

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Houston County Caledonia, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

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Houston County Caledonia, Minnesota

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**Houston County
Caledonia, Minnesota**

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Introductory Section

Houston County Caledonia, Minnesota

Organization

December 31, 2024

Position	Name	District	Term Expires
Elected			
Commissioners			
Board Member	DeWayne Severson	District 1	January 2025
Chair	Eric Johnson	District 2	January 2027
Board Member	Robert Burns	District 3	January 2025
Vice Chair	Robert Schuldt	District 4	January 2027
Board Member	Greg Myhre	District 5	January 2025
Attorney	Samuel Jandt		January 2027
Recorder	Mary Betz		January 2027
Sheriff	Brian Swedberg		January 2027
Appointed			
Assessor	Luke Onstad		December 2024
Auditor/Treasurer – Interim	Polly Heberlein		January 2027
Coroner	Mayo Medical Examiner		Indefinite
Court Administrator	Darlene Larson		Indefinite
County Engineer	Brian Pogodzinski		April 2025
County Administrator – Interim/Finance Director	Carol Lapham		Indefinite
Public Health/Human Services Director	John Pugleasa		Indefinite
Veterans Service Officer	Robert Thoen		January 2028

Financial Section



Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston 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, each major fund, and the aggregate remaining fund information of Houston 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 Houston County's basic financial statements. The Budgetary Comparison Schedule – Debt Service Fund, 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 April 9, 2026, on our consideration of Houston 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 Houston 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 Houston County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

April 9, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

Management's Discussion and Analysis

Houston County Caledonia, Minnesota

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

The 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 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' total net position is \$90,125,068, of which \$77,566,460 is the net investment in capital assets, and \$6,634,453 is restricted to specific purposes.
- Houston County's net position decreased by \$359,756 for the year ended December 31, 2024, after restatement.
- The net cost of governmental activities for the current fiscal year was \$17,644,310. The net cost was funded by general revenues, including taxes and grants.
- Governmental funds' fund balances increased by \$794,743.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Houston 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, and information on the County's other postemployment benefits (OPEB) and net pension liability 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 (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Government-wide financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent for the benefit of those outside of the government.

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

Our analysis of the County as a whole is shown on Exhibits 1 and 2. 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 them. You can think of the County's net position—the difference between assets and deferred outflows of resources from liabilities and deferred inflows of resources—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.

The Statement of Activities presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future years. The activities of Houston County are presented as governmental activities because they are principally supported by taxes and intergovernmental revenues. The County's basic services are reported here, including general government, public safety, transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

Fund Financial Statements

Our analysis of the County's major funds begins on page 9. The fund financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law. 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.

The County's basic services are reported in governmental funds, which focus on how money flows into 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 following each governmental fund financial statement.

Reporting the County's Fiduciary Responsibilities

The County is the fiduciary over assets that can be used only by other governments, nonprofits, or individuals. 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 as a Whole

The County's net position decreased \$359,756 from \$90,484,824 to \$90,125,068 after the restatement.

Table 1
Statement of Net Position
(in Millions)

Governmental Activities	2024	2023*
Assets		
Current and other assets	\$ 23.5	\$ 23.5
Capital assets, net	89.2	91.1
Total Assets	\$ 112.7	\$ 114.6
Deferred outflows of resources		
Deferred pension/OPEB outflows	\$ 2.9	\$ 4.6
Deferred charge on refunding	0.3	0.4
Total Deferred Outflows of Resources	\$ 3.2	\$ 5.0
Liabilities		
Long-term liabilities	\$ 18.5	\$ 22.0
Other liabilities	1.8	1.7
Total Liabilities	\$ 20.3	\$ 23.7
Deferred inflows of resources		
Deferred pension/OPEB inflows	\$ 5.5	\$ 5.4
Net Position		
Net investment in capital assets	\$ 77.6	\$ 78.5
Restricted	6.6	6.9
Unrestricted	5.9	5.1
Total Net Position	\$ 90.1	\$ 90.5

*2023 amounts were not restated for GASB Statement No. 101, *Compensated Absences*, as such, the statements may not be comparable. See Note 1 in the Notes to the Financial Statements.

Net position of the County's governmental activities decreased by 0.4 percent (\$90,125,068 compared to \$90,484,824) after the restatement.

Table 2
Changes in Net Position
(in Millions)

Governmental Activities	2024	2023*
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3.5	\$ 3.7
Operating grants and contributions	11.2	11.2
Capital grants and contributions	0.1	1.7
General revenues		
Property taxes	13.3	12.9
Other taxes and payments in lieu of taxes	0.7	0.6
Grants and contributions	2.5	2.4
Other general revenues	1.0	0.7
Total Revenues	\$ 32.3	\$ 33.2
Expenses		
General government	\$ 5.6	\$ 5.9
Public safety	5.6	5.7
Highways and streets	11.1	9.6
Human services	6.8	6.7
Health	0.8	0.7
Sanitation	1.0	1.1
Culture and recreation	0.5	0.4
Conservation of natural resources	0.4	0.4
Economic development	0.4	0.4
Interest	0.3	0.3
Total Expenses	\$ 32.5	\$ 31.2
Change in Net Position	\$ (0.2)	\$ 2.0
Net Position – January 1, as restated	90.3	88.5
Net Position – December 31	\$ 90.1	\$ 90.5

*2023 amounts were not restated for GASB Statement No. 101, *Compensated Absences*, as such, the statements may not be comparable. See Note 1 in the Notes to the Financial Statements.

Governmental Activities

The cost of all governmental activities this year was \$32,506,580. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through County property taxes was only \$13,333,340, because some of the cost was paid by those who directly benefited from the programs (\$3,530,501) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,331,769). The County paid for the remaining public benefit portion of governmental activities with \$17,431,521 in general revenues, primarily property taxes and other revenues, such as interest and general entitlements, resulting in a decrease to net position of \$212,789.

Table 3 presents the cost of each of the County's four 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 Millions)
Total Cost of Services

Function	2024	2023
Highways and streets	\$ 11.2	\$ 9.6
Human services	6.8	6.7
General government	5.6	5.9
Public safety	5.6	5.7

Net Cost (Revenue) of Services

Function	2024	2023
Highways and streets	\$ 4.8	\$ 2.3
Human services	2.2	2.0
General government	4.6	5.1
Public safety	4.7	4.1

Financial Analysis of the County's Funds

As noted earlier, Houston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a county's net resources available for spending at the end of the year.

At December 31, 2024, Houston County's governmental funds reported combined ending fund balances of \$18,822,877 an increase of \$794,743 in comparison with the 2023 balance. The County is reporting an unassigned fund balance of \$6,975,864 in 2024. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been restricted, committed, assigned, or is nonspendable.

The General Fund is the chief operating fund of Houston County. At December 31, 2024, unassigned fund balance was \$6,975,864, while total fund balance was \$8,347,305. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 53 percent of total General Fund expenditures, while total fund balance represents 63.4 percent of the same amount. While the 2024 General Fund final budget reflected a \$532,753 deficit, the General Fund ended the year with an increase of \$182,507 to fund balance. The General Fund December 31, 2024, fund balance of \$8,347,305 increased from the 2023 balance of \$8,164,798.

The Road and Bridge Special Revenue Fund's fund balance increased by \$124,218 to \$5,551,496, of which all but \$673,424 is assigned. The increase in fund balance was due to various staff vacancies and a decrease in the use of overtime.

The Health and Human Services Special Revenue Fund's fund balance increased by \$425,082 to \$2,648,020, of which \$2,018,131 is assigned and \$629,889 is restricted. The increase in fund balance is the result of a net source of funds from Health and Human Services' restricted funds of \$244,337. Increases are reported for the Opioid Settlement – \$170,926, the Local Homeless Prevention Aid – \$6,506, and the Statewide Affordable Housing Aid – \$96,037, while MA Eligibility Renewal funding decreased by \$29,132. The assigned fund balance increase of \$180,745 is attributed to payroll amounts levied but not spent due to vacancies and offset by a \$92,194 budget deficit.

The Debt Service Fund’s fund balance of \$1,943,531 is an increase of \$77,309 over the 2023 fund balance of \$1,866,222. Debt service is levied one year in advance at 105 percent of debt service requirements for the upcoming year’s principal and interest payments, resulting in an increase of fund balance.

General Fund Budgetary Highlights

Houston County revised its General Fund budget during 2024, increasing expected revenues by 1.02 percent and increasing appropriations by 1.02 percent, respectively. For the year ended December 31, 2024, expenditures were more than the final budget by \$260,443.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the County had \$89,151,833 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net decrease (including additions and deductions) of \$1,947,972, or 2.1 percent, over last year. More detailed information about the County’s capital assets can be found in Note 2 to the financial statements.

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

Capital Assets	2024	2023
Land	\$ 4.2	\$ 4.2
Construction in progress	0.3	0.2
Buildings and improvements	21.3	21.7
Machinery, furniture, and equipment	3.9	3.2
Infrastructure	59.1	61.2
Lease assets	0.4	0.6
Totals	\$ 89.2	\$ 91.1

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds and related premiums outstanding in the amount of \$11,228,964 as shown in Table 5. More detailed information about the County’s long-term liabilities is presented in Note 2 to the financial statements.

Table 5
Outstanding Debt at Year-End
(in Millions)

Long-Term Debt	2024	2023
G.O. bonds	\$ 11.2	\$ 12.5

Other obligations include loans payable, leases, compensated absences, pension benefits, and other postemployment benefits.

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, tax rates, and fees that will be charged for the government-type activities.

- The unemployment rate in Houston County increased, moving from 2.5 percent in 2023 to 2.76 percent in 2024 for the annual average. This is lower than the U.S. average of 4.02 percent and lower than the 2024 Minnesota rate of 4.02 percent.
- County General Fund expenditures for 2025 are budgeted to increase 25.2 percent from the 2024 level.
- Houston County's population decreased by 1.2 percent from 2023 (18,582) to 2024 (18,350), compared to an increase of 0.7 percent in Minnesota as a whole. Citizens aged 65+ comprise 18.2 percent of the County's population.
- The property tax levy increased by 3.5 percent for 2025.
- During 2025, Houston County will continue to review a space utilization study funded with American Rescue Plan Act (ARPA) to possibly renovate spaces or relocate office suites to increase efficiency. The study encompassed the Historic Courthouse, the Community Services Building, and the County Justice Center. This review will also include analyzing the organizational structure aiming to streamline operations and increase efficiency. The County Board of Commissioners has addressed and will continue to analyze the need for reinstating the County Administrator position. The County Board of Commissioners will also be considering the repurposing or demolition of the Historic Jail and the use of the insurance settlement following the 2014 damage to the unoccupied building that occurred when the sprinkler system malfunctioned. In addition, the Houston County Historical Society has expressed an interest in the building, therefore, the County Board will be assessing the options available to transfer or lease the building out. The County Jail operations will continue at status quo for 2025 despite the elimination of the Winona County contract for housing prisoners. A committee will meet regularly to analyze possible changes to the operations. The County established an eight-day juvenile holding facility which offsets a portion of the Winona County revenue loss. County operations and funding were affected by the declaration of the COVID-19 pandemic and will continue into 2025 with the award of ARPA funding.

Contacting Houston County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Finance Director, Carol Lapham, Houston County Courthouse, 304 South Marshall Street, Caledonia, Minnesota 55921.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1**Houston County
Caledonia, Minnesota****Statement of Net Position
Governmental Activities
December 31, 2024****Assets**

Cash and pooled investments	\$ 12,834,744
Petty cash and change funds	17,160
Investments	5,964,777
Taxes receivable	
Delinquent	167,246
Accounts receivable – net	116,092
Accrued interest receivable	98,475
Loans receivable	356,416
Due from other governments	3,276,757
Inventories	673,424
Prepaid items	23,292
Capital assets	
Non-depreciable or amortizable	4,500,423
Depreciable or amortizable – net of accumulated depreciation and amortization	84,651,410
Total Assets	\$ 112,680,216

Deferred Outflows of Resources

Deferred charge on refunding	\$ 338,672
Deferred other postemployment benefits outflows	53,989
Deferred pension outflows	2,872,098
Total Deferred Outflows of Resources	\$ 3,264,759

Liabilities

Accounts payable	\$ 731,909
Salaries payable	534,572
Due to other governments	96,092
Accrued interest payable	113,176
Unearned revenue	250,854
Customer deposits	39,153
Long-term liabilities	
Due within one year	1,471,646
Due in more than one year	11,848,940
Other postemployment benefits liability due within one year	35,948
Other postemployment benefits liability due in more than one year	461,217
Net pension liability	4,735,083
Total Liabilities	\$ 20,318,590

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 108,624
Deferred pension inflows	5,392,693
Total Deferred Inflows of Resources	\$ 5,501,317

Exhibit 1
(Continued)

Houston County
Caledonia, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2024

Net Position

Net investment in capital assets	\$ 77,566,460
Restricted for	
General government	336,103
Public safety	1,012,046
Debt service	1,830,355
Health and human services	629,889
Highways and streets	2,493,535
Economic development	332,525
Unrestricted	<u>5,924,155</u>
Total Net Position	<u>\$ 90,125,068</u>

Exhibit 2

**Houston County
Caledonia, Minnesota**

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 5,594,440	\$ 399,232	\$ 624,066	\$ -	\$ (4,571,142)
Public safety	5,603,998	429,286	510,929	-	(4,663,783)
Highways and streets	11,170,316	269,898	5,934,145	122,951	(4,843,322)
Sanitation	980,053	679,825	92,602	-	(207,626)
Human services	6,755,586	1,229,556	3,374,349	-	(2,151,681)
Health	807,052	240,582	501,550	-	(64,920)
Culture and recreation	510,432	162,718	4,140	-	(343,574)
Conservation of natural resources	389,551	1,630	98,307	-	(289,614)
Economic development	403,694	117,774	59,521	9,209	(217,190)
Interest	291,458	-	-	-	(291,458)
Total Governmental Activities	\$ 32,506,580	\$ 3,530,501	\$ 11,199,609	\$ 132,160	\$ (17,644,310)
General Revenues					
Property taxes					\$ 13,333,340
Mortgage registry and deed tax					17,265
Wheelage tax					214,856
Payments in lieu of tax					412,821
Grants and contributions not restricted to specific programs					2,448,900
Unrestricted investment earnings					819,809
Miscellaneous					184,530
Total general revenues					\$ 17,431,521
Change in net position					\$ (212,789)
Net Position – Beginning					\$ 90,484,824
Change in accounting principle (Note 1)					(146,967)
Net Position – Beginning, as restated					\$ 90,337,857
Net Position – Ending					\$ 90,125,068

Fund Financial Statements

Governmental Funds

Exhibit 3

**Houston County
Caledonia, Minnesota**

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

	General	Road and Bridge	Health and Human Services	Debt Service	Nonmajor Economic Development Authority Special Revenue Fund	Total
<u>Assets</u>						
Cash and pooled investments	\$ 6,703,005	\$ 3,284,096	\$ 591,152	\$ 1,935,575	\$ 320,916	\$ 12,834,744
Petty cash and change funds	17,060	100	-	-	-	17,160
Investments	2,106,645	2,062,620	1,795,512	-	-	5,964,777
Taxes receivable						
Delinquent	91,752	31,415	27,118	16,961	-	167,246
Accounts receivable – net	8,775	1,715	105,602	-	-	116,092
Loans receivable	-	-	-	-	356,416	356,416
Accrued interest receivable	67,453	12,047	18,975	-	-	98,475
Due from other funds	534	-	-	-	-	534
Due from other governments	131,746	2,593,046	551,965	-	-	3,276,757
Prepaid expense	23,292	-	-	-	-	23,292
Inventories	-	673,424	-	-	-	673,424
Total Assets	\$ 9,150,262	\$ 8,658,463	\$ 3,090,324	\$ 1,952,536	\$ 677,332	\$ 23,528,917
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 154,334	\$ 417,475	\$ 160,100	\$ -	\$ -	\$ 731,909
Salaries payable	270,331	79,364	184,877	-	-	534,572
Due to other funds	-	-	534	-	-	534
Due to other governments	1,156	59,132	35,804	-	-	96,092
Unearned revenue	250,854	-	-	-	-	250,854
Customer deposits	39,153	-	-	-	-	39,153
Total Liabilities	\$ 715,828	\$ 555,971	\$ 381,315	\$ -	\$ -	\$ 1,653,114
Deferred Inflows of Resources						
Unavailable revenue	\$ 87,129	\$ 2,550,996	\$ 60,989	\$ 9,005	\$ 344,807	\$ 3,052,926

Exhibit 3
(Continued)

**Houston County
Caledonia, Minnesota**

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

	General	Road and Bridge	Health and Human Services	Debt Service	Nonmajor Economic Development Authority Special Revenue Fund	Total
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)						
Fund Balances						
Nonspendable						
Prepaid items	\$ 23,292	\$ -	\$ -	\$ -	\$ -	\$ 23,292
Inventories	-	673,424	-	-	-	673,424
Restricted for						
Debt service	-	-	-	1,943,531	-	1,943,531
Recorder's technology equipment	191,601	-	-	-	-	191,601
Recorder's compliance	137,619	-	-	-	-	137,619
E-911	697,931	-	-	-	-	697,931
Next generation 911	46,557	-	-	-	-	46,557
Public safety	39,191	-	-	-	-	39,191
Economic development loans	-	-	-	-	332,525	332,525
Conceal and carry	216,562	-	-	-	-	216,562
Sheriff's DUI forfeiture	11,805	-	-	-	-	11,805
Attorney's forfeited property	6,883	-	-	-	-	6,883
Opioid remediation	-	-	338,889	-	-	338,889
Medical assistance renewal	-	-	46,178	-	-	46,178
Homeless prevention	-	-	52,748	-	-	52,748
Affordable housing	-	-	192,074	-	-	192,074
Assigned						
Road and bridge	-	4,878,072	-	-	-	4,878,072
Human services	-	-	2,018,131	-	-	2,018,131
Unassigned	6,975,864	-	-	-	-	6,975,864
Total Fund Balances	\$ 8,347,305	\$ 5,551,496	\$ 2,648,020	\$ 1,943,531	\$ 332,525	\$ 18,822,877
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,150,262	\$ 8,658,463	\$ 3,090,324	\$ 1,952,536	\$ 677,332	\$ 23,528,917

Exhibit 4**Houston County
Caledonia, Minnesota****Reconciliation of Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position—Governmental Activities
For the Year Ended December 31, 2024**

Fund balances – total governmental funds (Exhibit 3)	<u>\$ 18,822,877</u>
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.	<u>\$ 89,151,833</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>\$ 3,052,926</u>
Deferred outflows of resources resulting from pension and other postemployment benefits liabilities are not available resources and, therefore, are not reported in the governmental funds.	<u>\$ 2,926,087</u>
Deferred outflows of resources resulting from debt refundings are not reported in the governmental funds.	<u>\$ 338,672</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	\$ (25,812)
Leases payable	(356,406)
Bonds payable	(10,825,000)
Bond premium	(403,964)
Accrued interest payable	(113,176)
Net pension liability	(4,735,083)
Other postemployment benefits liability	(497,165)
Compensated absences	<u>(1,709,404)</u>
Long-term liabilities not reported in the governmental funds	<u>\$ (18,666,010)</u>
Deferred inflows of resources resulting from pension and other postemployment benefits liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>\$ (5,501,317)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 90,125,068</u>

Exhibit 5

**Houston County
Caledonia, Minnesota**

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

	General	Road and Bridge	Health and Human Services	Debt Service	Nonmajor Economic Development Authority Special Revenue Fund	Total
Revenues						
Taxes	\$ 7,321,353	\$ 2,759,597	\$ 2,137,968	\$ 1,327,211	\$ -	\$ 13,546,129
Licenses and permits	87,244	5,480	-	-	-	92,724
Intergovernmental	3,547,978	6,684,829	4,293,857	260,526	-	14,787,190
Charges for services	1,582,185	247,840	684,305	-	-	2,514,330
Fines and forfeits	3,397	-	-	-	-	3,397
Gifts and contributions	7,479	-	139	-	-	7,618
Investment earnings	668,141	90,149	61,519	-	-	819,809
Miscellaneous	210,579	6,154	779,557	-	80,347	1,076,637
Total Revenues	\$ 13,428,356	\$ 9,794,049	\$ 7,957,345	\$ 1,587,737	\$ 80,347	\$ 32,847,834
Expenditures						
Current						
General government	\$ 6,040,632	\$ -	\$ -	\$ -	\$ -	\$ 6,040,632
Public safety	4,887,322	-	-	-	-	4,887,322
Highways and streets	-	9,232,918	-	-	-	9,232,918
Sanitation	988,068	-	-	-	-	988,068
Human services	-	-	6,851,710	-	-	6,851,710
Health	22,000	-	784,485	-	-	806,485
Culture and recreation	306,675	-	-	-	-	306,675
Conservation of natural resources	390,921	-	-	-	-	390,921
Economic development	245,710	-	-	-	82,000	327,710
Intergovernmental						
Highways and streets	-	336,285	-	-	-	336,285
Culture and recreation	193,492	-	-	-	-	193,492
Debt service						
Principal	87,541	108,679	4,314	1,190,000	12,073	1,402,607
Interest	11,829	10,354	-	312,103	647	334,933
Administrative (fiscal) charges	-	-	-	8,325	-	8,325
Total Expenditures	\$ 13,174,190	\$ 9,688,236	\$ 7,640,509	\$ 1,510,428	\$ 94,720	\$ 32,108,083
Excess of Revenues Over (Under) Expenditures	\$ 254,166	\$ 105,813	\$ 316,836	\$ 77,309	\$ (14,373)	\$ 739,751
Other Financing Sources (Uses)						
Issuance of leases	\$ 22,954	\$ -	\$ -	\$ -	\$ -	\$ 22,954
Transfer in	-	-	94,613	-	-	94,613
Transfer out	(94,613)	-	-	-	-	(94,613)
Proceeds from sale of capital assets	-	11,092	13,633	-	-	24,725
Total Other Financing Sources (Uses)	\$ (71,659)	\$ 11,092	\$ 108,246	\$ -	\$ -	\$ 47,679
Net Change in Fund Balance	\$ 182,507	\$ 116,905	\$ 425,082	\$ 77,309	\$ (14,373)	\$ 787,430
Fund Balance – Beginning	8,164,798	5,427,278	2,222,938	1,866,222	346,898	18,028,134
Increase (decrease) in inventories	-	7,313	-	-	-	7,313
Fund Balance – December 31	\$ 8,347,305	\$ 5,551,496	\$ 2,648,020	\$ 1,943,531	\$ 332,525	\$ 18,822,877

Exhibit 6

**Houston County
Caledonia, 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)	\$ 787,430
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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	\$ 3,052,926
Deferred inflows of resources – unavailable revenue – January 1	(3,832,242)
 Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	 \$ (779,316)

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. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 2,084,646
Net book value of capital assets disposed	(105,100)
Current year depreciation and amortization	(3,927,518)
 Total adjustment to the government-wide statements for current year capital asset activity	 \$ (1,947,972)

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 net 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.

Issuance of long-term liabilities	
Leases issued	\$ (22,954)
 Principal repayments	
General obligation bonds	\$ 1,190,000
Loans	12,073
Leases	200,534
Current year amortization of premiums	90,123
 Total adjustment to the government-wide statements for payments made on long-term liabilities	 \$ 1,492,730

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

Change in compensated absences	(122,223)
Change in accrued interest payable	18,122
Change in net pension liability	2,304,426
Change in other postemployment benefits liability	(37,014)
Change in deferred outflows of resources	(1,779,517)
Change in deferred inflows of resources	(133,814)
Change in inventories	7,313
 Total adjustment to the government-wide statements for other activities not reported in governmental funds	 \$ 257,293

Change in Net Position of Governmental Activities (Exhibit 2)	\$ (212,789)
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Fiduciary Funds

Exhibit 7

**Houston County
Caledonia, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024**

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,137,899
Investments	832,883
Taxes receivable for other governments	277,794
Interest receivable	1,931
Due from other governments	<u>14,090</u>
Total Assets	<u>\$ 3,264,597</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 639,031</u>
<u>Deferred Inflows of Resources</u>	
Prepaid taxes	<u>\$ 66,054</u>
<u>Net Position</u>	
Restricted for Individuals, organizations, and other governments	<u><u>\$ 2,559,512</u></u>

Exhibit 8

**Houston County
Caledonia, Minnesota**

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

	<u>Custodial Funds</u>
<u>Additions</u>	
Contributions from individuals	\$ 274,246
Refunds collected for tax abatements	108,921
Interest earnings	13,793
Property tax collections for other governments	19,765,302
Fees collected for the state	4,799,592
Payments from federal	4,050
Payments from the state	1,166,807
Payments from other entities	166,458
Miscellaneous	14,997
Total Additions	<u>\$ 26,314,166</u>
<u>Deductions</u>	
Payments of property tax to other governments	\$ 19,731,795
Payments to the state	4,796,551
Administrative expense	457,226
Distributions to participants	567,728
Payments to other entities	181,319
Total Deductions	<u>\$ 25,734,619</u>
Change in net position	\$ 579,547
Net Position – January 1	<u>1,979,965</u>
Net Position – December 31	<u>\$ 2,559,512</u>

Houston County Caledonia, 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

Houston County was established February 23, 1854, 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 Houston 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.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Houston County has one blended component unit, which is reported in the Economic Development Authority Special Revenue Fund.

Component Unit of the County

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Houston County Economic Development Authority (EDA) provides for development within the County.	County Commissioners are the members of the EDA Board, and the County has operational responsibility.	Separate financial statements are not prepared.

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations described in Note 3.

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

Houston County Caledonia, Minnesota

minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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 and blended component unit. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. The remaining governmental fund is reported as a nonmajor fund.

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 accounts for restricted revenues from the federal and state governments, as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Health and Human Services Special Revenue Fund accounts for restricted revenue sources from federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

The Debt Service Fund is used to account for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt.

Additionally, the County reports the following fund type:

Custodial funds are safekeeping in nature. These funds account for assets that the County holds for others in a fiduciary capacity.

Houston County Caledonia, Minnesota

Measurement Focus and Basis of Accounting

The government-wide and fiduciary 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. Houston County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under 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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024, based on market prices. 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 \$668,141.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance when occurring in the General Fund to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

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

Houston County Caledonia, Minnesota

Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

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/expenses at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and 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 County as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 County 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:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	50
Building improvements	50
Public domain infrastructure	50-75
Furniture, equipment, and vehicles	3-20

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 leave.

Houston County

Caledonia, Minnesota

Unearned Revenue

Governmental funds and government-wide financial 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 pension liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund.

Long-Term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities. 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.

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 an other financing source. 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.

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 three types of deferred outflows of resources that qualify in this category: deferred charge on refunding, deferred pension, and deferred other postemployment benefits (OPEB) outflows. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and only arises under the full accrual basis of accounting. The County also reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and OPEB and, accordingly, are reported only in the statement of net position.

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) or reduction of expense until that time. The County reports three types of deferred inflows of resources that qualify for reporting in this category: unavailable revenue, deferred pension, and deferred OPEB inflows. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period

Houston County Caledonia, Minnesota

that the amount becomes available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. The fiduciary funds report prepaid property taxes for tax collections received prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These inflows occurred in the fiduciary funds under the full accrual basis of accounting and are only reported in the statement of fiduciary net position. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Classification of Net Position

Net position in the government-wide financial 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:

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.

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed – amounts the County intends to use for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board 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 use for specific purposes but 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 that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Finance Director, who has been delegated that authority by Board resolution.

Houston County Caledonia, Minnesota

Unassigned – spendable amounts not contained in the other fund balance classifications for the General Fund. 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.

Minimum Fund Balance

Houston County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds, which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted (committed and assigned) fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be not less than 40 percent and not more than 65 percent of the sum of the most recent budget year's property tax levy.

Use of Estimates

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

During the year ended December 31, 2024, Houston County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, which provides clarification on the categories and prescribed accounting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. Additional disclosures are included for the current year restatement as a result of GASB Statement 100.

Houston County also adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of GASB Statement 101 resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements. Beginning net position decreased by \$146,967 for the implementation of this standard.

Houston County Caledonia, Minnesota

Note 2 – Detailed Notes

Assets

Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

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

Basic Financial Statement Accounts	Governmental Funds	Fiduciary Funds	Total
Cash and pooled investments	\$ 12,834,744	\$ 2,137,899	\$ 14,972,643
Petty cash and change funds	17,160	-	17,160
Investments	5,964,777	832,883	6,797,660
Total	\$ 18,816,681	\$ 2,970,782	\$ 21,787,463

Cash and Investments	Amount
Deposits	\$ 14,840,461
Petty cash and change funds	17,160
Investments	6,929,842
Total Deposits, Cash on Hand, and Investments	\$ 21,787,463

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 plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better 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.

Houston County Caledonia, Minnesota

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 has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. 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. It is the County's policy to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity; and (2) investing operating funds, when most prudent, in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

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Cash and Investments and Information Relating to Interest Rate Risk as of December 31, 2024

Investment Type	Fair Value	Less Than 1 Year	1-3 Years	3-13 Years
Municipal bonds	\$ 624,174	\$ -	\$ 442,230	\$ 181,944
Negotiable certificates of deposit	6,305,668	895,754	3,048,381	2,361,533
Total Investments	<u>\$ 6,929,842</u>	<u>\$ 895,754</u>	<u>\$ 3,490,611</u>	<u>\$ 2,543,477</u>

Credit Risk

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

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Houston County invests in the following investment pools/mutual funds:

Credit Risk of Investments

Investment Type	Credit Rating	Rating Agency	Fair Value
Municipal bonds	AAA/AA	Standard & Poor's	\$ 624,174
Negotiable certificates of deposit	Not rated	Not rated	6,305,668

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize custodial credit risk by limiting investments with any one broker to no more than ten percent of its Securities Investor Protection Corporation coverage plus any excess coverage, if provided. At December 31, 2024, none of Houston County's investments were subject to custodial credit risk.

Concentration of Credit Risk

It is the County's policy to minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of December 31, 2024, the County did not have any one issuer that represented five percent or more of the County's total investments.

Fair Value Measurement

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

Houston County Caledonia, Minnesota

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

Recurring Fair Value Measurements as of December 31, 2024

Debt Securities 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)
Municipal bonds	\$ 624,174	\$ -	\$ 624,174	\$ -
Negotiable certificates of deposit	6,305,668	-	6,305,668	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 6,929,842</u>	<u>\$ -</u>	<u>\$ 6,929,842</u>	<u>\$ -</u>

Debt securities classified in Level 2 are valued using the following approaches:

- Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

Receivables

Receivables as of December 31, 2024, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities' Receivables as of December 31, 2024

Governmental Activities	Receivables (Gross)	Less: Allowance for Uncollectible Accounts	Receivables (Net)	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 167,246	\$ -	\$ 167,246	\$ -
Accounts	180,860	(64,768)	116,092	-
Accrued interest	98,475	-	98,475	-
Loans	356,416	-	356,416	286,761
Due from other governments	3,276,757	-	3,276,757	-
Total Governmental Activities	<u>\$ 4,079,754</u>	<u>\$ (64,768)</u>	<u>\$ 4,014,986</u>	<u>\$ 286,761</u>

Houston County Caledonia, 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	\$ 1,021,788	\$ 4,205	\$ -	\$ 1,025,993
Land – infrastructure right-of-way	1,779,146	-	-	1,779,146
Land improvements	1,350,562	-	-	1,350,562
Construction in progress	253,986	368,564	(277,828)	344,722
Total capital assets not depreciated	\$ 4,405,482	\$ 372,769	\$ (277,828)	\$ 4,500,423
Capital assets depreciated and amortized				
Buildings	\$ 23,903,673	\$ -	\$ -	\$ 23,903,673
Building improvements	2,205,804	128,000	-	2,333,804
Other improvements	2,233,831	-	-	2,233,831
Machinery, furniture, and equipment	8,535,549	1,549,553	(293,922)	9,791,180
Infrastructure	121,789,320	277,828	(5,466)	122,061,682
Lease machinery, furniture, and equipment	877,167	34,324	(144,573)	766,918
Total capital assets depreciated and amortized	\$ 159,545,344	\$ 1,989,705	\$ (443,961)	\$ 161,091,088
Less: accumulated depreciation and amortization for				
Buildings	\$ 5,344,035	\$ 475,757	\$ -	\$ 5,819,792
Building improvements	1,034,079	46,250	-	1,080,329
Other improvements	269,973	44,676	-	314,649
Machinery, furniture, and equipment	5,296,096	847,586	(226,898)	5,916,784
Infrastructure	60,619,710	2,299,168	(5,466)	62,913,412
Lease machinery, furniture, and equipment	287,128	214,081	(106,497)	394,712
Total accumulated depreciation and amortization	\$ 72,851,021	\$ 3,927,518	\$ (338,861)	\$ 76,439,678
Total capital assets depreciated and amortized, net	\$ 86,694,323	\$ (1,937,813)	\$ (105,100)	\$ 84,651,410
Governmental Activities Capital Assets, Net	\$ 91,099,805	\$ (1,565,044)	\$ (382,928)	\$ 89,151,833

Houston County Caledonia, Minnesota

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	Depreciation and Amortization Expense
General government	\$ 162,320
Public safety	518,977
Highways and streets, including depreciation of infrastructure assets	3,129,430
Human services	18,435
Sanitation	32,228
Culture and recreation	10,265
Economic development	55,863
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 3,927,518</u>

Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

The Health and Human Services Special Revenue Fund reported a due to the General Fund of \$534 for miscellaneous costs.

This balance reflects the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

Interfund Transfers

The General Fund transferred \$94,613 to the Health and Human Services Revenue Fund for the reimbursement of grant-related expenditures.

Liabilities

Long-Term Liabilities

Leases

The County has entered into a lease agreement as lessee for financing the acquisition of vehicles. Leases are for five years and have been recorded at the present value of their future minimum lease payments as of the inception dates. The lease payments are payable from the General Fund, Road and Bridge Special Revenue Fund, and the Health and Human Services Special Revenue Fund.

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The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2024, were as follows:

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments As of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 121,746	\$ 17,145
2026	105,008	11,559
2027	79,310	6,098
2028	50,342	1,532
Total	<u>\$ 356,406</u>	<u>\$ 36,334</u>

Loans Payable

In December 2016, Houston County received a grant of \$192,000 from the Minnesota Department of Employment and Economic Development. The County used the grant to make an installment loan to fund an economic development project in the County. The County is entitled to 40 percent of the principal repaid, plus interest at two percent. The remaining \$115,200, plus interest, is to be repaid to the State. Payments on the state loan began in January 2017 with monthly payments of \$1,060 and will be made until December 2026. Total payments due from 2025 to 2026 are \$25,812, including interest of \$615. The loan payments will be made from the General Fund.

Bonds

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2017A G.O. Jail Bonds	2031	\$65,000- \$1,315,000	2.00-3.00	\$ 9,380,000	\$ 8,070,000
2020A G.O. Jail Refunding Bonds	2025	\$880,000- \$175,000-	5.00	2,870,000	160,000
2021A G.O. State Aid Bonds	2037	\$215,000	2.00-3.00	2,945,000	2,595,000
Total General Obligation Bonds				<u>\$ 15,195,000</u>	<u>\$ 10,825,000</u>

Houston County Caledonia, Minnesota

Debt payments for the above debt are being made from the Debt Service Fund.

Debt Service Requirements

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

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

Year Ending December 31	Principal	Interest
2025	\$ 1,235,000	\$ 270,202
2026	1,290,000	232,552
2027	1,325,000	195,177
2028	1,360,000	156,778
2029	1,400,000	117,303
2030-2034	3,575,000	146,558
2035-2039	640,000	12,709
Total	\$ 10,825,000	\$ 1,131,279

Loans Payable

Year Ending December 31	Principal	Interest
2025	\$ 12,336	\$ 384
2026	13,476	231
Total	\$ 25,812	\$ 615

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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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2017A G.O. Jail Bonds	\$ 8,515,000	\$ -	\$ (445,000)	\$ 8,070,000	\$ 895,000
2020A G.O. Jail Refunding Bonds	730,000	-	(570,000)	160,000	160,000
2021A G.O. State Aid Bonds	2,770,000	-	(175,000)	2,595,000	180,000
Total bonds payable	\$ 12,015,000	\$ -	\$ (1,190,000)	\$ 10,825,000	\$ 1,235,000
Premium on bonds	494,087	-	(90,123)	403,964	-
Loans payable	37,885	-	(12,073)	25,812	12,336
Lease payable	533,986	22,954	(200,534)	356,406	121,746
Compensated absences	1,587,181*	122,223**	-	1,709,404	102,564
Total Long-Term Liabilities	\$ 14,668,139	\$ 145,177	\$ (1,492,730)	\$ 13,320,586	\$ 1,471,646

*The beginning balance for the compensated absences liability was restated by \$146,967 due to the implementation of GASB 101.

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

Deferred Inflows of Resources

As of December 31, 2024, there were various components of unavailable revenue for the governmental funds as follows:

Deferred Inflows of Resources As of December 31, 2024

Source of Unavailable Revenue	Amount
Delinquent property taxes	\$ 88,256
Intergovernmental	2,611,566
Loans receivable	344,807
Other	8,297
Total Governmental Funds	<u>\$ 3,052,926</u>

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Other Postemployment Benefits (OPEB)

Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer, defined benefit, self-insured health care plan, financed and administered by the Southeast Service Cooperative and Houston County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2023, there was one retiree receiving health benefits from the County's health plan.

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.

As of the January 1, 2023, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms as of the January 1, 2023 Actuarial Valuation

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	145
Total	146

Total OPEB Liability

The County's total OPEB liability of \$497,165 was determined by an actuarial valuation as of January 1, 2023, and was rolled forward to a measurement date of December 31, 2024. The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services 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 actuarial cost method is entry age, level percentage of pay.

The current 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 (11.75 for public safety) to 3.00 percent for 27 or more years of service.

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The health care cost trend is 6.50 percent, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years.

The current year discount rate is 4.00 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates used are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (general, safety) with MP-2021 Generational 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	Total OPEB Liability
Balance at December 31, 2023	\$ 460,151
Service cost	\$ 43,140
Interest	19,622
Benefit payments	(25,748)
Net change	\$ 37,014
Balance at December 31, 2024	\$ 497,165

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	3.00%	\$ 534,567
Current	4.00%	497,165
1% Increase	5.00%	462,403

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:

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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	5.50% Decreasing to 4.00%	\$ 443,494
Current	6.50% Decreasing to 5.00%	497,165
1% Increase	7.50% Decreasing to 6.00%	560,268

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 (\$46,636). The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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 economic experience	\$ -	\$ 70,873
Changes in actuarial assumptions	19,553	37,751
Contributions made subsequent to the measurement date	34,436	-
Total	\$ 53,989	\$ 108,624

The \$34,436 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 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	\$ (24,447)
2026	(24,450)
2027	(20,088)
2028	(20,086)

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions during 2024.

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Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Houston 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 Houston 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.

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.

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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 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.

Houston County Caledonia, Minnesota

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	\$ 599,887
Police and Fire Plan	242,458
Correctional Plan	99,375

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

Pension Costs

General Employees Plan

At December 31, 2024, the County reported a liability of \$3,329,544 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 0.0901 percent. It was 0.0925 percent measured as of June 30, 2023. The County recognized pension expense of \$304,887 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 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 \$153,190 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 \$2,308 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Houston County Caledonia, Minnesota

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	\$ 3,329,544
State of Minnesota's proportionate share of the net pension liability associated with the County	86,095
Total	<u>\$ 3,415,639</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	\$ 315,605	\$ -
Changes in actuarial assumptions	16,479	1,285,084
Difference between projected and actual investment earnings	-	984,621
Changes in proportion	47,520	117,177
Contributions paid to PERA subsequent to the measurement date	301,090	-
Total	<u>\$ 680,694</u>	<u>\$ 2,386,882</u>

The \$301,090 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:

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	\$ (1,110,274)
2026	(196,837)
2027	(444,977)
2028	(255,190)

Houston County Caledonia, Minnesota

Police and Fire Plan

At December 31, 2024, the County reported a liability of \$1,269,917 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 0.0965 percent. It was 0.0956 percent measured as of June 30, 2023. The County recognized pension expense of \$240,553 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 \$27,411 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 \$5,415 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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	\$ 1,269,917
State of Minnesota's proportionate share of the net pension liability associated with the County	48,409
Total	<u>\$ 1,318,326</u>

Houston County Caledonia, Minnesota

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	\$ 485,700	\$ -
Changes in actuarial assumptions	1,320,003	1,852,083
Difference between projected and actual investment earnings	-	395,490
Changes in proportion	109,995	44,498
Contributions paid to PERA subsequent to the measurement date	124,910	-
Total	<u>\$ 2,040,608</u>	<u>\$ 2,292,071</u>

The \$124,910 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	\$ (61,687)
2026	292,211
2027	(170,930)
2028	(467,899)
2029	31,932

Correctional Plan

At December 31, 2024, the County reported a liability of \$135,622 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 0.4450 percent. It was 0.4781 percent measured as of June 30, 2023. The County recognized pension expense of \$195,104 for its proportionate share of the Correctional Plan's pension expense.

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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 \$23,388 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	\$ 99,019	\$ -
Changes in actuarial assumptions	-	492,995
Difference between projected and actual investment earnings	-	179,408
Changes in proportion	-	41,337
Contributions paid to PERA subsequent to the measurement date	51,777	-
Total	\$ 150,796	\$ 713,740

The \$51,777 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	\$ (575,972)
2026	85,439
2027	(73,498)
2028	(50,690)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$740,544.

Houston County Caledonia, Minnesota

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 Fund	Police and Fire Fund	Correctional Fund
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 disability rates 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 equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

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

Houston County Caledonia, Minnesota

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).

Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.

Houston County Caledonia, Minnesota

- 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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2024

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%	\$ 7,272,259	6.00%	\$ 3,001,061	6.00%	\$ 1,102,097
Current	7.00%	3,329,544	7.00%	1,269,917	7.00%	135,622
1% Increase	8.00%	86,301	8.00%	(151,715)	8.00%	(634,325)

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 Board of Commissioners of Houston 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 \$9,137, which represents five percent of covered payroll.

Houston County Caledonia, Minnesota

Note 3 – 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2024 and \$1,000,000 per claim 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 County has entered into a joint powers agreement with MCIT to authorize the Board to exercise the common powers of the participating governmental units in connection with certain matters pertaining to the administration and funding of group employee benefits and other financial risk management services. The County may choose to participate in any of the services offered. The County may withdraw from the pool at any time giving a 90-day written notice. There is no contingent liability after withdrawal.

Contingent Liabilities

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer the Agricultural Best Management Loan Program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2024.

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. 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 County.

Houston County Caledonia, Minnesota

Jointly-Governed Organizations

Houston 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:

Southeast Minnesota Emergency Medical Services (SEEMS)

The SEEMS Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member to the Joint Powers Board. During the year, Houston County paid \$5,000 for membership.

Region One – Southeast Minnesota Homeland Security and Emergency Management Organization

The Region One – Southeast Minnesota Homeland Security and Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Houston County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Sentencing to Service (STS)

Houston County, in conjunction with other local governments, participates in the State of Minnesota's STS program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Houston County has no operational or financial control over the STS program and did not provide funding to the program during the year.

Southeast Minnesota Immunization Connection (SEMIC)

The SEMIC Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Houston County made no payments to SEMIC.

Houston County Caledonia, Minnesota

Southeast Service Cooperative

The Southeast Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Houston County made payments of \$300 to the Cooperative.

Workforce Development

The Workforce Development provides various job training services to several counties. During the year, Houston County paid \$125,955 to the Workforce Development.

Southeastern Minnesota Community Action Council (SEMCAAC)

SEMCAAC provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. It also provides housing and redevelopment for Houston County through Bluff Country. During the year, Houston County paid \$5,000 to SEMCAAC.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Houston County paid \$147,078 to the MCCC.

Joint Ventures

Southeastern Minnesota Library

The Southeastern Minnesota Library provides regional library services to counties and cities in southeastern Minnesota. During the year, Houston County paid \$193,492 to the Library.

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board (formerly known as Southeast Minnesota Regional Radio Board) was formed in 2008 under the authority of Minn. Stat. §§ 471.59 and 403.39. It is governed by a membership of 11 counties and one city. The Board consists of one County Commissioner from each member county and one City Council member from the member city. The Board was formulated to provide for the regional administration of enhancements to the Allied Radio Matrix Emergency Response (ARMER) system owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2024, Houston County paid \$1,200 to the Board.

Southeast Minnesota Violent Crime Enforcement Team (SEMVCET)

Houston County and other regional counties and cities have formed the Southeast Minnesota Violent Crime Enforcement Team under the authority of Minn. Stat. § 471.59, to work cooperatively in the enforcement of

Houston County Caledonia, Minnesota

controlled substance laws and crime-related offenses. The SEMVCET is governed by a governing board made up of members known as “Directors.” The chief law enforcement officer from each member county and member city shall serve as a Director.

Olmsted County has been appointed as the fiscal agent for the SEMVCET. During 2024, Houston County paid \$8,325 to the SEMVCET.

Family Services Collaborative

The Houston County Family Services Collaborative was established in 1995 under the authority of Minn. Stat. §§ 471.59 and 142D.15. The Collaborative includes Houston County, four Houston County school districts, and SEMCAC, each of which appoints members to the Collaborative’s governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a Board of Directors. Houston County appoints two members to this Board. Houston County acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2024, Houston County provided no funding.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the governing board.

Currently, the Collaborative does not prepare complete financial statements; therefore, the Collaborative does not have audited financial statements. Financial information can be obtained by contacting the following: Houston County Public Health and Human Services, Accounting Unit, 304 South Marshall Street, Caledonia, Minnesota 55921.

Required Supplementary Information

Exhibit A-1

**Houston County
Caledonia, 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	\$ 7,381,840	\$ 7,384,923	\$ 7,321,353	\$ (63,570)
Licenses and permits	88,364	90,781	87,244	(3,537)
Intergovernmental	2,724,798	2,718,796	3,547,978	829,182
Charges for services	1,457,241	1,463,535	1,582,185	118,650
Fines and forfeits	4,200	4,200	3,397	(803)
Gifts and contributions	-	-	7,479	7,479
Investment earnings	366,500	521,200	668,141	146,941
Miscellaneous	146,479	197,559	210,579	13,020
Total Revenues	\$ 12,169,422	\$ 12,380,994	\$ 13,428,356	\$ 1,047,362
Expenditures				
Current				
General government				
Commissioners	\$ 211,622	\$ 211,622	\$ 225,686	\$ (14,064)
Courts	63,100	63,100	48,771	14,329
County auditor	410,179	410,979	350,381	60,598
Motor vehicle/license bureau	132,448	132,448	146,166	(13,718)
County assessor	575,108	575,108	574,973	135
Elections	113,730	147,430	179,979	(32,549)
Finance	223,386	223,386	225,902	(2,516)
Data processing	682,790	883,790	876,838	6,952
Fleet	14,662	79,854	68,430	11,424
Personnel	275,831	275,831	240,880	34,951
Attorney	621,694	621,694	862,288	(240,594)
Recorder	276,261	304,578	285,857	18,721
Surveyor	229,219	229,219	223,696	5,523
Planning and zoning	272,685	272,685	223,422	49,263
Buildings and plant	654,785	654,785	742,830	(88,045)
Veterans service	206,118	206,118	192,617	13,501
GIS	98,157	94,389	97,320	(2,931)
Other general government	309,614	307,282	474,596	(167,314)
Total general government	\$ 5,371,389	\$ 5,694,298	\$ 6,040,632	\$ (346,334)
Public safety				
Sheriff	\$ 2,579,568	\$ 2,579,568	\$ 2,741,271	\$ (161,703)
Boat and water safety	17,783	17,783	14,648	3,135
Emergency services	47,354	47,354	45,666	1,688
Coroner	62,031	62,031	62,031	-
E-911 system	196,327	196,327	73,220	123,107
County jail	1,765,377	1,765,377	1,721,044	44,333
Community corrections	211,692	211,692	229,442	(17,750)
Total public safety	\$ 4,880,132	\$ 4,880,132	\$ 4,887,322	\$ (7,190)

Exhibit A-1
(Continued)

**Houston County
Caledonia, 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	\$ 769,106	\$ 769,106	\$ 735,949	\$ 33,157
Recycling	277,453	277,453	252,119	25,334
Total sanitation	\$ 1,046,559	\$ 1,046,559	\$ 988,068	\$ 58,491
Health				
Transportation	\$ 16,500	\$ 16,500	\$ 16,500	\$ -
Health center (waivered services)	5,500	5,500	5,500	-
Total health	\$ 22,000	\$ 22,000	\$ 22,000	\$ -
Culture and recreation				
Historical society	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Parks	109,000	109,000	156,478	(47,478)
Other culture and recreation	125,000	108,000	107,697	303
Total culture and recreation	\$ 276,500	\$ 259,500	\$ 306,675	\$ (47,175)
Conservation of natural resources				
County extension	\$ 209,730	\$ 209,730	\$ 212,487	\$ (2,757)
Soil and water conservation	129,000	129,000	129,000	-
Agriculture society/County fair	24,000	24,000	24,000	-
Water planning	22,672	21,200	25,434	(4,234)
Total conservation of natural resources	\$ 385,402	\$ 383,930	\$ 390,921	\$ (6,991)
Economic development				
Community development	\$ 84,628	\$ 82,259	\$ 78,809	\$ 3,450
Airport	346,885	346,885	162,209	184,676
Other economic development	4,692	4,692	4,692	-
Total economic development	\$ 436,205	\$ 433,836	\$ 245,710	\$ 188,126
Intergovernmental				
County/regional library	\$ 193,492	\$ 193,492	\$ 193,492	\$ -
Debt service				
Principal	\$ -	\$ -	\$ 87,541	\$ (87,541)
Interest	-	-	11,829	(11,829)
Total debt service	\$ -	\$ -	\$ 99,370	\$ (99,370)
Total Expenditures	\$ 12,611,679	\$ 12,913,747	\$ 13,174,190	\$ (260,443)

Exhibit A-1
(Continued)

**Houston County
Caledonia, 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	\$ (442,257)	\$ (532,753)	\$ 254,166	\$ 786,919
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (94,613)	\$ (94,613)
Issuance of leases	-	-	22,954	22,954
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (71,659)	\$ (71,659)
Net Change in Fund Balance	\$ (442,257)	\$ (532,753)	\$ 182,507	\$ 715,260
Fund Balance – January 1	8,164,798	8,164,798	8,164,798	-
Fund Balance – December 31	\$ 7,722,541	\$ 7,632,045	\$ 8,347,305	\$ 715,260

Exhibit A-2

**Houston County
Caledonia, 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	\$ 2,764,613	\$ 2,764,613	\$ 2,759,597	\$ (5,016)
Licenses and permits	5,000	5,000	5,480	480
Intergovernmental	7,725,368	6,712,810	6,684,829	(27,981)
Charges for services	175,500	205,207	247,840	42,633
Investment earnings	43,500	78,473	90,149	11,676
Miscellaneous	21,900	22,500	6,154	(16,346)
Total Revenues	\$ 10,735,881	\$ 9,788,603	\$ 9,794,049	\$ 5,446
Expenditures				
Current				
Highways and streets				
Administration	\$ 348,664	\$ 348,664	\$ 346,329	\$ 2,335
Maintenance	3,025,070	3,025,070	2,892,440	132,630
Construction	5,666,879	4,570,017	4,513,680	56,337
Equipment maintenance and shop	1,568,064	1,568,064	1,480,469	87,595
Total highways and streets	\$ 10,608,677	\$ 9,511,815	\$ 9,232,918	\$ 278,897
Intergovernmental				
Highways and streets	\$ 328,972	\$ 328,972	\$ 336,285	\$ (7,313)
Debt service				
Principal	\$ -	\$ -	\$ 108,679	\$ (108,679)
Interest	-	-	10,354	(10,354)
Total debt service	\$ -	\$ -	\$ 119,033	\$ (119,033)
Total Expenditures	\$ 10,937,649	\$ 9,840,787	\$ 9,688,236	\$ 152,551
Excess of Revenues Over (Under)				
Expenditures	\$ (201,768)	\$ (52,184)	\$ 105,813	\$ 157,997
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	92,000	9,500	11,092	1,592
Net Change in Fund Balance	\$ (109,768)	\$ (42,684)	\$ 116,905	\$ 159,589
Fund Balance – January 1	5,427,278	5,427,278	5,427,278	-
Increase (decrease) in inventories	-	-	7,313	7,313
Fund Balance – December 31	\$ 5,317,510	\$ 5,384,594	\$ 5,551,496	\$ 166,902

Exhibit A-3

Houston County Caledonia, Minnesota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 2,156,397	\$ 2,156,397	\$ 2,137,968	\$ (18,429)
Intergovernmental	4,294,875	4,294,875	4,293,857	(1,018)
Charges for services	788,020	788,020	684,305	(103,715)
Gifts and contributions	-	-	139	139
Investment earnings	38,200	38,200	61,519	23,319
Miscellaneous	379,645	379,645	779,557	399,912
Total Revenues	\$ 7,657,137	\$ 7,657,137	\$ 7,957,345	\$ 300,208
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,722,749	\$ 2,722,749	\$ 2,699,652	\$ 23,097
Social services	4,257,723	4,257,723	4,152,058	105,665
Total human services	\$ 6,980,472	\$ 6,980,472	\$ 6,851,710	\$ 128,762
Health				
Public health	\$ 768,859	\$ 768,859	\$ 784,485	\$ (15,626)
Debt service				
Principal	\$ -	\$ -	\$ 4,314	\$ (4,314)
Total Expenditures	\$ 7,749,331	\$ 7,749,331	\$ 7,640,509	\$ 108,822
Excess of Revenues Over (Under)				
Expenditures	\$ (92,194)	\$ (92,194)	\$ 316,836	\$ 409,030
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 94,613	\$ 94,613
Proceeds from sale of capital assets	-	-	13,633	13,633
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 108,246	\$ 108,246
Net Change in Fund Balance	\$ (92,194)	\$ (92,194)	\$ 425,082	\$ 517,276
Fund Balance – January 1	2,222,938	2,222,938	2,222,938	-
Fund Balance – December 31	\$ 2,130,744	\$ 2,130,744	\$ 2,648,020	\$ 517,276

Exhibit A-4

**Houston County
Caledonia, 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	\$ 43,140	\$ 41,883	\$ 54,132
Interest	19,622	11,666	11,171
Differences between expected and actual experience	-	(63,899)	-
Changes of assumption or other inputs	-	(56,627)	-
Benefit payments	(25,748)	(28,459)	(28,107)
Net change in total OPEB liability	\$ 37,014	\$ (95,436)	\$ 37,196
Total OPEB Liability – Beginning	460,151	555,587	518,391
Total OPEB Liability – Ending	\$ 497,165	\$ 460,151	\$ 555,587
 Covered-employee payroll	 \$ 9,474,610	 \$ 9,198,650	 \$ 8,412,242
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 5.25%	 5.00%	 6.60%

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

	2021		2020		2019		2018
\$	52,555	\$	35,003	\$	33,983	\$	30,723
	20,522		18,872		15,844		15,145
	(84,822)		-		6,213		-
	58,665		-		(12,316)		-
	(31,752)		(24,339)		(32,103)		(23,849)
\$	15,168	\$	29,536	\$	11,621	\$	22,019
	503,223		473,687		462,066		440,047
\$	518,391	\$	503,223	\$	473,687	\$	462,066
\$	8,167,225	\$	8,057,857	\$	7,823,162	\$	8,044,084
	6.35%		6.25%		6.05%		5.74%

**Houston County
Caledonia, 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 Houston 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	0.0901	\$ 3,329,544	\$ 86,095	\$ 3,415,639	\$ 7,854,303	42.39	89.08
2023	0.0925	5,172,496	142,663	5,315,159	7,611,622	67.96	83.10
2022	0.0940	7,230,990	212,044	7,443,034	7,120,887	101.55	76.67
2021	0.0956	3,958,705	120,978	4,079,683	6,808,140	58.15	87.00
2020	0.0910	5,455,866	168,408	5,624,274	6,477,278	84.23	79.06
2019	0.0907	5,014,600	155,827	5,170,427	6,417,384	78.14	80.23
2018	0.0889	4,931,808	161,920	5,093,728	5,978,318	82.49	79.53
2017	0.0953	6,083,889	76,526	6,160,415	6,490,088	93.74	75.90
2016	0.1007	8,176,341	106,770	8,283,111	5,560,161	147.05	68.91
2015	0.0959	4,967,497	N/A	4,967,497	5,828,943	85.22	78.19

The measurement date for each year is June 30.
N/A – Not Applicable

**Houston County
Caledonia, Minnesota**

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

Year Ending	Statutorily Required Contributions		Actual Contributions in Relation to Statutorily Required Contributions		Contribution (Deficiency) Excess (b - a)		Covered Payroll		Actual Contributions as a Percentage of Covered Payroll (b/c) (%)	
	(a)		(b)		(b - a)		(c)		(b/c) (%)	
2024	\$	599,887	\$	599,887	\$	-	\$	7,998,492	7.50	
2023		583,000		583,000		-		7,773,320	7.50	
2022		551,573		551,573		-		7,354,315	7.50	
2021		522,185		522,185		-		6,962,469	7.50	
2020		494,564		494,564		-		6,594,193	7.50	
2019		494,277		494,277		-		6,590,363	7.50	
2018		451,479		451,479		-		6,019,720	7.50	
2017		475,785		475,785		-		6,343,799	7.50	
2016		475,097		475,097		-		6,334,627	7.50	
2015		420,031		420,031		-		5,600,413	7.50	

The County's year-end is December 31.

**Houston County
Caledonia, 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 Houston 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	0.0965	\$ 1,269,917	\$ 48,409	\$ 1,318,326	\$ 1,336,645	95.01	90.17
2023	0.0956	1,650,888	66,532	1,717,420	1,256,039	131.44	86.47
2022	0.0971	4,046,993	176,863	4,223,856	1,130,303	358.04	70.53
2021	0.0915	675,407	30,386	705,793	1,075,636	62.79	93.66
2020	0.0969	1,277,246	30,065	1,307,311	1,093,427	116.81	87.19
2019	0.0987	1,050,761	N/A	1,050,761	1,041,876	100.85	89.26
2018	0.0960	1,018,998	N/A	1,018,998	1,007,966	101.09	88.84
2017	0.0970	1,309,615	N/A	1,309,615	1,026,852	127.54	85.43
2016	0.1040	4,173,700	N/A	4,173,700	968,970	430.74	63.88
2015	0.1000	1,136,234	N/A	1,136,234	920,237	123.47	86.61

The measurement date for each year is June 30.

N/A – Not Applicable

Exhibit A-8

**Houston County
Caledonia, Minnesota**

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

Year Ending	Statutorily Required Contributions		Actual Contributions in Relation to Statutorily Required Contributions		Contribution (Deficiency) Excess (b - a)		Covered Payroll		Actual Contributions as a Percentage of Covered Payroll (b/c) (%)	
	(a)		(b)		(b - a)		(c)		(b/c) (%)	
2024	\$	242,458	\$	242,458	\$	-	\$	1,369,822	17.70	
2023		230,629		230,629		-		1,302,989	17.70	
2022		208,507		208,507		-		1,178,009	17.70	
2021		193,622		193,622		-		1,093,908	17.70	
2020		194,137		194,137		-		1,096,819	17.70	
2019		181,624		181,624		-		1,071,529	16.95	
2018		165,017		165,017		-		1,018,624	16.20	
2017		161,164		161,164		-		994,840	16.20	
2016		166,829		166,829		-		1,029,809	16.20	
2015		152,447		152,447		-		941,029	16.20	

The County's year-end is December 31.

**Houston County
Caledonia, 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	0.4450	\$ 135,622	\$ 1,129,636	12.01	97.54
2023	0.4781	216,125	1,120,953	19.28	95.94
2022	0.5064	1,683,274	1,112,424	151.32	74.58
2021	0.4984	(81,877)	1,102,121	(7.43)	101.61
2020	0.4846	131,491	1,054,569	12.47	96.67
2019	0.4590	63,549	979,064	6.49	98.17
2018	0.4800	79,686	989,429	8.05	97.64
2017	0.4900	1,396,505	1,111,491	125.64	67.89
2016	0.4500	1,643,914	821,174	200.19	58.16
2015	0.4300	66,478	776,864	8.56	96.95

The measurement date for each year is June 30.

**Houston County
Caledonia, Minnesota**

Schedule of Contributions

PERA Public Employees Local Government Correctional Service Retirement Plan

December 31, 2024

Year Ending	Statutorily Required Contributions		Actual Contributions in Relation to Statutorily Required Contributions		Contribution (Deficiency) Excess (b - a)		Covered Payroll		Actual Contributions as a Percentage of Covered Payroll (b/c) (%)	
	(a)		(b)		(b - a)		(c)		(b/c) (%)	
2024	\$	99,375	\$	99,375	\$	-	\$	1,135,719	8.75	
2023		98,564		98,564		-		1,126,444	8.75	
2022		99,410		99,410		-		1,136,109	8.75	
2021		97,013		97,013		-		1,108,714	8.75	
2020		93,150		93,150		-		1,064,568	8.75	
2019		89,606		89,606		-		1,024,075	8.75	
2018		85,308		85,308		-		974,945	8.75	
2017		86,822		86,822		-		992,251	8.75	
2016		81,965		81,965		-		936,732	8.75	
2015		69,914		69,914		-		799,026	8.75	

The County's year-end is December 31.

Houston County Caledonia, 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, except the EDA Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 30, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplementary appropriations to the General Fund, the Road and Bridge Special Revenue Fund, and the Health and Human Services Special Revenue Fund.

Note 2 – Excess of Expenditures Over Budget

The following individual major funds had expenditures in excess of the final budget for the year ended December 31, 2024:

Excess of Expenditures Over Budget				
Fund	Expenditures	Budget	Excess	
General Fund	\$ 13,174,190	\$ 12,913,747	\$ 260,443	

The excess of expenditures over budget is due to not budgeting for spending of Congressionally Recommended Awards in the Attorney's Department.

Note 3 – 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. See Note 2 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

The following changes in actuarial assumptions occurred:

2024

- No changes.

Houston County Caledonia, Minnesota

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 changed from 2.00 percent to 2.50 percent.
- The discount rate changed from 2.00 percent to 4.00 percent.

2022

- No changes.

2021

- 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 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 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 retirement and withdrawal tables for non-public safety employees were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 3.80 percent to 2.00 percent.

2020

- No changes.

Houston County Caledonia, Minnesota

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 Mortality tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

- The actuarial cost method changed from the Projected Unit Credit to Entry Age, level percentage of pay.
- The discount rate used changed from 3.50 percent to 3.30 percent.

Note 4 – 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.
- 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.

Houston County Caledonia, Minnesota

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.
- 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

Houston County Caledonia, Minnesota

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 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.

Houston County Caledonia, Minnesota

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.
- 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.

Houston County Caledonia, Minnesota

- 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 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.

Houston County Caledonia, Minnesota

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.
- 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.

Houston County Caledonia, Minnesota

- 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 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.

Houston County Caledonia, Minnesota

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.

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.

Houston County Caledonia, Minnesota

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.

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

Exhibit B-1**Houston County
Caledonia, Minnesota****Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 1,327,711	\$ 1,327,711	\$ 1,327,211	\$ (500)
Intergovernmental	258,722	258,722	260,526	1,804
Total Revenues	\$ 1,586,433	\$ 1,586,433	\$ 1,587,737	\$ 1,304
Expenditures				
Debt service				
Principal	\$ 1,282,750	\$ 1,282,750	\$ 1,190,000	\$ 92,750
Interest	303,683	303,683	312,103	(8,420)
Administrative (fiscal) charges	-	-	8,325	(8,325)
Total Expenditures	\$ 1,586,433	\$ 1,586,433	\$ 1,510,428	\$ 76,005
Net Change in Fund Balance	\$ -	\$ -	\$ 77,309	\$ 77,309
Fund Balance – January 1	1,866,222	1,866,222	1,866,222	-
Fund Balance – December 31	\$ 1,866,222	\$ 1,866,222	\$ 1,943,531	\$ 77,309

Houston County Caledonia, Minnesota

Fiduciary Funds

Custodial Funds

Custodial funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and other funds.

The Sheriff's Holding Fund accounts for funds on deposit for inmates of the Houston County Jail, bail money on deposit for out-of-County warrants and civil execution sales, as well as being a holding account for foreclosure sales and redemptions.

The State Revenue Fund accounts for the transfer of County collections to the State of Minnesota (mortgage registry tax, game and fish license sales, motor vehicle license sales, state deed tax sales, and state revenue taxes) and the apportionment of state-aid payments for police and fire departments to cities and towns.

The Crooked Creek Watershed Fund (CCWSCD) accounts for reimbursements to the Watershed District for operations and the collection of assessments to pay the Watershed District's bonded debt and interest.

The Estate Recoveries Fund accounts for the State of Minnesota's share of estate recoveries associated with the Medical Assistance Program.

The Taxes and Penalties Fund accounts for the collection and distribution of miscellaneous agency property taxes (current and delinquent) and prepaid taxes.

The School Districts Fund accounts for property taxes collected and remitted by the County to the various school districts in the County.

The Townships and Cities Fund accounts for the taxes and other amounts received by the County for the various towns and cities.

The Root River Soil and Water Conservation District Fund (RRSWCD) accounts for the assets of the Root River Soil and Water Conservation District held by the County.

The Family Collaborative Fund accounts for monies received and expended by the Family Services Collaborative.

Exhibit C-1**Houston County
Caledonia, Minnesota****Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2024**

	<u>Sheriff's Holding</u>	<u>State Revenue</u>	<u>CCWSCD</u>
<u>Assets</u>			
Cash and pooled investments	\$ 170,940	\$ 59,500	\$ 971
Investments	-	-	-
Taxes receivable for other governments	-	5,086	1,051
Interest receivable	-	-	-
Due from other governments	-	-	-
Total Assets	\$ 170,940	\$ 64,586	\$ 2,022
<u>Liabilities</u>			
Due to other governments	\$ -	\$ 58,807	\$ 971
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	\$ -	\$ -	\$ -
<u>Net Position</u>			
Restricted for Individuals, organizations, and other governments	\$ 170,940	\$ 5,779	\$ 1,051

Estate Recoveries	Taxes and Penalties	School Districts	Townships and Cities	RRSWCD	Family Collaborative	Total Custodial Funds
\$ 136,098	\$ 66,054	\$ 205,362	\$ 237,793	\$ 1,191,953	\$ 69,228	\$ 2,137,899
-	-	-	-	782,883	50,000	832,883
-	-	128,889	142,768	-	-	277,794
-	-	-	-	1,800	131	1,931
-	-	-	-	-	14,090	14,090
\$ 136,098	\$ 66,054	\$ 334,251	\$ 380,561	\$ 1,976,636	\$ 133,449	\$ 3,264,597
\$ 136,098	\$ -	\$ 205,362	\$ 237,793	\$ -	\$ -	\$ 639,031
\$ -	\$ 66,054	\$ -	\$ -	\$ -	\$ -	\$ 66,054
\$ -	\$ -	\$ 128,889	\$ 142,768	\$ 1,976,636	\$ 133,449	\$ 2,559,512

Houston County Caledonia, Minnesota

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

	Sheriff's Holding	State Revenue	CCWSCD
Additions			
Contributions from individuals	\$ 234,584	\$ -	\$ -
Refunds collected for tax abatements	-	-	-
Interest earnings	-	-	-
Property tax collections for other governments	-	-	73,725
Fees collected for the state	-	3,889,495	-
Payments from federal	-	-	-
Payments from the state	-	-	-
Payments from other entities	-	-	-
Miscellaneous	-	-	-
Total Additions	\$ 234,584	\$ 3,889,495	\$ 73,725
Deductions			
Payments of property tax to other governments	\$ -	\$ -	\$ 73,264
Payments to the state	-	3,886,251	-
Administrative expense	-	-	-
Distributions to participants	69,050	-	-
Payments to other entities	-	-	-
Total Deductions	\$ 69,050	\$ 3,886,251	\$ 73,264
Change in Net Position	\$ 165,534	\$ 3,244	\$ 461
Net Position – January 1	5,406	2,535	590
Net Position – December 31	\$ 170,940	\$ 5,779	\$ 1,051

Estate Recoveries	Taxes and Penalties	School Districts	Townships and Cities	RRSWCD	Family Collaborative	Total Custodial Funds
\$ -	\$ -	\$ -	\$ 39,662	\$ -	\$ -	\$ 274,246
-	108,921	-	-	-	-	108,921
-	-	-	-	12,177	1,616	13,793
-	121,319	9,376,064	10,194,194	-	-	19,765,302
910,097	-	-	-	-	-	4,799,592
-	-	-	-	4,050	-	4,050
-	-	-	-	1,110,789	56,018	1,166,807
-	-	-	96	166,362	-	166,458
-	-	-	-	14,997	-	14,997
\$ 910,097	\$ 230,240	\$ 9,376,064	\$ 10,233,952	\$ 1,308,375	\$ 57,634	\$ 26,314,166
\$ -	\$ 108,921	\$ 9,342,825	\$ 10,206,785	\$ -	\$ -	\$ 19,731,795
910,097	-	-	-	-	203	4,796,551
-	-	-	-	455,283	1,943	457,226
-	-	-	-	498,678	-	567,728
-	121,319	-	-	-	60,000	181,319
\$ 910,097	\$ 230,240	\$ 9,342,825	\$ 10,206,785	\$ 953,961	\$ 62,146	\$ 25,734,619
\$ -	\$ -	\$ 33,239	\$ 27,167	\$ 354,414	\$ (4,512)	\$ 579,547
-	-	95,650	115,601	1,622,222	137,961	1,979,965
\$ -	\$ -	\$ 128,889	\$ 142,768	\$ 1,976,636	\$ 133,449	\$ 2,559,512

Other Schedules

Exhibit D-1**Houston County
Caledonia, Minnesota****Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2024****Appropriations and Shared Revenue****State**

Highway users tax	\$ 6,415,606
PERA contribution	31,784
Disparity reduction aid	96,697
Police aid	177,617
County program aid	1,462,825
Aquatic invasive species aid	22,521
SCORE	86,753
Riparian protection aid	54,586
Market value credit – agricultural	328,648
Enhanced 911	186,302
Cannabis aid	2,114
Out-of-home placement aid	4,923
Local homeless prevention aid	51,677
Statewide local housing aid	96,037

Total appropriations and shared revenue	\$ 9,018,090
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Reimbursement for Services**State**

Minnesota Department of Human Services	\$ 1,110,567
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Payments

Payments in lieu of taxes	\$ 412,821
Southeast Service Cooperative	1,950
Delta Dental program grant	15,000

Total payments	\$ 429,771
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Grants**State**

Minnesota Department/Board of	
Public Safety	\$ 3,626
Health	271,582
Natural Resources	117,209
Human Services	641,276
Corrections	84,606
Transportation	144,217
Water and Soil Resources	21,200
Secretary of State	45,072
Pollution Control Agency	5,849
Peace Officer Standards and Training Board	15,205

Total state	\$ 1,349,842
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Exhibit D-1
(Continued)

Houston County
Caledonia, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2024

Grants (Continued)

Federal

Department of	
Agriculture	\$ 288,085
Justice	196,898
Transportation	374,510
Treasury	413,711
Health and Human Services	1,572,418
Homeland Security	33,298

Total federal	\$ 2,878,920
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Total state and federal grants	\$ 4,228,762
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Total Intergovernmental Revenue	\$ 14,787,190
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Exhibit D-2

**Houston County
Caledonia, 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	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 76,512
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2520	211,520
Passed Through Minnesota Management and Budget Forest Service Schools and Roads Cluster Schools and Roads - Grants to States	10.665	Not provided	<u>53</u>
Total U.S. Department of Agriculture			<u>\$ 288,085</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		\$ 2,645
Congressionally Recommended Awards	16.753		<u>195,862</u>
Total U.S. Department of Justice			<u>\$ 198,507</u>
U.S. Department of Transportation			
Direct			
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106		\$ 31,420
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC23-2023-HOUSTONSO-059	<u>3,964</u>
Total U.S. Department of Transportation			<u>\$ 35,384</u>
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 348,519
Local Assistance and Tribal Consistency Fund	21.032		<u>65,192</u>
Total U.S. Department of Treasury			<u>\$ 413,711</u>
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TU000040	\$ 8,721
Early Hearing Detection and Intervention	93.251	H6100035	650
Immunization Cooperative Agreements	93.268	NH23IP922628	11,208
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	6,869
Public Health Emergency Response: Cooperative Agreement for Emergency	93.354	NU90TP922188	3,290
Temporary Assistance for Needy Families	93.558	2401MNTANF	20,301
(Total Temporary Assistance for Needy Families 93.558 \$207,223)			
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	46,077
Maternal and Child Health Services Block Grant to the States	93.994	B0452933	17,321

Exhibit D-2*(Continued)*

**Houston County
Caledonia, 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	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2301MNFPS	3,649
Temporary Assistance for Needy Families	93.558	2401MNTANF	186,922
(Total Temporary Assistance for Needy Families 93.558 \$207,223)			
Child Support Services	93.563	2301MNCSES	62,302
Child Support Services	93.563	2301MNCSES/2301MNCES	297,776
(Total Child Support Services 93.563 \$360,078)			
Refugee and Entrant Assistance State/Replacement Designee			
Administered Programs	93.566	2401MNRMA	1,579
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCDF	6,495
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	3,437
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	1,560
Foster Care Title IV-E	93.658	2401MNFOS	99,883
Social Services Block Grant	93.667	2401MNSOS	108,717
John H. Chafee Foster Care Program for Successful Transition to			
Adulthood	93.674	2301MNCILP	2,101
Children's Health Insurance Program	93.767	2305MN5021	340
Medicaid Cluster			
Grants to States for Medicaid	93.778	2405MN5MAP	5,434
Grants to States for Medicaid	93.778	2405MN5ADM	680,678
(Total Grants to States for Medicaid 93.778 \$686,112)			
Total U.S. Department of Health and Human Services			\$ 1,575,310
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	227936	\$ 5,383
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-4797-MN	4,947
Emergency Management Performance Grants	97.042	A-EMPG-2022-HOUSTONCO-030	22,968
Total U.S. Department of Homeland Security			\$ 33,298
Total Federal Awards			\$ 2,544,295

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

Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 211,520
Total expenditures for Forest Service Schools and Roads Cluster			53
Total expenditures for Highway Safety Cluster			3,964
Total expenditures for CCDF Cluster			6,495
Total expenditures for Medicaid Cluster			686,112

Houston County Caledonia, 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 Houston 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 award activity of Houston 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 Houston County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston 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

Houston 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.

Houston County Caledonia, Minnesota

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	\$ 2,878,920
Grants received more than 60 days after year-end, considered unavailable revenue in 2024	
Bulletproof Vest Partnership Program (Assistance Listing Number 16.607)	1,609
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (Assistance Listing Number 20.106)	31,668
Marylee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	438
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (Assistance Listing Number 93.566)	436
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	780
Foster Care Title IV-E (Assistance Listing Number 93.658)	1,749
Unavailable revenue in 2023, recognized as revenue in 2024	
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs (Assistance Listing Number 20.106)	(370,794)
Marylee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	(256)
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	(255)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,544,295</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
Houston County
Caledonia, 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 governmental activities, each major fund, and the aggregate remaining fund information of Houston 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 April 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Houston 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. 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston 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 Houston County failed to comply with the provisions of the miscellaneous provisions 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 2024-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Houston County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements 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.

Houston County’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Houston County’s response to the finding 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

April 9, 2026

/s/Lisa Young

Lisa Young, 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
Houston County
Caledonia, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Houston 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 Houston County's major federal programs for the year ended December 31, 2024. Houston 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, Houston 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 Houston 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 Houston 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 Houston 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 Houston 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 Houston 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

April 9, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

Houston County Caledonia, 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? **None reported**

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
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Services
93.778	Medicaid Cluster

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

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Houston County Caledonia, Minnesota

Section IV – Other Findings and Recommendations

2024-001 Publication Requirements

Prior Year Finding Number: 2023-001

Year of Finding Origination: 2018

Type of Finding: Minnesota Legal Compliance

Criteria: Pursuant to Minn. Stat. § 375.12, County Board minutes must be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes to meet the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12. Furthermore, pursuant to Minn. Stat. § 375.17, the County is to annually publish its financial statements including a listing of vendors.

Condition: Houston County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12. Houston County also did not publish the 2023 financial statements and vendor listing in accordance with Minn. Stat. § 375.17.

Context: Claims are published in total by fund with the Board minutes publication. The County includes the financial statements on the County's website.

Effect: The County is not in compliance with Minn. Stat. §§ 375.12 and 375.17.

Cause: The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center for public inspection.

Recommendation: We recommend the County comply with Minn. Stat. § 375.12 and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000. We also recommend the County publish financial statements annually in the County's official newspaper, in accordance with Minn. Stat. § 375.17.

View of Responsible Official: Concur



HOUSTON COUNTY

Finance Department

304 South Marshall Street

Caledonia, Minnesota 55921

Phone: (507) 725-5839

Fax: (507) 725-8724

Representation of Houston County

Caledonia, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2024

Finding Number: 2024-001

Finding Title: Publication Requirements

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned:

Houston County will comply with Minn. Stat. §§ 375.12 and 375.17.

Anticipated Completion Date:

All publications required by MN Statutes will begin 3/24/2026.



HOUSTON COUNTY

Finance Department

304 South Marshall Street

Caledonia, Minnesota 55921

Phone: (507) 725-5839

Fax: (507) 725-8724

Representation of Houston County

Caledonia, Minnesota

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2024

Finding Number: 2023-001

Year of Finding Origination: 2018

Finding Title: Publication Requirements

Summary of Condition: Houston County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12. Houston County also did not publish the 2022 financial statements and vendor listing in accordance with Minn. Stat. § 375.17.

Summary of Corrective Action Previously Reported: Payment and Board proceedings publications will be modified to ensure the publication requirements are met.

Status: Not Corrected. Houston County includes payments over \$2,000 to be approved at the meeting in the Board packet that is presented on the website where the financial statements are also posted. The Board did not wish to incur the additional costs associated with publishing.

Finding Number: 2021-002

Year of Finding Origination: 2021

Finding Title: Eligibility Intake Function

Program: 93.778 Grants to States for Medicaid

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by Houston County to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available or input correctly into MAXIS. Three case files in the sample of 40 MAXIS case files tested did not have support for asset information or asset information was not properly entered into MAXIS.

Summary of Corrective Action Previously Reported: Complete health care case reviews will be performed monthly in which we look at assets being entered correctly.

Status: Fully Corrected. Corrective action was taken.