2909 percent. It was 0.3110 percent measured as of June 30, 2023. The County recognized pension expense of \$420,711 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed \$5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$15,287 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Correctional Plan.

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 64,591	\$ -
Changes in actuarial assumptions	-	32,069
Difference between projected and actual investment earnings	-	124,860
Changes in proportion	25,041	6,072
Contributions paid to PERA subsequent to the measurement date	33,537	-
Total	\$ 123,169	\$ 163,001

The \$33,537 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (37,038)
2026	44,769
2027	(47,968)
2028	(33,132)

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Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$1,057,216.

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2024

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

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Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Police and Fire Plan

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

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Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 7,079,335	6.00%	\$ 3,049,197	6.00%	\$ 720,355
Current	7.00%	3,241,215	7.00%	1,290,286	7.00%	88,646
1% Increase	8.00%	84,011	8.00%	(154,149)	8.00%	(414,609)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Defined Contribution Plan

Three County Commissioners of Lake County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer 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 0.25 percent of the assets in each member account annually. For the year ended December 31, 2024, the total employee and employer contributions were each \$6,676, which represents five percent of covered payroll.

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Postemployment Health Care Plans

Minnesota State Retirement System (MSRS) Health Care Savings Plan

All Lake County employees (except for Highway Department employees) are eligible to participate in a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans.

Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into individual accounts must be negotiated by each individual bargaining unit and the employer. The plan must be written into the collective bargaining agreement or a Memo of Understanding. For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written personnel policy.

Under Lake County's plan, both unionized and non-represented employees are required to contribute, at retirement, a lump sum of ten or 20 percent of their eligible unused sick time plus the value of 24 or 36 months of health insurance premiums into their HCSP account, depending on the years of service.

Voluntary Employees' Beneficiary Association (VEBA) Plan

The Lake County Board of Commissioners approved a Voluntary Employees' Beneficiary Association (VEBA) plan for funding employee health benefits as authorized under Sections 501(c)(9) and 213(d) of the IRS code for members of the Sheriff's Deputy Union, Sheriff's Dispatchers/Corrections Union, Courthouse, Human Services, and for non-represented employees. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health care plan. Funding is provided through pre-tax contributions from Lake County on employee health care elections.

In 2024, the maximum County contribution for active employees is \$1,690 for employees with single coverage and \$3,250 for employees with family coverage. Any balance remaining in an employee's account at year-end rolls over into the subsequent year. Upon retirement, any balance remaining in the VEBA account may be used to pay medical expenses.

Eligibility requirements include:

- be an active employee or retiree of a public entity,
- active employees must have a high-deductible health care plan, and
- be a member of a bargaining unit that has approved the VEBA plan.

Lake County

Two Harbors, Minnesota

Note 4 – Summary of Significant Contingencies and Other Items

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage its workers' compensation and property and casualty risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee dental coverage and participates in a health insurance pool for employee health coverage. For other risks, the County carries commercial insurance. The County retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 in 2024 and \$1,000,000 in 2025. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The North East Service Cooperative (NESC) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the NESC and are based partially on the experience of the County and partially on the experience of the group. The NESC solicits proposals from carriers and negotiates the contracts.

The County retains the risk of loss from claims related to employee dental. The County has contracted with Delta Dental to administer the County's dental claims. The County provides dental coverage to permanent full-time employees based on negotiated union contracts to cover a portion of the dental claims. Claims are recognized as they are paid. The amount of claims incurred at the balance sheet date which have not been accrued in the financial statements is immaterial.

Changes in Unpaid Claims Year Ended December 31

Claims Payable	2024	2023
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Incurred claims (including incurred but not reported)	151,639	140,575
Claims payments	(151,639)	(140,575)
Unpaid Claims, End of Fiscal Year	\$ -	\$ -

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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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Tax-Forfeited Land

The County manages approximately 150,000 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.

Joint Ventures

Arrowhead Regional Corrections

The County, in a joint powers agreement pursuant to Minn. Stat. § 471.59, participates with Carlton, Cook, Koochiching, and Saint Louis Counties in Arrowhead Regional Corrections, which was established pursuant to the Community Corrections Act, Minn. Stat. §§ 401.01-.16.

Arrowhead Regional Corrections 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, composed of one member appointed from the Board of Commissioners of each of the participating counties, except for Saint Louis County, which has three members appointed by its Board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Lake County provided \$375,871 in funding during 2024.

Separate financial information can be obtained from Arrowhead Regional Corrections, 320 West Second Street, Suite 303, Duluth, Minnesota 55802.

Carlton, Cook, Lake, and Saint Louis Community Health Board

Carlton, Cook, Lake, and Saint Louis Counties entered into a joint powers agreement creating and operating the Carlton, Cook, Lake, and Saint Louis Community Health Board. This agreement was entered into January 1, 1977, and established pursuant to Minn. Stat. § 471.59.

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of

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Commissioners each appoint two members; the Saint Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Lake County provided no funding to this organization in 2024.

Separate financial information can be obtained from the Carlton, Cook, Lake, and Saint Louis Community Health Board, 404 West Superior Street, Suite 220, Duluth, Minnesota 55802.

JET (Formerly Known as Northeast Minnesota Office of Job Training)

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and Saint 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 currently known as JET. The United States Congress, through the Job Training Partnership Act of 1982, authorized 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 a “service delivery area,” and JET is designated as the grant recipient and administrator for such service delivery area. Lake County is not a funding mechanism for this organization.

The governing body is composed of seven members, one from the Board of Commissioners of each of the participating counties.

Separate financial information can be obtained from JET, 820 North Ninth Street, Suite 240, Virginia, Minnesota 55792.

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and Saint Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by an 11-member board, composed of a member appointed by each of the participating county’s Board of Commissioners. Financing is obtained through user charges to the members. Lake County contributed \$144,972. Lake 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.

Separate financial information can be obtained from Minnesota Counties Information Systems, 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources.

The joint powers are Aitkin, Cook, Koochiching, Lake, Lake of the Woods, Pennington, Roseau, and Saint Louis Counties. Three elected County Commissioners from Saint Louis County and two from each of the other counties

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comprise the membership of the Board. Saint Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Custodial Fund.

Lake County provided no funding to this organization during 2024.

Separate financial information can be obtained from the Northern Counties Land Use Coordinating Board, Saint Louis County Courthouse, Duluth, Minnesota 55802.

North Shore Collaborative

The North Shore Collaborative was established in 1995, pursuant to Minn. Stat. § 142D.15. The Collaborative includes Lake County, Cook County, Independent School District 381, Independent School District 166, and the Grand Portage Reservation. The purpose of the Collaborative is to form a coalition of agencies, schools, and communities along the North Shore that will systematically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2024, consists of total assets of \$124,237 and total net position of \$124,237.

Separate financial information can be obtained from Lake County, 601 Third Avenue, Two Harbors, Minnesota 55616.

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. In 2012, Saint Louis County joined the Arrowhead Health Alliance.

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.

Lake County contributed \$78,697 in start-up funds to the Arrowhead Health Alliance in 2007. Lake County provided no further funding in 2024.

Northeast Minnesota Emergency Communications Board

The Northeast Minnesota Emergency Communications Board was established through a joint powers agreement, pursuant to Minn. Stat. §§ 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.

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The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and Saint 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 Emergency Communications Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties, one City Council member 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.

Saint Louis County is the fiscal agent for the Northeast Minnesota Emergency Communications Board. Funding is provided by grants and contributions from participating members. Lake County provided no funding in 2024.

Separate financial information can be obtained from Saint Louis County, 100 North 5th Avenue West, Room 201, Duluth, Minnesota 55802-1293.

Lake Superior Drug and Violent Crime Task Force

The Lake Superior Drug and Violent Crime Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Lake and Saint Louis Counties, and the Cities of Duluth, Superior, and Hermantown. This Task Force partnership targets drug traffickers, gang elements, and firearms within the Twin Ports community.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of the Chiefs of Police and Sheriff, or his or her designee, from each party, along with the Saint Louis County Attorney or designee.

Fiscal agent responsibilities for the Task Force are with Saint Louis County. Lake County provided no funding to this organization in 2024.

Jointly-Governed Organizations

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

North Shore Management Board

The North Shore Management Board provides Lake Superior shoreline planning for Cook, Lake, and Saint Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Townships of Duluth and Lakewood. Lake County contributed \$2,188 to the Board in 2024.

Saint Louis and Lake Counties Regional Railroad Authority

The Saint Louis and Lake Counties Regional Railroad Authority was established under the Regional Railroad Authorities Act, Minn. Stat. §§ 398A.01-398A.09. The Authority is governed by a Board composed of three members from the Saint Louis County Board of Commissioners and two members from the Lake County Board of Commissioners. Saint Louis County is the fiscal agent for the Authority, and all of its financial transactions are recorded in the Regional Railroad Authority Custodial Fund. Financing is obtained through a tax levy and federal, state, and local grants or participation. Lake County did not contribute to the Authority during 2024.

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Separate financial information can be obtained from the Saint Louis and Lake Counties Regional Railroad Authority, 111 Station 44 Road, Eveleth, Minnesota 55734.

Note 5 – Component Unit Disclosures

Summary of Significant Accounting Policies

In addition to those significant accounting policies identified in Note 1, the County's discretely presented component unit, the Lake County Housing and Redevelopment Authority, has the following significant accounting policies.

Reporting Entity

The Lake County Housing and Redevelopment Authority was established June 13, 1984, and became active in 1986, having all the powers and duties of a county housing and redevelopment authority under the provisions of Minn. Stat. §§ 469.001-.047. The Authority is governed by a five-member Board appointed by the Lake County Board of Commissioners. The Board is organized with a chair, vice chair, secretary, and treasurer, elected annually.

Basis of Presentation

The Lake County Housing and Redevelopment Authority prepares separate financial statements.

The Authority reports two major governmental funds, the General Fund and the Local Housing Trust Special Revenue Fund, and two major enterprise funds, the Silverpointe Apartments Enterprise Fund and the Lakeview Apartments Enterprise Fund.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Lake County Housing and Redevelopment Authority considers all revenues as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period. Property and other taxes, 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 long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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

Deposits and Investments

The Authority's cash and cash equivalents consist of savings and checking accounts, cash on hand, and certificates of deposit. Restricted cash and investments are shown separately from cash and cash equivalents. In 2024, the Authority reported investment earnings of \$97,686.

The Authority invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value (NAV) per share provided by the pool.

Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes, including property taxes captured as tax increment, are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. The Authority approved an annual levy for operating purposes. Property taxes, including tax increment, are collected by Lake County. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable.

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

Restricted Assets

Certain funds of the Authority are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation, or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Land Held for Resale

Land held for resale consists of land or buildings that will be used for the construction or rehabilitation of buildings to provide low-income housing to residents of Lake County at a reasonable cost. The value of the land held for resale is recorded at the costs to purchase and make improvements to the property.

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Capital Assets

Capital assets, which include land, buildings and structures, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and have an expected life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Buildings and structures and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings and structures	25-40
Equipment	7

Unearned Revenue

The financial statements report unearned revenue in connection with resources that have been received but not yet earned.

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of unpaid, accumulated vacation and sick leave balances that is attributable to the services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the General Fund only if they have matured, for example, as a result of employee resignations and retirements.

The government-wide statement of net position reports compensated absences as a current liability only, because there is no noncurrent portion at this time. The current portion is an amount based on a trend analysis of current usage of vacation and sick leave.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 applicable bond premiums or discounts. In the government-wide financial statements, \$7,563 of interest expense is reported as a direct housing expense.

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Detailed Notes

Assets

Deposits and Investments

The Authority's total deposits and investments are reported as follows:

Reconciliation of the Authority's Total Cash and Investments to the Basic Financial Statements as of December 31, 2024

Basic Financial Statement Accounts	Governmental Activities	Business- Type Activities	Total
Cash	\$ 373,219	\$ 247,939	\$ 621,158
Restricted assets – External investment pool	2,165,007	-	2,165,007
Restricted assets – Security deposits	-	24,196	24,196
Total	\$ 2,538,226	\$ 272,135	\$ 2,810,361

The Authority is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The Authority is required by Minn. Stat. § 118A.03 to protect Authority deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2024, the Authority's deposits were not exposed to custodial credit risk.

Investments

The Authority has not adopted a formal investment policy.

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Fair Value Measurement

The following table presents the Authority's investment balances at December 31, 2024:

Investment Information as of December 31, 2024

Investment Type	Carrying (Fair) Value
MAGIC Portfolio	\$ 2,165,007

MAGIC is a local government investment pool which is quoted at NAV. Lake County invests on behalf of the Authority in this pool for the purpose of the joint investment with other counties to enhance the investment earnings accruing to each member. The Authority's investment in MAGIC currently consists of the MAGIC Portfolio.

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 Authority has a sufficient number of shares to meet the redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets – Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Equipment	\$ 2,928	\$ -	\$ -	\$ 2,928
Less: accumulated depreciation for				
Equipment	2,018	152	-	2,170
Total capital assets depreciated	\$ 910	\$ (152)	\$ -	\$ 758
Governmental Activities Capital Assets, Net	\$ 910	\$ (152)	\$ -	\$ 758

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation Expense Charged to Functions/Programs

Governmental Activities	Amount
Urban and economic development	\$ 152

Lake County Two Harbors, Minnesota

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets – Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings and structures	\$ 1,951,232	\$ -	\$ -	\$ 1,951,232
Equipment	70,420	-	-	70,420
Total capital assets depreciated	\$ 2,021,652	\$ -	\$ -	\$ 2,021,652
Less: accumulated depreciation for				
Buildings and structures	\$ 1,273,484	\$ 51,252	\$ -	\$ 1,324,736
Equipment	51,976	4,602	-	56,578
Total accumulated depreciation	\$ 1,325,460	\$ 55,854	\$ -	\$ 1,381,314
Business-Type Activities Capital Assets, Net	\$ 696,192	\$ (55,854)	\$ -	\$ 640,338

Depreciation expense was charged to functions/programs of the Authority as follows:

Depreciation Expense Charged to Functions/Programs

Business-Type Activities	Amount
Housing	<u>\$ 55,854</u>

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2024, is as follows:

Interfund Balances as of December 31, 2024

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Silverpointe Apartments Enterprise Fund	\$ 11,195	Reimbursement for services
General Fund	Lakeview Apartments Enterprise Fund	22,407	Reimbursement for services
General Fund	Local Housing Trust Special Revenue Fund	<u>13,285</u>	Reimbursement for single family home construction costs
Total due to General Fund		\$ 46,887	
Silverpointe Apartments Enterprise Fund	General Fund	<u>7,557</u>	2012 bond proceeds
Total Due To/From Other Funds		<u>\$ 54,444</u>	

Lake County Two Harbors, Minnesota

Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2024

Transfers Between Funds	Amount	Purpose
Transfer to Local Housing Trust Special Revenue Fund from General Fund	\$ 10,000	To provide funding to the Local Housing Trust Special Revenue Fund
Transfer to Lakeview Apartments Fund from General Fund	280,000	To provide funding to assist with the rehabilitation of the Lakeview Apartments Building
Total Interfund Transfers	<u>\$ 290,000</u>	

Liabilities

Due to Lake County

The General Fund reports a due to Lake County of \$37,536 for fourth quarter payroll costs. Lake County processes the Authority Director's payroll and is reimbursed by the Authority on a quarterly basis.

Long-Term Debt

Business-Type Activities

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2012 General Obligation Senior Housing Bonds	2028	Varies	1.0-3.5	<u>\$ 860,000</u>	<u>\$ 165,000</u>

Debt Service Requirements

Debt service requirements at December 31, 2024, were as follows:

Business-Type Activities

Debt Service Requirements as of December 31, 2024 Revenue Bonds

Year Ending December 31	Principal	Interest
2025	\$ -	\$ 6,588
2026	65,000	4,556
2027	65,000	2,363
2028	35,000	613
Totals	<u>\$ 165,000</u>	<u>\$ 14,120</u>

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Changes in Long-Term Liabilities

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities – Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 1,505	\$ 10,252	\$ (7,517)	\$ 4,240	\$ 4,240

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities – Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2012 General Obligation Senior Housing Bonds	\$ 225,000	\$ -	\$ (60,000)	\$ 165,000	\$ -
Less: unamortized discounts	(2,403)	-	803	(1,600)	-
Total	\$ 222,597	\$ -	\$ (59,197)	\$ 163,400	\$ -

Summary of Significant Contingencies and Other Items

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters. To manage these risks, the Authority has joined the Minnesota Counties Intergovernmental Trust. The Authority retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

Required Supplementary Information

**Lake County
Two Harbors, Minnesota
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 8,399,806	\$ 8,399,806	\$ 9,494,767	\$ 1,094,961
Licenses and permits	17,350	17,350	25,283	7,933
Intergovernmental	4,188,993	4,188,993	8,806,568	4,617,575
Charges for services	496,469	496,469	648,034	151,565
Fines and forfeits	8,000	8,000	6,000	(2,000)
Investment earnings	350,000	350,000	2,237,969	1,887,969
Gifts and contributions	-	-	600	600
Miscellaneous	173,227	173,227	325,806	152,579
Total Revenues	\$ 13,633,845	\$ 13,633,845	\$ 21,545,027	\$ 7,911,182
Expenditures				
Current				
General government				
Commissioners	\$ 369,934	\$ 369,934	\$ 405,939	\$ (36,005)
Courts	25,250	25,250	28,057	(2,807)
Law library	2,000	2,000	4,740	(2,740)
County administration	378,222	378,222	371,093	7,129
County auditor	734,043	734,043	809,726	(75,683)
County assessor	628,493	628,493	559,674	68,819
Elections	49,993	49,993	72,870	(22,877)
Accounting and auditing	91,700	91,700	76,558	15,142
Data processing	1,125,898	1,125,898	1,455,373	(329,475)
Personnel	252,123	252,123	222,171	29,952
Attorney	557,379	557,379	560,291	(2,912)
Recorder	318,798	318,798	344,266	(25,468)
Planning and zoning	640,595	640,595	898,046	(257,451)
Buildings and plant	1,122,340	1,122,340	958,837	163,503
Veterans service officer	210,225	210,225	231,940	(21,715)
Motor pool	157,210	157,210	82,500	74,710
Other general government	-	-	5,769	(5,769)
Total general government	\$ 6,664,203	\$ 6,664,203	\$ 7,087,850	\$ (423,647)
Public safety				
Sheriff	\$ 2,766,222	\$ 2,766,222	\$ 2,616,639	\$ 149,583
Ambulance	537,972	537,972	531,572	6,400
Emergency services	159,548	159,548	193,335	(33,787)
Coroner	37,500	37,500	29,662	7,838
County jail	1,167,147	1,167,147	1,195,513	(28,366)
Community corrections	377,611	377,611	376,488	1,123
Sentence to serve	113,733	113,733	101,167	12,566
Emergency management	121,857	121,857	204,851	(82,994)
Other public safety	212,177	212,177	281,890	(69,713)
Total public safety	\$ 5,493,767	\$ 5,493,767	\$ 5,531,117	\$ (37,350)

Exhibit A-1
(Continued)

Lake County
Two Harbors, Minnesota
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 327,777	\$ 327,777	\$ 672,161	\$ (344,384)
Recycling	274,796	274,796	331,880	(57,084)
Hazardous waste	18,000	18,000	14,875	3,125
Total sanitation	\$ 620,573	\$ 620,573	\$ 1,018,916	\$ (398,343)
Culture and recreation				
Historical society	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Arenas	237,418	237,418	220,658	16,760
Humane Society	7,000	7,000	7,000	-
Memorial Day observance	3,000	3,000	-	3,000
Recreation board	163,300	163,300	203,550	(40,250)
Trails	-	-	341,096	(341,096)
Total culture and recreation	\$ 470,718	\$ 470,718	\$ 832,304	\$ (361,586)
Conservation of natural resources				
County extension	\$ 74,646	\$ 74,646	\$ 68,369	\$ 6,277
Soil and water conservation	78,439	78,439	75,828	2,611
Agricultural society/County fair	35,588	35,588	38,681	(3,093)
Water planning	4,571	4,571	4,571	-
CWP project	14,488	14,488	20,117	(5,629)
Wetland challenge	5,000	5,000	5,000	-
Total conservation of natural resources	\$ 212,732	\$ 212,732	\$ 212,566	\$ 166
Economic development				
Airports	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
Housing and Redevelopment Authority	-	-	2,099,218	(2,099,218)
Other economic development	-	-	1,544,136	(1,544,136)
Total economic development	\$ 7,500	\$ 7,500	\$ 3,650,854	\$ (3,643,354)
Intergovernmental				
Culture and recreation				
County/regional library	\$ 170,400	\$ 170,804	\$ 170,804	\$ -
Capital outlay				
General government	\$ -	\$ -	\$ 198,644	\$ (198,644)
Debt service				
Principal	\$ -	\$ -	\$ 177,378	\$ (177,378)
Interest	-	-	28,222	(28,222)
Total debt service	\$ -	\$ -	\$ 205,600	\$ (205,600)
Total Expenditures	\$ 13,639,893	\$ 13,640,297	\$ 18,908,655	\$ (5,268,358)

Exhibit A-1
(Continued)

Lake County
Two Harbors, Minnesota
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Excess of Revenues Over (Under)				
Expenditures	\$ (6,048)	\$ (6,452)	\$ 2,636,372	\$ 2,642,824
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 214,107	\$ 214,107
Transfers out	(2,500)	(2,500)	(6,595)	(4,095)
Leases issued	-	-	260,504	260,504
Total Other Financing Sources (Uses)	\$ (2,500)	\$ (2,500)	\$ 468,016	\$ 470,516
Net Change in Fund Balance	\$ (8,548)	\$ (8,952)	\$ 3,104,388	\$ 3,113,340
Fund Balance – January 1	25,534,651	25,534,651	25,534,651	-
Fund Balance – December 31	\$ 25,526,103	\$ 25,525,699	\$ 28,639,039	\$ 3,113,340

Lake County Two Harbors, Minnesota

Budgetary Comparison Schedule Road and Bridge Special Revenue Fund For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 3,759,626	\$ 3,759,626	\$ 3,733,261	\$ (26,365)
Licenses and permits	-	-	3,280	3,280
Intergovernmental	12,134,089	12,134,089	7,122,718	(5,011,371)
Charges for services	53,000	53,000	-	(53,000)
Miscellaneous	35,000	35,000	33,791	(1,209)
Total Revenues	\$ 15,981,715	\$ 15,981,715	\$ 10,893,050	\$ (5,088,665)
Expenditures				
Current				
Highways and streets				
Administration	\$ 480,569	\$ 480,569	\$ 481,841	\$ (1,272)
Maintenance	3,760,472	3,760,472	2,132,177	1,628,295
Construction	20,409,013	20,409,013	8,622,116	11,786,897
Equipment maintenance and shop	1,049,743	1,049,743	897,506	152,237
Total highways and streets	\$ 25,699,797	\$ 25,699,797	\$ 12,133,640	\$ 13,566,157
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 59,499	\$ (59,499)
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 1,658,711	\$ (1,658,711)
Total Expenditures	\$ 25,699,797	\$ 25,699,797	\$ 13,851,850	\$ 11,847,947
Excess of Revenues Over (Under) Expenditures	\$ (9,718,082)	\$ (9,718,082)	\$ (2,958,800)	\$ 6,759,282
Other Financing Sources (Uses)				
Transfers in	-	-	6,595	6,595
Net Change in Fund Balance	\$ (9,718,082)	\$ (9,718,082)	\$ (2,952,205)	\$ 6,765,877
Fund Balance – January 1	11,313,530	11,313,530	11,313,530	-
Increase (decrease) in inventories	-	-	244,040	244,040
Fund Balance – December 31	\$ 1,595,448	\$ 1,595,448	\$ 8,605,365	\$ 7,009,917

**Lake County
Two Harbors, Minnesota**

**Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 1,911,499	\$ 1,911,499	\$ 1,787,593	\$ (123,906)
Intergovernmental	5,349,162	5,349,162	10,224,216	4,875,054
Charges for services	216,000	216,000	538,716	322,716
Miscellaneous	221,950	221,950	201,889	(20,061)
Total Revenues	\$ 7,698,611	\$ 7,698,611	\$ 12,752,414	\$ 5,053,803
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,194,433	\$ 1,194,433	\$ 1,296,234	\$ (101,801)
Social services	3,472,816	3,472,816	3,448,233	24,583
Total human services	\$ 4,667,249	\$ 4,667,249	\$ 4,744,467	\$ (77,218)
Health				
Nursing service	\$ 99,137	\$ 99,137	\$ 88,211	\$ 10,926
Transportation	105,998	105,998	83,480	22,518
Environmental health	136,826	136,826	210,405	(73,579)
Mental health	2,820,772	2,820,772	6,932,993	(4,112,221)
Health education	330,977	330,977	359,497	(28,520)
Total health	\$ 3,493,710	\$ 3,493,710	\$ 7,674,586	\$ (4,180,876)
Total Expenditures	\$ 8,160,959	\$ 8,160,959	\$ 12,419,053	\$ (4,258,094)
Net Change in Fund Balance	\$ (462,348)	\$ (462,348)	\$ 333,361	\$ 795,709
Fund Balance – January 1	5,858,866	5,858,866	5,858,866	-
Fund Balance – December 31	\$ 5,396,518	\$ 5,396,518	\$ 6,192,227	\$ 795,709

Exhibit A-4

**Lake County
Two Harbors, Minnesota**

**Budgetary Comparison Schedule
Forfeited Tax Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Licenses and permits	\$ 1,180	\$ 1,180	\$ 795	\$ (385)
Intergovernmental	62,000	62,000	64,329	2,329
Charges for services	15,000	15,000	45,509	30,509
Investment earnings	-	-	894	894
Miscellaneous	452,650	452,650	550,195	97,545
Total Revenues	\$ 530,830	\$ 530,830	\$ 661,722	\$ 130,892
Expenditures				
Current				
Conservation of natural resources				
Land use	\$ 651,325	\$ 651,325	\$ 568,403	\$ 82,922
Capital outlay				
Conservation of natural resources	\$ -	\$ -	\$ 3,084	\$ (3,084)
Debt service				
Principal	\$ -	\$ -	\$ 8,281	\$ (8,281)
Interest	-	-	1,237	(1,237)
Total debt service	\$ -	\$ -	\$ 9,518	\$ (9,518)
Total Expenditures	\$ 651,325	\$ 651,325	\$ 581,005	\$ 70,320
Net Change in Fund Balance	\$ (120,495)	\$ (120,495)	\$ 80,717	\$ 201,212
Fund Balance – January 1	(44,076)	(44,076)	(44,076)	-
Fund Balance – December 31	\$ (164,571)	\$ (164,571)	\$ 36,641	\$ 201,212

**Lake County
Two Harbors, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024**

	2024	2023	2022
Total OPEB Liability			
Service cost	\$ 52,283	\$ 36,669	\$ 55,397
Interest	16,879	11,442	10,764
Plan changes	56,786	-	-
Differences between expected and actual experience	197,508	(133,784)	
Changes of assumption or other inputs	11,336	(45,654)	-
Benefit payments	(56,683)	(12,638)	(14,360)
Net change in total OPEB liability	\$ 278,109	\$ (143,965)	\$ 51,801
Total OPEB Liability – Beginning	397,767	541,732	489,931
Total OPEB Liability – Ending	\$ 675,876	\$ 397,767	\$ 541,732
 Covered-employee payroll	 \$ 8,858,701	 \$ 8,600,681	 \$ 7,771,655
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 7.63%	 4.62%	 6.97%

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

2021		2020		2019		2018	
\$	53,783	\$	37,029	\$	31,227	\$	38,756
	16,122		18,175		18,301		17,891
	-		-		-		-
	(57,349)		-		(88,004)		-
	(13,942)		27,853		(15,209)		-
	(21,503)		(22,766)		(33,974)		(39,361)
\$	(22,889)	\$	60,291	\$	(87,659)	\$	17,286
	512,820		452,529		540,188		522,902
\$	489,931	\$	512,820	\$	452,529	\$	540,188
\$	7,545,296	\$	7,201,631	\$	6,991,875	\$	6,963,854
	6.49%		7.12%		6.47%		7.76%

Exhibit A-6

**Lake County
Two Harbors, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Lake County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.0877	\$ 3,241,215	\$ 83,811	\$ 3,325,026	\$ 7,420,253	43.68	89.08
2023	0.0876	4,898,494	135,012	5,033,506	6,965,770	70.32	83.10
2022	0.0820	6,494,427	190,388	6,684,815	6,142,690	105.73	76.67
2021	0.0834	3,561,554	108,830	3,670,384	6,007,180	59.29	87.00
2020	0.0818	4,904,284	151,190	5,055,474	5,831,120	84.11	79.06
2019	0.0802	4,434,080	137,827	4,571,907	5,679,040	78.08	80.23
2018	0.0832	4,615,595	151,525	4,767,120	5,594,427	82.50	79.53
2017	0.0853	5,445,496	68,493	5,513,989	5,496,867	99.07	75.90
2016	0.0878	7,128,924	93,162	7,222,086	5,451,333	130.77	68.91
2015	0.0932	4,830,108	N/A	4,830,108	5,478,295	88.17	78.19

The measurement date for each year is June 30.

N/A – Not Applicable

Exhibit A-7

**Lake County
Two Harbors, Minnesota**

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	\$ 588,760	\$ 588,760	\$ -	\$ 7,850,133	7.50
2023	525,934	525,934	-	7,012,451	7.50
2022	480,048	480,048	-	6,400,645	7.50
2021	457,055	457,055	-	6,094,066	7.50
2020	454,329	454,329	-	6,057,720	7.50
2019	435,685	435,685	-	5,809,133	7.50
2018	421,704	421,704	-	5,622,720	7.50
2017	409,868	409,868	-	5,464,906	7.50
2016	416,317	416,317	-	5,550,893	7.50
2015	406,332	406,332	-	5,417,760	7.50

The County's year-end is December 31.

**Lake County
Two Harbors, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Lake County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.0981	\$ 1,290,286	\$ 49,185	\$ 1,339,471	\$ 1,358,090	95.01	90.17
2023	0.0986	1,702,694	68,605	1,771,299	1,295,043	131.48	86.47
2022	0.1049	4,564,834	199,449	4,764,283	1,274,161	358.26	70.53
2021	0.1048	808,945	36,364	845,309	1,238,278	65.33	93.66
2020	0.1101	1,451,236	34,190	1,485,426	1,242,965	116.76	87.19
2019	0.1187	1,263,681	N/A	1,263,681	1,251,628	100.96	89.26
2018	0.1158	1,234,309	N/A	1,234,309	1,220,179	101.16	88.84
2017	0.1170	1,579,639	N/A	1,579,639	1,199,741	131.67	85.43
2016	0.1240	4,976,336	N/A	4,976,336	1,195,000	416.43	63.88
2015	0.1320	1,499,829	N/A	1,499,829	1,205,980	124.37	86.61

The measurement date for each year is June 30.

N/A – Not Applicable

Exhibit A-9

**Lake County
Two Harbors, Minnesota**

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2024**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	\$ 239,363	\$ 239,363	\$ -	\$ 1,352,333	17.70
2023	225,082	225,082	-	1,271,651	17.70
2022	222,408	222,408	-	1,256,542	17.70
2021	220,561	220,561	-	1,246,105	17.70
2020	227,592	227,592	-	1,285,831	17.70
2019	216,644	216,644	-	1,278,136	16.95
2018	199,512	199,512	-	1,231,556	16.20
2017	195,698	195,698	-	1,208,014	16.20
2016	191,785	191,785	-	1,183,858	16.20
2015	194,705	194,705	-	1,201,883	16.20

The County's year-end is December 31.

**Lake County
Two Harbors, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.2909	\$ 88,646	\$ 738,354	12.01	97.54
2023	0.3110	140,588	729,183	19.28	95.94
2022	0.2884	958,642	633,506	151.32	74.58
2021	0.2841	(46,672)	628,169	(7.43)	101.61
2020	0.2792	75,758	607,452	12.47	96.67
2019	0.2791	38,642	595,360	6.49	98.17
2018	0.2901	47,713	592,526	8.05	97.64
2017	0.2800	798,003	554,689	143.86	67.89
2016	0.2900	1,059,410	548,503	193.15	58.16
2015	0.3000	46,380	535,509	8.66	96.95

The measurement date for each year is June 30.

**Lake County
Two Harbors, Minnesota**

Schedule of Contributions

**PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	\$ 66,167	\$ 66,167	\$ -	\$ 756,194	8.75
2023	62,731	62,731	-	716,929	8.75
2022	58,371	58,371	-	667,101	8.75
2021	55,157	55,157	-	630,367	8.75
2020	56,958	56,958	-	650,949	8.75
2019	53,047	53,047	-	606,251	8.75
2018	51,881	51,881	-	592,926	8.75
2017	48,374	48,374	-	552,846	8.75
2016	50,114	50,114	-	572,731	8.75
2015	50,912	50,912	-	581,851	8.75

The County's year-end is December 31.

Lake County Two Harbors, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2024

Note 1 – Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

In July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor/Treasurer by December 30.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department with County Board approval. Transfers of appropriations between departments also require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the departmental level.

Encumbrance accounting is employed in governmental funds.

Note 2 – Excess of Expenditures Over Appropriations

The following funds and departments had expenditures in excess of appropriations for the year ended December 31, 2024:

Excess of Expenditures Over Appropriations for the Year Ended December 31, 2024

Fund/Function/Department	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current			
General government			
Commissioners	\$ 405,939	\$ 369,934	\$ 36,005
Courts	28,057	25,250	2,807
Law Library	4,740	2,000	2,740
County auditor	809,726	734,043	75,683
Elections	72,870	49,993	22,877
Data processing	1,455,373	1,125,898	329,475
Attorney	560,291	557,379	2,912
Recorder	344,266	318,798	25,468
Planning and zoning	898,046	640,595	257,451
Veterans service officer	231,940	210,225	21,715
Other general government	5,769	-	5,769
Public safety			
Emergency services	193,335	159,548	33,787
County jail	1,195,513	1,167,147	28,366
Emergency management	204,851	121,857	82,994
Other public safety	281,890	212,177	69,713

Lake County

Two Harbors, Minnesota

Excess of Expenditures Over Appropriations for the Year Ended December 31, 2024 (Continued)

Fund/Function/Department	Expenditures	Budget	Excess
General Fund			
Current (Continued)			
Sanitation			
Solid Waste	672,161	327,777	344,384
Recycling	331,880	274,796	57,084
Culture and recreation			
Recreation board	203,550	163,300	40,250
Trails	341,096	-	341,096
Conservation of natural resources			
Agricultural society/County fair	38,681	35,588	3,093
CWP project	20,117	14,488	5,629
Economic development			
Housing and Redevelopment Authority	2,099,218	-	2,099,218
Other economic development	1,544,136	-	1,544,136
Capital outlay			
General government	198,644	-	198,644
Debt service			
Principal	171,632	-	171,632
Interest	28,154	-	28,154
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Administration	481,841	480,569	1,272
Intergovernmental			
Highways and streets	59,499	-	59,499
Capital outlay			
Highways and streets	1,658,711	-	1,658,711
Human Services Special Revenue Fund			
Current			
Human services			
Income maintenance	1,296,234	1,194,433	101,801
Health			
Environmental health	210,405	136,826	73,579
Mental health	6,932,993	2,820,772	4,112,221
Health education	359,497	330,977	28,520
Forfeited Tax Special Revenue Fund			
Capital outlay			
Conservation of natural resources	3,084	-	3,084
Debt service			
Principal	8,281	-	8,281
Interest	1,237	-	1,237

Lake County Two Harbors, Minnesota

Note 3 – Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

Note 4 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The changes that occurred in actuarial assumptions are as follows:

2024

- The discount rate was changed from 4.00 percent to 3.70 percent.

2023

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The retirement, withdrawal and salary increase rates for public safety employees were updated to reflect the latest experience study.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

2022

None.

2021

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates for non-public safety personnel were updated.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

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

2020

- The discount rate was changed from 3.80 percent to 2.90 percent.

2019

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for police and fire employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

- The discount rate was changed from 3.50 percent to 3.30 percent.
- The actuarial cost method changed from projected unit credit to entry age as prescribed by GASB 75.

Note 5 – Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.

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- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

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- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches

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normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

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

2017

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2024

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

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- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

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

2021

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

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rates result in more projected disabilities.

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

[Public Employees Local Government Correctional Service Retirement Plan](#)

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be

Lake County Two Harbors, Minnesota

payable in a lump sum for calendar year 2024 by March 31, 2024.

- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

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2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

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2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Supplementary Information

Lake County Two Harbors, Minnesota

Nonmajor Governmental Funds

The Unorganized Townships Special Revenue Fund is used to account for the activities of unorganized townships related to fire protection and election services. Activities related to road maintenance in the unorganized townships are accounted for in the County's Road and Bridge Special Revenue Fund.

The Resource Development Special Revenue Fund is used to account for intergovernmental revenue used for resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of County-administered natural resources land.

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of general long-term debt.

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**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024**

	Unorganized Townships	Resource Development	Debt Service	Total
<u>Assets</u>				
Cash and pooled investments	\$ 433,654	\$ 2,131,898	\$ 1,069,011	\$ 3,634,563
Taxes receivable				
Delinquent	2,837	-	25,933	28,770
Due from other governments	-	73,058	-	73,058
Total Assets	\$ 436,491	\$ 2,204,956	\$ 1,094,944	\$ 3,736,391
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Due to other governments	\$ 145,565	\$ -	\$ -	\$ 145,565
Deferred Inflows of Resources				
Unavailable revenue – taxes	\$ 2,139	\$ -	\$ 20,315	\$ 22,454
Unavailable revenue – grants	-	73,058	-	73,058
Total Deferred Inflows of Resources	\$ 2,139	\$ 73,058	\$ 20,315	\$ 95,512
Fund Balances				
Restricted for debt service	\$ -	\$ -	\$ 1,074,629	\$ 1,074,629
Committed to unorganized townships – emergency services	288,787	-	-	288,787
Assigned to resource development	-	2,131,898	-	2,131,898
Total Fund Balances	\$ 288,787	\$ 2,131,898	\$ 1,074,629	\$ 3,495,314
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 436,491	\$ 2,204,956	\$ 1,094,944	\$ 3,736,391

**Lake County
Two Harbors, Minnesota**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2024**

	Unorganized Townships	Resource Development	Debt Service	Total
Revenues				
Taxes	\$ 125,283	\$ -	\$ 966,571	\$ 1,091,854
Licenses and permits	113	-	-	113
Intergovernmental	41,712	997,608	128,913	1,168,233
Investment earnings	-	-	58,640	58,640
Miscellaneous	-	-	501	501
Total Revenues	\$ 167,108	\$ 997,608	\$ 1,154,625	\$ 2,319,341
Expenditures				
Current				
General government	\$ 3,863	\$ -	\$ -	\$ 3,863
Public safety	159,315	-	-	159,315
Culture and recreation	-	20,537	-	20,537
Debt service				
Principal	-	-	770,000	770,000
Interest	-	-	279,569	279,569
Administrative (fiscal) charges	-	-	3,612	3,612
Total Expenditures	\$ 163,178	\$ 20,537	\$ 1,053,181	\$ 1,236,896
Excess of Revenues Over (Under)				
Expenditures	\$ 3,930	\$ 977,071	\$ 101,444	\$ 1,082,445
Other Financing Sources (Uses)				
Transfers out	-	-	(214,107)	(214,107)
Net Change in Fund Balance	\$ 3,930	\$ 977,071	\$ (112,663)	\$ 868,338
Fund Balance – January 1	284,857	1,154,827	1,187,292	2,626,976
Fund Balance – December 31	\$ 288,787	\$ 2,131,898	\$ 1,074,629	\$ 3,495,314

**Lake County
Two Harbors, Minnesota**

**Budgetary Comparison Schedule
Unorganized Townships Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 133,209	\$ 133,209	\$ 125,283	\$ (7,926)
Licenses and permits	100	100	113	13
Intergovernmental	15,000	15,000	41,712	26,712
Total Revenues	\$ 148,309	\$ 148,309	\$ 167,108	\$ 18,799
Expenditures				
Current				
General government				
Elections	\$ -	\$ -	\$ 3,863	\$ (3,863)
Public safety				
Emergency services	143,250	143,250	159,315	(16,065)
Total Expenditures	\$ 143,250	\$ 143,250	\$ 163,178	\$ (19,928)
Net Change in Fund Balance	\$ 5,059	\$ 5,059	\$ 3,930	\$ (1,129)
Fund Balance – January 1	284,857	284,857	284,857	-
Fund Balance – December 31	\$ 289,916	\$ 289,916	\$ 288,787	\$ (1,129)

**Lake County
Two Harbors, Minnesota**

**Budgetary Comparison Schedule
Resource Development Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	\$ 96,000	\$ 96,000	\$ 997,608	\$ 901,608
Expenditures				
Current				
Culture and recreation				
Trails	-	-	20,537	(20,537)
Net Change in Fund Balance	\$ 96,000	\$ 96,000	\$ 977,071	\$ 881,071
Fund Balance – January 1	1,154,827	1,154,827	1,154,827	-
Fund Balance – December 31	\$ 1,250,827	\$ 1,250,827	\$ 2,131,898	\$ 881,071

Lake County
Two Harbors, Minnesota
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 1,034,598	\$ 1,034,598	\$ 966,571	\$ (68,027)
Intergovernmental	65,000	65,000	128,913	63,913
Investment earnings	145	145	58,640	58,495
Miscellaneous	70,337	70,337	501	(69,836)
Total Revenues	\$ 1,170,080	\$ 1,170,080	\$ 1,154,625	\$ (15,455)
Expenditures				
Debt service				
Principal	\$ 770,000	\$ 770,000	\$ 770,000	\$ -
Interest	279,569	279,569	279,569	-
Administrative (fiscal) charges	405	405	3,612	(3,207)
Total Expenditures	\$ 1,049,974	\$ 1,049,974	\$ 1,053,181	\$ (3,207)
Excess of Revenues Over (Under) Expenditures	\$ 120,106	\$ 120,106	\$ 101,444	\$ (18,662)
Other Financing Sources (Uses)				
Transfers out	-	-	(214,107)	(214,107)
Net Change in Fund Balance	\$ 120,106	\$ 120,106	\$ (112,663)	\$ (232,769)
Fund Balance – January 1	1,187,292	1,187,292	1,187,292	-
Fund Balance – December 31	\$ 1,307,398	\$ 1,307,398	\$ 1,074,629	\$ (232,769)

Lake County Two Harbors, Minnesota

Fiduciary Funds – Custodial Funds

The Taxes and Penalties Custodial Fund is used to account for the collection and settlement of taxes and penalties to various governmental units.

The State Licenses and Fees Custodial Fund is used to account for the collection and payment of the State of Minnesota's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

The Jail Canteen Custodial Fund is used to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

The Minnesota Counties Information Systems Custodial Fund is used to account for the collections and disbursements of the Minnesota Counties Information Systems.

The Arrowhead Health Alliance Custodial Fund is used to account for the collections and disbursements of the Arrowhead Health Alliance.

The North Shore Collaborative Custodial Fund is used to account for the collections and disbursement of the North Shore Collaborative.

The Escrow Account Custodial Fund is used to account for the collection and release of deposits related to sewer and driveway entrances.

The Cities, Towns, and Other Governments Custodial Fund is used to account for the collection and disbursement of activities related to cities, towns and other governments.

**Lake County
Two Harbors, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2024**

	State Licenses and		
	Taxes and Penalties	Fees	Jail Canteen
<u>Assets</u>			
Cash and pooled investments	\$ 505,150	\$ 33,998	\$ 16,548
Due from other governments	-	331,200	-
Accounts receivable	-	-	770
Taxes receivable for other governments	791,626	-	-
Total Assets	\$ 1,296,776	\$ 365,198	\$ 17,318
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 3,107	\$ 438
Due to other governments	467,415	103,421	-
Due to others	37,735	-	-
Total Liabilities	\$ 505,150	\$ 106,528	\$ 438
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	\$ 791,626	\$ 258,670	\$ 16,880

Minnesota Counties

Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
\$ 1,184,741	\$ 114,798	\$ 123,741	\$ 45,700	\$ 277,766	\$ 2,302,442
-	-	-	-	-	331,200
3,393	78,350	496	-	-	83,009
-	-	-	-	-	791,626
\$ 1,188,134	\$ 193,148	\$ 124,237	\$ 45,700	\$ 277,766	\$ 3,508,277
\$ 1,883	\$ 3,661	\$ -	\$ -	\$ -	\$ 9,089
-	-	-	-	106,993	677,829
-	-	-	-	-	37,735
\$ 1,883	\$ 3,661	\$ -	\$ -	\$ 106,993	\$ 724,653
\$ 1,186,251	\$ 189,487	\$ 124,237	\$ 45,700	\$ 170,773	\$ 2,783,624

**Lake County
Two Harbors, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2024**

	State Licenses and		
	Taxes and Penalties	Fees	Jail Canteen
Additions			
Contributions			
Individuals	\$ -	\$ -	\$ 5,284
Investment earnings			
Interest, dividends, and other	-	-	-
Property tax collections for other governments	26,475,751	-	-
License and fees collected for the state	-	506,211	-
Miscellaneous	-	-	-
Total Additions	\$ 26,475,751	\$ 506,211	\$ 5,284
Deductions			
Beneficiary payments to individuals	\$ -	\$ -	\$ 6,839
Medical, dental, and life insurance	-	-	-
Payments of property tax to other governments	26,387,317	-	-
Payments to the state	-	526,106	-
Administrative expense	-	17,388	-
Payments to other entities	-	-	-
Total Deductions	\$ 26,387,317	\$ 543,494	\$ 6,839
Change in net position	\$ 88,434	\$ (37,283)	\$ (1,555)
Net Position – January 1	703,192	295,953	18,435
Net Position – December 31	\$ 791,626	\$ 258,670	\$ 16,880

Minnesota Counties

Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
\$ 1,789,876	\$ 232,900	\$ 37,589	\$ 2,000	\$ -	\$ 2,067,649
53,371	-	7,088	-	-	60,459
-	-	-	-	14,363,619	40,839,370
-	-	-	-	-	506,211
13,820	-	-	-	-	13,820
\$ 1,857,067	\$ 232,900	\$ 44,677	\$ 2,000	\$ 14,363,619	\$ 43,487,509
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,839
146,856	-	-	-	-	146,856
-	-	-	-	12,676,568	39,063,885
-	-	-	-	1,687,051	2,213,157
1,580,375	239,289	61,507	-	-	1,898,559
-	-	-	308,640	-	308,640
\$ 1,727,231	\$ 239,289	\$ 61,507	\$ 308,640	\$ 14,363,619	\$ 43,637,936
\$ 129,836	\$ (6,389)	\$ (16,830)	\$ (306,640)	\$ -	\$ (150,427)
1,056,415	195,876	141,067	352,340	170,773	2,934,051
\$ 1,186,251	\$ 189,487	\$ 124,237	\$ 45,700	\$ 170,773	\$ 2,783,624

Other Schedules

Exhibit D-1

**Lake County
Two Harbors, Minnesota
Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2024**

Appropriations and Shared Revenue**State**

Highway users tax	\$ 4,554,324
County program aid	816,323
Disparity reduction aid	155,179
Aquatic invasive species aid	179,465
Police aid	174,464
Taconite credit	632,728
Enhanced 911	166,819
SCORE	86,753
Local homeless prevention aid	49,809
Out-of-home placement aid	6,454
Statewide affordable housing aid	90,572
Cannabis aid	2,114
Market value credit	3,999

Total appropriations and shared revenue

\$ 6,919,003

Reimbursement for Services**State**

Minnesota Department of Human Services	\$ 475,671

Payments**Federal**

Payments in lieu of taxes	\$ 1,140,887
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State

Payments in lieu of taxes	1,445,559
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Local

2,010,645

Total payments

\$ 4,597,091

Grants**State**

Minnesota Department of	
Public Safety	\$ 11,308
Health	16,637
Natural Resources	1,304,348
Human Services	8,241,500
Veterans Affairs	7,500
Transportation	65,000
Board of Water and Soil Resources	295,769
Pollution Control Agency	4,413
Secretary of State	97,062

Total state

\$ 10,043,537

Exhibit D-1*(Continued)*

**Lake County
Two Harbors, Minnesota
Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2024**

Grants (Continued)**Federal**

Department of	
Agriculture	\$ 2,630,551
Justice	34,925
Transportation	161,419
Treasury	1,160,926
Health and Human Services	1,175,576
Homeland Security	187,365

Total federal	\$ 5,350,762
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Total state and federal grants	\$ 15,394,299
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Total Intergovernmental Revenue	\$ 27,386,064
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**Lake County
Two Harbors, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Contract Number/ Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Direct			
U.S. Forest Service Cooperative Agreement	10.U01	16-LE-11090900-002	\$ 13,482
State and Private Forestry Hazardous Fuel Reduction Program	10.697		137,308
State and Private Forestry Cooperative Fire Assistance	10.698		47,258
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	74,734
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	148,085
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	246475FMNP2024	171
Passed Through Minnesota Management and Budget Forest Service Schools and Roads Cluster			
Schools and Roads – Grants to States	10.665	P.L. 110-343	2,142,978
Total U.S. Department of Agriculture			\$ 2,564,016
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2024-LAKEAO	\$ 34,925
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation COVID-19 – Highway Planning and Construction	20.205	1052109	\$ 150,469
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	0035-20-2C	2,019
Total U.S. Department of Transportation			\$ 152,488
U.S. Department of the Treasury			
Direct			
COVID-19 – Local Assistance and Tribal Consistency Fund	21.032		\$ 1,160,926

Exhibit D-2*(Continued)*

**Lake County
Two Harbors, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor	Assistance Listing	Contract Number/	
Pass-Through Agency	Number	Pass-Through Grant Numbers	Expenditures
Program or Cluster Title			
U.S. Department of Health and Human Services			
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board			
Public Health Emergency Preparedness	93.069	NU90TU000040	\$ 18,067
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	5,093
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response Medicaid Cluster	93.354	NU90TP922188	5,822
Medical Assistance Program	93.778	2005MN5ADM	11,421
(Total Medical Assistance Program 93.778 \$526,976)			
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	19,007
Passed Through Minnesota Department of Human Services			
Marylee Allen Promoting Safe and Stable Families Program	93.556	2301MNFPS	1,650
Temporary Assistance for Needy Families	93.558	2401MNTANF	84,508
Child Support Services	93.563	2301MNCES	203,302
Child Support Services	93.563	2301MNCSES	74,276
(Total Child Support Services 93.563 \$277,578)			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2401MNRMA	1,107
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCDF	2,173
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	2,444
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	706
Foster Care – Title IV-E	93.658	2401MNFOST	64,087
Social Services Block Grant	93.667	2401MNSOSR	87,612
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	2,590
Children's Health Insurance Program	93.767	2305MN5021	274
Medicaid Cluster			
Medical Assistance Program	93.778	2405MN5ADM	514,101
Medical Assistance Program	93.778	2405MN5MAP	1,454
(Total Medical Assistance Program 93.778 \$526,976)			
Block Grants for Community Mental Health Services	93.958	B08TI083504	75,882
Total U.S. Department of Health and Human Services			\$ 1,175,576

Exhibit D-2*(Continued)*

**Lake County
Two Harbors, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Contract Number/ Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	3319FAS190127	\$ 31,614
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-4797	37,693
Homeland Security Grant Program	97.067	A-OPSG-2022-LAKESO-005	118,058
Total U.S. Department of Homeland Security			\$ 187,365
Total Federal Awards			\$ 5,275,296

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2024.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 148,085
Total expenditures for Forest Service Schools and Roads Cluster	2,142,978
Total expenditures for Medicaid Cluster	526,976
Total expenditures for CCDF Cluster	2,173

Lake County

Two Harbors, Minnesota

Notes to the Schedule of Expenditures of Federal Awards

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Lake County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lake County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

Lake County has elected to not use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,350,762
Grants received more than 60 days after year-end, considered unavailable revenue in 2024	
State and Private Forestry Hazardous Fuel Reduction Program (AL No. 10.697)	6,136
Highway Planning and Construction (AL No. 20.205)	28,877
Unavailable revenue in 2023, recognized as revenue in 2024	
State and Private Forestry Hazardous Fuel Reduction Program (AL No. 10.697)	(72,031)
State and Private Forestry Cooperative Fire Assistance (AL No. 10.698)	(640)
Highway Planning and Construction (AL No. 20.205)	(37,808)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 5,275,296</u>

Management and Compliance Section



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

Independent Auditor's Report

Board of County Commissioners
Lake County
Two Harbors, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 2, 2026. This report does not include the results of our audit testing of the Lake County Housing and Redevelopment Authority component unit's internal control over financial reporting or compliance and other matters. We issue a separate Management and Compliance Report for the Lake County Housing and Redevelopment Authority component unit.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Lake County failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2024-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Lake County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Lake County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lake County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

February 2, 2026

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of County Commissioners
Lake County
Two Harbors, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lake County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Lake County's major federal programs for the year ended December 31, 2024. Lake County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Lake County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

February 2, 2026

Lake County Two Harbors, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over the major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for the major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.665	Forest Service Schools and Roads Cluster
21.032	COVID-19 – Local Assistance and Tribal Consistency Fund

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

Lake County qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

2024-001 Segregation of Duties

Prior Year Finding Number: 2023-001

Year of Finding Origination: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the County’s assets,

Lake County Two Harbors, Minnesota

proper segregation of the record-keeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: At Lake County, some individuals who collect and receipt cash can also post receipts to the general ledger system and make bank deposits. In addition, an individual who maintains the general ledger makes journal entries, reconciles bank accounts, and does some cash receipting. The person who processes cash disbursements can also print and sign checks. Also, the County also has not segregated many of these functions at the department level.

Context: Due to the limited number of office personnel within the County, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Lake County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the ability of the County's employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

Cause: The County informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

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

View of Responsible Official: Concur

2024-002 Key Card Access

Prior Year Finding Number: 2023-002

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: When employees leave County employment, the County should remove their key card access in a timely manner. It is the County's policy to remove or disable key card access at the time of departure.

Condition: Three employees leaving County employment in 2024 were tested for timely removal of key card access. For all three employees tested, it could not be verified if access had been disabled or removed in a timely manner.

Additionally, key card access for a Service Center door and Law Enforcement Center door were selected for testing. Four of the 116 individuals reviewed with access to the Service Center door no longer worked at the County. Three of the individuals reviewed with access to both the Service Center door and Law Enforcement Center door were from outside the organization, and the County could not identify whether their access was appropriate.

Context: Terminated employees were not properly removed from the key card system, and the County's Information Technology Department did not retain documentation showing when access was removed.

Lake County Two Harbors, Minnesota

Effect: When a terminated employee has access to the County's buildings, it increases the risk that malicious damage to County information, fraud, or theft may occur.

Cause: The County's key card system does not retain documentation of when an employee's access is removed.

Recommendation: We recommend the County implement additional procedures to ensure the removal of terminated employees' building access is completed at the time of departure and documentation of the removal is maintained.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Other Findings and Recommendations

2024-003 Contracting and Bidding – Withholding Affidavit for Contractors (Form IC-134)

Prior Year Finding Number: 2023-006

Year of Finding Origination: 2022

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain proof of compliance with the withholding requirements of Minn. Stat. § 290.92. This requirement can be satisfied through the receipt of Form IC-134 from the Commissioner of Revenue certifying compliance.

Condition: Testing of compliance with State of Minnesota contracting and bid laws identified one instance of two tested where final settlement was made on a contract requiring the employment of individuals for wages prior to receiving a Minnesota Department of Revenue approved Form IC-134, which certifies the reporting of employee withholdings from the contractor.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and obtaining the required certificate prior to submitting the final payment for processing.

Effect: The County is not in compliance with Minn. Stat. § 270C.66.

Cause: County staff were not aware of all the contracting requirements applicable to these projects.

Recommendation: We recommend the County obtain the required Form IC-134 withholding affidavit before final payment is made to contractors and subcontractors on all construction contracts requiring the employment of employees for wages.

View of Responsible Official: Concur



Lake County Auditor/Treasurer
Ronelle Radle, Interim County Auditor/Treasurer
Wendy Morlang, Chief Deputy Auditor
Lake County Courthouse
601 3rd Avenue
Two Harbors, MN 55616
218.834.8315

**Representation of Lake County
Two Harbors, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2024

Finding Number: 2024-001

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

Management acknowledges limited staff precludes extensive segregation of duties. This is mitigated by occasional reassignment of duties and comprehensive cross-training of personnel.

Anticipated Completion Date:

12-31-2025

Finding Number: 2024-002

Finding Title: Key Card Access

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

As part of the off-boarding process, a ticket is initiated within the Track-It system, requesting the revocation of a terminated employee's system and key card privileges. The deactivation process is executed and documented in Microsoft Active Directory, with final confirmation and additional details logged into the Track-It system to ensure a comprehensive audit trail.

Anticipated Completion Date:

12-31-2025

Finding Number: 2024-003

Finding Title: Contracting and Bidding – Withholding Affidavit for Contractors (Form IC-134)

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

Per County Bidding and Contract requirements, departments will obtain a completed Contractor Affidavit, Form IC-134 prior to releasing the final payment for contracted projects.

Anticipated Completion Date:

12-31-2025



Lake County Auditor/Treasurer
Ronelle Radle, Interim County Auditor/Treasurer
Wendy Morlang, Chief Deputy Auditor
Lake County Courthouse
601 3rd Avenue
Two Harbors, MN 55616
218.834.8315

**Representation of Lake County
Two Harbors, Minnesota**

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

Finding Number: 2023-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

Summary of Condition: At Lake County, some individuals who collect and receipt cash can also post receipts to the general ledger system and make bank deposits. In addition, an individual who maintains the general ledger makes journal entries, reconciles bank accounts, and does some cash receipting. The person who processes cash disbursements also can print and sign checks. The County also has not segregated many of these functions at the department level.

Summary of Corrective Action Previously Reported: The County's management is aware of this condition. Limited staff prohibits the extensive segregation of duties that is desired. Occasional re-assignment of duties occurs to ensure increased segregation. Cross-training of all positions also helps this situation.

Status: Not Corrected. The County's management is aware of this condition. Limited staff prohibits the extensive segregation of duties that is desired. All positions have been cross-trained and there is at least one other person who acts as a backup for each position. Management frequently spot checks work and there is always a segregation when handling incoming monies and paying out monies. This narrative will continue to be the same from year to year.

Finding Number: 2023-002
Year of Finding Origination: 2023
Finding Title: Key Card Access

Summary of Condition: Three employees leaving County employment in 2023 were tested for timely removal of key card access. For all three employees tested, it could not be verified if access had been disabled or removed in a timely manner.

Additionally, key card access for the Service Center door was selected for testing. Four of the 45 individuals reviewed no longer worked at the County, and their door access had not been removed.

Summary of Corrective Action Previously Reported: Notification of employee termination dates will be provided to the County's Information Technology Department to ensure timely removal of key card access. Management will review the off-boarding process and related documentation.

Status: Partially Corrected. Termination dates are provided to the Information Technology Department for removal of key card access. Management is reviewing the off-boarding process and key card program.

Finding Number: 2023-003
Year of Finding Origination: 2023
Finding Title: Special Tests and Provisions
Program: 10.665 Schools and Roads – Grants to States

Summary of Condition: The County expended fiscal year 2019 Title III funds in May 2023, prior to the 45-day public comment period.

Summary of Corrective Action Previously Reported: Title III funds will be reviewed annually to ensure funds are not expended prior to the required 45-day comment period.

Status: Fully corrected. Corrective action was taken.

Finding Number: 2023-004
Year of Finding Origination: 2023
Finding Title: Eligibility
Program: 93.778 Medical Assistance Program

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

- In METS, three case files did not contain documentation that social security numbers were verified. Additionally, two of those three files did not contain documentation that citizenship was verified.
- In MAXIS, there was one instance where judicial determination or voluntary placement agreement for Foster Care was missing.

Summary of Corrective Action Previously Reported: Lake County Public Health and Human Services will utilize available reports in the DHS METS system to verify that all documentation is entered and verified. Additional procedures have been implemented to verify that transfer cases within the MAXIS system contain all necessary documentation.

Status: Fully corrected. Corrective action was taken.

Finding Number: 2023-005
Year of Finding Origination: 2023
Finding Title: Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220)
Program: 93.778 Medical Assistance Program

Summary of Condition: In a sample of six DHS-3220 Cost Schedules tested, none were reviewed by the County's LCTS Fiscal Reporting and Payment Agent.

Summary of Corrective Action Previously Reported: Lake County Public Health and Human Services, acting as the Local Collaborative Time Study Fiscal Reporting and Payment agent, has implemented a process to receive and review all quarterly reports made by collaborative partners to DHS to ensure accurate program reimbursement.

Status: Fully corrected. Corrective action was taken.

Finding Number: 2023-006

Year of Finding Origination: 2022

Finding Title: Contracting and Bidding – Withholding Affidavit for Contractors (Form IC-134)

Summary of Condition: During review of two finalized construction contracts, which included the employment of individuals for wages by the contractor and where final payment had been made, the County issued final payment for both contracts prior to receiving a Minnesota Department of Revenue approved Form IC-134, which certifies the reporting of employee withholdings, from the contractor.

Summary of Corrective Action Previously Reported: The County will obtain the required IC-134 certification before issuing final payment to contractors under County Bidding and Contract requirements.

Status: Partially corrected. Procedures were implemented to obtain a signed IC-134 on projects requiring sealed bids. Management will review contracting procedures to ensure an IC-134 is obtained under all applicable contracts.

Finding Number: 2023-007

Year of Finding Origination: 2023

Finding Title: Publication of Board Minutes

Summary of Condition: In a sample of five published summaries reviewed, three were not published within the 30-day requirement.

Summary of Corrective Action Previously Reported: Additional personnel have been trained in preparation and publication of official County Board minutes to meet the 30-day publication requirement in the case of the County Clerk of the Board's absence.

Status: Fully corrected. Corrective action was taken.