State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Carlton County
Carlton, Minnesota

Annual Financial Report

Year Ended December 31, 2024

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance or visit the Office of the State Auditor's website: www.osa.state.mn.us

Carlton County
Carlton, Minnesota

Table of Contents

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	12
Statement of Activities	2	13
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	14
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	21
Fiduciary Funds		
Statement of Fiduciary Net Position	7	23
Statement of Changes in Fiduciary Net Position	8	24
Notes to the Financial Statements		25
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	65
Road and Bridge Special Revenue Fund	A-2	68
Human Services Special Revenue Fund	A-3	69
Forfeited Tax Special Revenue Fund	A-4	70
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-5	71
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	73
Schedule of Contributions	A-7	74
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	75
Schedule of Contributions	A-9	76
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	77
Schedule of Contributions	A-11	78
Notes to the Required Supplementary Information		79

Carlton County
Carlton, Minnesota

Table of Contents
(Continued)

	Exhibit	Page
Supplementary Information		
Budgetary Comparison Schedule – Debt Service Fund	B-1	90
Fiduciary Funds – Custodial Funds		91
Combining Statement of Fiduciary Net Position	C-1	92
Combining Statement of Changes in Fiduciary Net Position	C-2	93
Other Schedule		
Schedule of Intergovernmental Revenue	D-1	94

Introductory Section

Carlton County
Carlton, Minnesota

Organization

As of December 31, 2024

Position	Name	District	Term Expires
Elected			
Commissioners			
Board Chair	Richard Brenner	District 1	January 2025
Board Member	Marv Bodie	District 2	January 2027
Board Member	Thomas Proulx	District 3	January 2025
Board Member	Susan Zmyslony	District 4	January 2027
Board Member	Gary Peterson	District 5	January 2025
Attorney	Lauri Ketola		January 2027
Sheriff	Kelly Lake		January 2027
Appointed			
Auditor/Treasurer	Kevin DeVriendt		Indefinite
Assessor	Kyle Holmes		January 2025
Recorder	Kristine Basilici		January 2027
Registrar of Titles	Kristine Basilici		January 2027
Highway Engineer	JinYeene Neumann		May 2026
Veterans Service Officer	Duane Brownie		January 2025
Surveyor	Benjamin Anderson		December 2024
County Administrator	Dennis Genereau, Jr.		Indefinite

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Carlton County
Carlton, Minnesota

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carlton 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.

Summary of Opinions by Opinion Unit

Opinion Unit	Type of Opinion
Governmental Activities	Adverse
General Fund	Unmodified
Road and Bridge Special Revenue Fund	Unmodified
Human Services Special Revenue Fund	Unmodified
Forfeited Tax Special Revenue Fund	Unmodified
Opioid Settlement Special Revenue Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the governmental activities of Carlton County as of December 31, 2024, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Fund and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Carlton 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.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

Basis for Adverse and Unmodified 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not reported capital assets, including infrastructure assets, in the governmental activities and, accordingly, has not reported depreciation expense on those assets and has not eliminated the related capital expenditures. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure assets, be capitalized and depreciated, which would increase the assets and net position and change the expenses of the governmental activities. The amount by which this departure affects the assets, net position, and expenses of the governmental activities is not reasonably determinable.

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 the Road and Bridge, Human Services, and Forfeited Tax Special Revenue Funds; 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 Carlton County's basic financial statements. The Budgetary Comparison Schedule – Debt Service Fund, combining fiduciary fund financial statements, and Schedule of Intergovernmental Revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matter described in the Basis for Adverse and Unmodified Opinions section, it is inappropriate to, and we do not, express an opinion on the supplementary information referred to above.

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 13, 2026, on our consideration of Carlton 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 Carlton 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 Carlton County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

April 13, 2026

Management’s Discussion and Analysis

Carlton County
Carlton, Minnesota

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

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

Financial Highlights

- Governmental activities' total net position is ($41,651,527), of which $18,886,172 is restricted for specific purposes.
- Carlton County's governmental activities' net position decreased by $4,778,785 for the year ended December 31, 2024.
- The net cost of governmental activities was $52,011,481 for the current fiscal year. The net cost was funded by general revenues totaling $47,232,696.
- Governmental funds' fund balances decreased by $12,708,047. The majority of this decrease is due to the net results of expenditures exceeding additional bonding for the Justice Center capital project by $21,701,282 along with increases to the General Fund ($4,188,346), Road and Bridge Fund ($3,708,671), and Debt Service Fund ($711,198) fund balances; and a decrease to the Human Services Fund ($869,026) fund balance.
- Carlton County has not established capital asset records or recorded the related depreciation as required by Governmental Accounting Standards Board (GASB) Statement 34.
- Carlton County was allocated $3,685,223 in 2021 from the National Prescription Opiate Litigation settlement with additional settlements in litigation, of which $645,508 was received in 2024. This amount is to be received over 18 years and is not included as a receivable due to accounting guidance.
- To fund the construction of a new County Justice Center, Carlton County issued general obligation bonds of $10 million during 2021 and $27.5 million during 2022, and $15 million in 2023.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Carlton 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) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities,

these statements tell how services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, except all capital assets, and liabilities 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 it. You can think of the County's net position—the difference between assets plus deferred outflows of resources and liabilities plus 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 infrastructure (as well as other factors), to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, all activities of the County are governmental, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

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 and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

All of the County's basic services are reported in the 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 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 trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary balances are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

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

Table 1
Statement of Net Position
(In Thousands)

Condensed Statement of Position	Governmental Activities – 2024	Governmental Activities – 2023*
Assets		
Current and other assets	$ 72,881	$ 83,621
Capital assets, net of accumulated amortization	1,513	1,272
Total Assets	$ 74,394	$ 84,893
Deferred Outflows of Resources	$ 7,294	$ 10,748
Liabilities		
Long-term liabilities outstanding	$ 103,605	$ 110,560
Other liabilities	5,687	8,070
Total Liabilities	$ 109,292	$ 118,630
Deferred Inflows of Resources	$ 14,048	$ 12,994
Net Position		
Net investment in capital assets	$ 27	$ 37
Restricted	18,886	12,553
Unrestricted	(60,565)	(48,573)
Total Net Position	$ (41,652)	$ (35,983)

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

Table 2
Changes in Net Position
(In Thousands)

Condensed Statement of Activities	Governmental Activities – 2024	Governmental Activities – 2023*
Revenues		
Program revenues		
Fees, fines, charges, and other	$ 11,983	$ 8,555
Operating grants and contributions	25,133	23,807
Capital grants and contributions	4,567	5,041
General revenues		
Property taxes	33,189	32,105
Other taxes	6,549	5,265
Grants and contributions	3,828	2,957
Other general revenues	3,666	4,423
Total Revenues	$ 88,915	$ 82,153
Expenses		
General government	$ 11,580	$ 11,556
Public safety	36,692	53,567
Culture and recreation	446	772
Highways and streets	15,953	16,782
Human services	19,421	18,895
Health	2,955	2,605
Sanitation	2,199	1,959
Conservation of natural resources	1,189	1,293
Economic development	1,047	2,227
Interest	2,212	2,140
Total Expenses	$ 93,694	$ 111,796
Increase (Decrease) in Net Position	$ (4,779)	$ (29,643)
Net Position – January 1, as restated	(36,873)	(6,340)
Net Position – December 31	$ (41,652)	$ (35,983)

*2023 amounts were not restated for Governmental Accounting Standards Board 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 $93,694,195. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes was only $33,188,521, because some of the cost was paid by those who directly benefited from the programs ($11,982,502) or by other governments and organizations that subsidized certain programs with grants and contributions ($29,700,212).

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Thousands)

Functions/Programs	Total Cost of Services – 2024	Total Cost of Services – 2023	Net Cost of Services – 2024	Net Cost of Services – 2023
General government	$ 11,580	$ 11,556	$ 9,157	$ 9,259
Public safety	36,692	53,567	31,674	48,592
Highways and streets	15,953	16,782	103	6,352
Human services	19,421	18,895	7,820	7,378
Health	2,955	2,605	(332)	234
All others	7,093	8,391	3,589	2,578
Totals	$ 93,694	$ 111,796	$ 52,011	$ 74,393

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of $61,392,151, which is less than last year's total of $74,100,198. Included in this year's total fund balance is a surplus of $41,373,608 in the County's General Fund. The overall decrease in the governmental funds was primarily due to the Justice Center expenditures exceeding additional bonding for the Justice Center capital project by $21,701,282.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) for the County's General Fund were less than the final budget by $1,652,871. Expenditures exceeded the final budget in the capital outlay and debt service functions.

Resources available for appropriation (revenues) were greater than the final budget for the County's General Fund by $2,958,875. Collections were greater than expected in all revenues other than real estate taxes. Higher than expected interest rates lead to the increase over budgeted amount in investment income of over $2.7 million for 2024. Other items included $111,092 in Affordable Housing Aid.

Fund balance was expected to decrease by $675,247 for the year. Actual fund balance increased by $4,188,346, due primarily to the ability to capitalize on higher interest rates for investment income, and addition of grant and new program funding received in the current year for current and future year programming.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the County had not completed an inventory and historical cost analysis of its capital assets, including infrastructure. It is anticipated that the analysis will be performed over the next year, and a record-keeping system will be established.

More detailed information about the County's right-to-use assets and related amortization expense associated with leases and with subscriptions for its information technology arrangements are presented in Note 3 to the financial statements.

Debt

At year-end, the County had $64,625,000 outstanding in general obligation bonds backed by the County, versus $66,925,000 last year.

The County issued $10 million of General Obligation Bonds, Series 2021, in 2021. The purpose of the bond issuance is to provide funds for construction related to the Carlton County Justice Center project. Principal and interest payments on all bonds and notes will not exceed the amount allowed by Minn. Stat. § 373.40. The County issued $27.5 million of General Obligation Bonds, Series 2022A, in 2022 to provide additional funds for the project. During its First Special Session of 2021, the Minnesota State Legislature exempted the County from some debt and levy limitations related to the Justice Center project and these bond issuances. A third series of General Obligation bonds were issued in 2023 in the amount of $15 million, Series 2023A, to provide additional funds for the project.

Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3 to the financial statements.

Economic Factors and Next Year's Budget and Levy

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

- an anticipated general COLA increase of 3.75 percent,
- an anticipated health insurance increase of 4.0 percent,
- an increase of 16.0 percent in MCIT Property/Casualty and Worker's Compensation Insurance,
- an increase of $1,494,800 in interest revenue due to increasing interest rates,
- an expected decrease in County Program Aid (CPA) of $97,546, and
- an increase of 3.00 percent for property tax levies in 2025.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Auditor/Treasurer, Kevin DeVriendt, Carlton County Historic Courthouse, 301 Walnut Avenue, Carlton, Minnesota 55718.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

Carlton County
Carlton, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2024

Assets		
Cash and pooled investments	$	55,110,130
Receivables		15,539,646
Inventories		1,094,667
Prepaid items		1,136,590
Capital assets		
Amortizable – net of accumulated amortization		1,512,987
Total Assets	**$**	**74,394,020**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	1,354,430
Deferred pension outflows		5,939,379
Total Deferred Outflows of Resources	**$**	**7,293,809**
Liabilities		
Accounts payable and other current liabilities	$	4,519,683
Accrued interest payable		1,019,729
Unearned revenue		147,470
Long-term liabilities		
Due within one year		4,382,587
Other postemployment benefits liability due within one year		1,055,826
Due in more than one year		71,903,711
Other postemployment benefits liability due in more than one year		15,117,327
Net pension liability		11,145,474
Total Liabilities	**$**	**109,291,807**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	1,473,532
Deferred pension inflows		12,546,919
Deferred lease inflows		27,098
Total Deferred Inflows of Resources	**$**	**14,047,549**
Net Position		
Net investment in capital assets	$	26,898
Restricted for		
General government		488,721
Public safety		906,217
Highways and streets		7,892,232
Human services		222,184
Health		1,101,335
Conservation of natural resources		667,637
Sanitation		62,114
Economic development		3,973,167
Debt service		3,572,565
Unrestricted		(60,564,597)
Total Net Position	**$**	**(41,651,527)**

The notes to the financial statements are an integral part of this statement.

Exhibit 2

Carlton County
Carlton, Minnesota

Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
General government	$ 11,579,495	$ 1,959,616	$ 462,333	$ -	$ (9,157,546)
Public safety	36,692,168	3,476,653	1,386,233	155,272	(31,674,010)
Highways and streets	15,953,264	911,947	11,015,227	3,922,954	(103,136)
Sanitation	2,198,848	1,644,680	108,071	-	(446,097)
Human services	19,421,252	1,984,059	9,617,509	-	(7,819,684)
Health	2,954,637	1,320,367	1,966,389	-	332,119
Culture and recreation	446,374	-	194,936	-	(251,438)
Conservation of natural resources	1,189,315	496,738	130,906	-	(561,671)
Economic development	1,047,266	188,442	251,852	488,530	(118,442)
Interest	2,211,576	-	-	-	(2,211,576)
Total Governmental Activities	**$ 93,694,195**	**$ 11,982,502**	**$ 25,133,456**	**$ 4,566,756**	**$ (52,011,481)**

General Revenues	
Property taxes	$ 33,188,521
Mortgage registry and deed tax	32,519
Transportation sales tax	3,256,466
Local option sales tax	2,574,292
Payments in lieu of tax	686,663
Grants and contributions not restricted to specific programs	3,827,908
Unrestricted investment earnings	3,478,907
Miscellaneous	187,420
Total general revenues	**$ 47,232,696**
Change in net position	**$ (4,778,785)**
Net Position - January 1, as previously reported	$ (35,982,790)
Restatement (Note 1)	(889,952)
Net Position – January 1, as restated	**$ (36,872,742)**
Net Position – December 31	**$ (41,651,527)**

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

Governmental Funds

Exhibit 3

Carlton County
Carlton, Minnesota

Balance Sheet
Governmental Funds
December 31, 2024

	General	Road and Bridge	Human Services	Forfeited Tax
Assets				
Cash and pooled investments	$ 25,365,492	$ 8,806,814	$ 16,653,934	$ -
Petty cash and change funds	2,300	-	6,400	-
Taxes receivable				
Delinquent	388,097	68,235	155,357	-
Special assessments receivable				
Delinquent	25,330	-	-	-
Accounts receivable	97,025	21,825	341,673	838,320
Accrued interest receivable	495,642	-	-	-
Due from other funds	14,008,963	34,235	-	-
Due from other governments	739,168	5,821,013	1,953,957	-
Leases receivable	21,031	3,426	-	2,832
Loans receivable	1,091,457	-	-	-
Inventories	-	1,094,667	-	-
Prepaid items	1,136,590	-	-	-
Total Assets	**$ 43,371,095**	**$ 15,850,215**	**$ 19,111,321**	**$ 841,152**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 815,397	$ 114,121	$ 450,402	$ 457
Salaries payable	718,130	135,341	451,068	8,706
Contracts payable	-	429,718	-	-
Due to other funds	1,200	-	-	11,326
Due to other governments	13,334	179,684	826,721	200
Unearned revenue	74,132	65,402	7,936	-
Total Liabilities	**$ 1,622,193**	**$ 924,266**	**$ 1,736,127**	**$ 20,689**
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	$ 354,439	$ 59,056	$ 138,669	$ -
Grants	-	3,749,505	-	-
Long-term receivables	-	-	-	631,157
Deferred lease inflows	20,855	3,419	-	2,824
Total Deferred Inflows of Resources	**$ 375,294**	**$ 3,811,980**	**$ 138,669**	**$ 633,981**

The notes to the financial statements are an integral part of this statement.

Opioid Settlement	Capital Projects	Debt Service	Total
$ 1,108,355	$ -	$ 3,166,835	$ 55,101,430
-	-	-	8,700
-	-	38,100	649,789
-	-	-	25,330
-	12,000	-	1,310,843
-	-	-	495,642
-	-	-	14,043,198
-	3,022,766	402,392	11,939,296
-	-	-	27,289
-	-	-	1,091,457
-	-	-	1,094,667
-	-	-	1,136,590
$ 1,108,355	**$ 3,034,766**	**$ 3,607,327**	**$ 86,924,231**

$ 7,020	$ 369,384	$ -	$ 1,756,781
-	-	-	1,313,245
-	-	-	429,718
-	14,030,672	-	14,043,198
-	-	-	1,019,939
-	-	-	147,470
$ 7,020	**$ 14,400,056**	**$ -**	**$ 18,710,351**

$ -	$ -	$ 34,762	$ 586,926
-	-	-	3,749,505
-	1,827,043	-	2,458,200
-	-	-	27,098
$ -	**$ 1,827,043**	**$ 34,762**	**$ 6,821,729**

Exhibit 3
(Continued)

Carlton County
Carlton, Minnesota

Balance Sheet
Governmental Funds
December 31, 2024

	General	Road and Bridge	Human Services	Forfeited Tax
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)				
Fund Balances				
Nonspendable				
Inventories	$ -	$ 1,094,667	$ -	$ -
Prepaid items	1,136,590	-	-	-
Long-term loans	1,091,457	-	-	-
Missing heirs	35,996	-	-	-
Restricted				
Enhanced 911 system	172,616	-	-	-
Debt service	-	-	-	-
Law library	73,143	-	-	-
Recorder's technology equipment	134,975	-	-	-
Recorder's compliance	230,920	-	-	-
Prosecutorial purposes	13,687	-	-	-
Administering the carrying of weapons	51,921	-	-	-
Law enforcement	12,200	-	-	-
Timber development	667,637	-	-	-
Economic development	2,943,824	-	-	-
Public safety aid	669,480	-	-	-
Statewide affordable housing aid	222,184	-	-	-
Transportation sales tax	-	5,496,274	-	-
Opioid remediation	-	-	-	-
Assigned				
Ambulance replacement	105,000	-	-	-
Highways and streets	-	4,523,028	-	-
Human services	-	-	13,599,325	-
Health	-	-	3,637,200	-
Forfeited tax	-	-	-	186,482
Unassigned	33,811,978	-	-	-
Total Fund Balances	**$ 41,373,608**	**$ 11,113,969**	**$ 17,236,525**	**$ 186,482**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 43,371,095**	**$ 15,850,215**	**$ 19,111,321**	**$ 841,152**

The notes to the financial statements are an integral part of this statement.

Opioid Settlement	Capital Projects	Debt Service	Total
$ -	$ -	$ -	$ 1,094,667
-	-	-	1,136,590
-	-	-	1,091,457
-	-	-	35,996
-	-	-	172,616
-	-	3,572,565	3,572,565
-	-	-	73,143
-	-	-	134,975
-	-	-	230,920
-	-	-	13,687
-	-	-	51,921
-	-	-	12,200
-	-	-	667,637
-	-	-	2,943,824
-	-	-	669,480
-	-	-	222,184
-	-	-	5,496,274
1,101,335	-	-	1,101,335
-	-	-	105,000
-	-	-	4,523,028
-	-	-	13,599,325
-	-	-	3,637,200
-	-	-	186,482
-	(13,192,333)	-	20,619,645
$ 1,101,335	**$ (13,192,333)**	**$ 3,572,565**	**$ 61,392,151**
$ 1,108,355	**$ 3,034,766**	**$ 3,607,327**	**$ 86,924,231**

Exhibit 4

Carlton County
Carlton, Minnesota

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

Fund balance – total governmental funds (Exhibit 3)	**$**	**61,392,151**
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.		
Deferred other postemployment benefits outflows	$	1,354,430
Deferred pension outflows		5,939,379
Total outflows of resources not reported in the governmental funds	$	7,293,809
Capital assets, net of accumulated amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	$	1,512,987
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.	$	6,794,631
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$	(64,625,000)
Bond premium		(4,683,252)
Leases payable		(915,548)
Software subscription liability		(592,985)
Accrued interest payable		(1,019,729)
Compensated absences		(5,469,513)
Other postemployment benefits liability		(16,173,153)
Net pension liability		(11,145,474)
Long-term liabilities not reported in the governmental funds	$	(104,624,654)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred other postemployment benefits inflows	$	(1,473,532)
Deferred pension inflows		(12,546,919)
Deferred inflows of resources not reported in the governmental funds	$	(14,020,451)
Net Position of Governmental Activities (Exhibit 1)	**$**	**(41,651,527)**

The notes to the financial statements are an integral part of this statement.

Exhibit 5

Carlton County
Carlton, Minnesota

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

	General	Road and Bridge	Human Services	Forfeited Tax
Revenues				
Taxes	$ 19,979,157	$ 6,611,885	$ 7,598,287	$ -
Special assessments	660,086	-	-	-
Licenses and permits	122,426	-	-	-
Intergovernmental	6,149,733	12,659,755	12,080,076	17,586
Charges for services	2,684,956	678,737	2,485,966	-
Fines and forfeits	54,737	-	-	-
Gifts and contributions	282,340	-	184,056	-
Investment earnings	3,277,673	-	41,088	-
Miscellaneous	894,379	233,210	818,460	477,124
Total Revenues	**$ 34,105,487**	**$ 20,183,587**	**$ 23,207,933**	**$ 494,710**
Expenditures				
Current				
General government	$ 11,576,042	$ -	$ -	$ -
Public safety	13,122,085	-	-	-
Highways and streets	-	16,061,523	-	-
Sanitation	2,208,527	-	-	-
Human services	-	-	19,847,708	-
Health	-	-	3,013,291	-
Culture and recreation	446,374	-	-	-
Conservation of natural resources	847,316	-	-	341,999
Economic development	1,047,266	-	-	-
Capital outlay				
General government	163,687	-	-	-
Public safety	449,756	-	-	-
Debt service				
Principal	346,466	-	-	-
Interest	51,469	-	-	-
Administrative charges	-	-	-	-
Total Expenditures	**$ 30,258,988**	**$ 16,061,523**	**$ 22,860,999**	**$ 341,999**
Excess of Revenues Over (Under) Expenditures	**$ 3,846,499**	**$ 4,122,064**	**$ 346,934**	**$ 152,711**
Other Financing Sources (Uses)				
Leases issued	$ 613,443	$ -	$ -	$ -
Transfers in	111,092	225,000	3,486	-
Transfers out	(382,688)	(582,400)	(1,219,446)	-
Total Other Financing Sources (Uses)	**$ 341,847**	**$ (357,400)**	**$ (1,215,960)**	**$ -**
Net Change in Fund Balance	**$ 4,188,346**	**$ 3,764,664**	**$ (869,026)**	**$ 152,711**
Fund Balance – January 1	**37,185,262**	**7,405,298**	**18,105,551**	**33,771**
Increase (decrease) in inventories	**-**	**(55,993)**	**-**	**-**
Fund Balance – December 31	**$ 41,373,608**	**$ 11,113,969**	**$ 17,236,525**	**$ 186,482**

The notes to the financial statements are an integral part of this statement.

Opioid Settlement	Capital Projects	Debt Service	Total
$ -	$ -	$ 4,733,048	$ 38,922,377
-	-	-	660,086
-	-	-	122,426
-	155,272	40,617	31,103,039
-	-	-	5,849,659
-	-	-	54,737
-	-	-	466,396
-	160,146	-	3,478,907
-	1,284,408	-	3,707,581
$ -	**$ 1,599,826**	**$ 4,773,665**	**$ 84,365,208**
$ -	$ -	$ -	$ 11,576,042
-	23,455,309	-	36,577,394
-	-	-	16,061,523
-	-	-	2,208,527
-	-	-	19,847,708
7,020	-	-	3,020,311
-	-	-	446,374
-	-	-	1,189,315
-	-	-	1,047,266
-	-	-	163,687
-	-	-	449,756
-	-	2,300,000	2,646,466
-	-	2,340,017	2,391,486
-	-	4,850	4,850
$ 7,020	**$ 23,455,309**	**$ 4,644,867**	**$ 97,630,705**
$ (7,020)	**$ (21,855,483)**	**$ 128,798**	**$ (13,265,497)**
$ -	$ -	$ -	$ 613,443
1,108,355	154,201	582,400	2,184,534
-	-	-	(2,184,534)
$ 1,108,355	**$ 154,201**	**$ 582,400**	**$ 613,443**
$ 1,101,335	**$ (21,701,282)**	**$ 711,198**	**$ (12,652,054)**
-	**8,508,949**	**2,861,367**	**74,100,198**
-	-	-	**(55,993)**
$ 1,101,335	**$ (13,192,333)**	**$ 3,572,565**	**$ 61,392,151**

Exhibit 6

Carlton County
Carlton, 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)	**$**	**(12,652,054)**
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 revenues deferred as unavailable.		
Deferred inflows of resources – unavailable revenues – December 31	$	6,794,631
Deferred inflows of resources – unavailable revenues – January 1		(2,190,814)
Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	$	4,603,817
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 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 disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.		
Expenditures for right-to-use assets	$	613,443
Current year amortization		(372,948)
Total adjustment to the government-wide statements for current year capital asset activity	$	240,495
Debt proceeds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		
General obligation bonds	$	2,300,000
Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Principal payments on leases	$	204,787
Principal payments on software subscriptions		141,679
Total adjustment to the government-wide statements for principal payments on financing sources	$	346,466
Leases issued	$	(613,443)

The notes to the financial statements are an integral part of this statement.

Exhibit 6
(Continued)

Carlton County
Carlton, Minnesota

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

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

Change in accrued interest payable	$	(89,444)
Change in compensated absences		(242,778)
Amortization of bond premium		274,204
Change in inventories		(55,993)
Change in other postemployment benefits liability		(840,623)
Change in deferred other postemployment benefits outflows		4,655,623
Change in deferred other postemployment benefits inflows		376,553
Change in net pension liability		6,621,443
Change in deferred pension outflows		(8,109,329)
Change in deferred pension inflows		(1,593,722)
Total adjustment to the government-wide statements for other activities not reported in governmental funds	$	995,934
Change in Net Position of Governmental Activities (Exhibit 2)	**$**	**(4,778,785)**

The notes to the financial statements are an integral part of this statement.

Fiduciary Funds

Exhibit 7

Carlton County
Carlton, Minnesota

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 34,339	$ 2,127,190
Due from other governments	-	1,764
Taxes receivable for the state	-	9,686
Taxes receivable for other governments	-	605,108
Total Assets	**$ 34,339**	**$ 2,743,748**
Liabilities		
Due to other governments	**$ -**	**$ 1,081,218**
Net Position		
Restricted for Individuals, organizations, and other governments	**$ 34,339**	**$ 1,662,530**

The notes to the financial statements are an integral part of this statement.

Exhibit 8

Carlton County
Carlton, Minnesota

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

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	$ 416,508	$ -
Other governments	-	211,980
Investment earnings		
Interest, dividends, and other	-	3,391
Monetary forfeitures	-	1,613
Property tax collections for		
State	-	3,762,462
Other governments	-	31,949,100
Fees collected for the state	-	5,670,138
Total Additions	**$ 416,508**	**$ 41,598,684**
Deductions		
Payments of property taxes to		
Other governments	$ -	$ 31,859,918
State	-	3,763,784
Beneficiary payments to individuals	455,049	-
Payments to the state	-	5,675,343
Forfeitures paid to the County	-	2,949
Payments to other individuals/entities	-	211,980
Total Deductions	**$ 455,049**	**$ 41,513,974**
Change in Net Position	**$ (38,541)**	**$ 84,710**
Net Position – January 1	**72,880**	**1,577,820**
Net Position – December 31	**$ 34,339**	**$ 1,662,530**

The notes to the financial statements are an integral part of this statement.

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.

Carlton County has not included capital assets or infrastructure, such as roads and bridges, in the government-wide financial statements as required by GASB Statement 34. This departure from GAAP is discussed in the capital asset section below. Carlton County implemented GASB Statement 87, which established criteria for accounting and financial reporting for leases, including right-to-use assets and related amortization expense associated with its leases. Carlton County also implemented GASB Statement 96, which established criteria for accounting and financial reporting for subscription-based information technology arrangements, including right-to-use assets and related amortization expense associated with subscriptions for its information technology arrangements.

Financial Reporting Entity

Carlton County was established May 23, 1857, 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 Carlton County (primary government) and any component units for which the County is financially accountable. The County has no component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/ Treasurer, who is appointed, serves as the clerk of the Board but has no vote.

Joint Ventures

The County participates in several joint ventures described in Note 4.

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 units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations, except that Carlton County does not report capital assets, as discussed in the capital asset section below. 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. The County has not recorded depreciation expense or eliminated the related capital expenditures in the statement of activities as required by accounting principles generally accepted in the United States of America, as discussed in the capital asset section below.

Fund Financial Statements

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

The County reports the following major governmental funds:

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

- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

- The Forfeited Tax Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

- The Opioid Settlement Special Revenue Fund accounts for funds to be received in a settlement with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation.

- The Capital Projects Fund is used to account for the expenditure of bond proceeds which were issued to finance the construction of an expansion of the maintenance facility building in Barnum and finance the construction of a new building consisting of a law enforcement center, judicial center, and jail.

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

Additionally, the County reports the following fiduciary fund types:

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

- Custodial funds are custodial in nature. These funds account for activity that the County holds for others in an agent capacity.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Carlton County considers all revenues as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period. Property and other taxes, licenses, and interest are all considered 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 and software subscriptions are reported as other financing sources.

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

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2024. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. 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 $3,277,673.

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

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."

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.

Special assessments receivable consists of delinquent special assessments payable in the years 2018 through 2024 and noncurrent special assessments payable in 2025 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

Loans receivable consists of the outstanding balances of economic development loans to private enterprises and septic system repair loans to individuals. The funds used for the economic development loans are from the County's allocation of taconite production tax monies received through the Department of Iron Range Resources and Rehabilitation. Funding for the septic system repair loans was from County sources.

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

Inventories and Prepaid Items

Road and Bridge Special Revenue Fund inventory consists of expendable supplies held for consumption and is valued at cost using the weighted-average cost 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

GAAP require capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), to be reported in the governmental activities column in the government-wide financial statements. Capital assets that meet certain threshold criteria defined by the County are to be recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are to be recorded at the acquisition value. The assets are to be depreciated at the government-wide financial statement level.

Carlton County has not reported its capital assets, including infrastructure, other than right-to-use assets, on the government-wide statement of net position. Also, no depreciation has been reported on capital assets in the government-wide statement of activities, and capital expenditures have not been removed from the statement of activities. These are departures from accounting principles generally accepted in the United States of America.

Right-to-use assets acquired under leasing and software subscription arrangements are reported in the government-wide financial statements. Right-to-use assets are recorded at the present value of their future minimum payments. 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
Right-to-use buildings and building space	25
Right-to-use machinery and equipment	3-4
Right-to-use software subscriptions	3-6

Unearned Revenue

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

Compensated Absences

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

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

Deferred Outflows/Inflows of Resources

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

resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

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

The net pension liability is liquidated by the General Fund and the Road and Bridge, Human Services, and Forfeited Tax Special Revenue Funds.

Long-Term Obligations

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

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

Classification of Net Position

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

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated 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.

Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Carlton 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 imposed by law through constitutional provisions or enabling legislation.

- Committed – amounts that can be used only 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 that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer, who has been delegated that authority by Board resolution.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

During the year ended December 31, 2024, the 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 restatements as a result of GASB Statement 100.

The 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 was decreased by $889,952 for the implementation of this standard.

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balance

At December 31, 2024, the Capital Projects Fund had a deficit fund equity balance of ($13,192,333). This deficit will be reduced with future grant proceeds and other revenue sources.

Note 3 – 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 Activities	Fiduciary Funds	Total
Cash and pooled investments	$ 55,110,130	$ 2,161,529	$ 57,271,659

Cash and Investments	Amount
Deposits and non-negotiable certificates of deposit	$ 299,094
Petty cash and change funds	8,700
Investments	56,963,865
Total Cash and Investments	$ 57,271,659

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 deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a policy on custodial credit risk for deposits. 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 practice to not incur unreasonable risk in order to gain investment income. The County's goal is to maximize income, to preserve principal, and to maintain liquidity to meet the County's need for cash and timely payment of bills.

Interest Rate Risk of Investments as of December 31, 2024

Investment Type	Interest Rate Risk Maturity Date	Carrying (Fair) Value
U.S. government agency securities		
Federal Farm Credit Bank	12/23/2026	$ 985,220
Federal Home Loan Bank	03/17/2026	$ 836,817
Federal Home Loan Bank	04/27/2026	843,353
Federal Home Loan Bank	06/12/2026	756,060
Federal Home Loan Bank	09/15/2026	808,036
Federal Home Loan Bank	11/17/2026	855,449
Total Federal Home Loan Bank		$ 4,099,715
U.S. Treasury Notes	01/15/2025	$ 998,850
U.S. Treasury Notes	02/15/2025	697,550
U.S. Treasury Notes	03/15/2025	696,472
U.S. Treasury Notes	04/15/2025	696,738
U.S. Treasury Notes	08/31/2025	742,643
U.S. Treasury Notes	10/15/2025	750,188
U.S. Treasury Notes	12/15/2025	748,733
U.S. Treasury Notes	01/15/2026	847,169
U.S. Treasury Notes	02/15/2026	847,764
U.S. Treasury Notes	07/31/2026	1,001,650
U.S. Treasury Notes	08/15/2026	1,001,850
Total U.S. Treasury Notes		$ 9,029,607
Negotiable certificates of deposit		
American Eagle Bank	07/03/2025	$ 249,374
American Express National	11/03/2025	245,525
Armstrong Bank	01/29/2025	238,050
Bank of America	09/19/2025	242,019
Bank of Deerfield	02/13/2026	249,934
Bank of Utah	12/11/2026	246,794
Barclays Bank	01/16/2026	245,624
Beal Bank USA	03/05/2025	238,286
BNY Mellon NA	10/06/2025	244,506
Brookline Bank	03/27/2025	248,647
Celtic Bank	05/30/2025	248,617
Central Bank	01/08/2025	248,020
Chippewa Valley Bank	05/08/2025	249,014
CIBC Bank USA	05/16/2025	244,468
Citizens Bank Co	08/15/2025	249,297
Citizens Bank & Trust	06/29/2026	248,758
Community West Bank	04/15/2025	248,371
Continental Bank	12/30/2025	236,609
Cross RiverBank	06/30/2025	243,809
Dogwood State Bank	12/24/2025	249,067
Farmers Bank	05/30/2025	244,627
Farmers Bank & Trust	07/21/2025	248,980
Fifth Third Bank NA	01/22/2025	238,038
First Bank Puerto Rico	07/07/2025	244,132
First Commerce Bank	08/18/2025	249,362
First Federal Savings Bank	11/28/2025	250,495
First Financial Bank	01/23/2025	238,038
First Financial Bank	06/30/2025	248,895

Investment Type	Interest Rate Risk Maturity Date	Carrying (Fair) Value
First Premier Bank	12/11/2026	246,882
Goldman Sachs	12/24/2026	244,645
Home Loan Investment Bank FSB	06/27/2025	248,843
John Marshall Bank	01/06/2026	250,658
Minnwest Bank	01/24/2025	249,042
Mountainone Bank	02/10/2025	243,146
Nano Banc	03/27/2025	248,588
Peoples Bank	02/03/2025	248,223
Plains State Bank	02/18/2025	248,226
Ponce Bank	06/27/2025	240,627
Popular Bank	09/25/2025	248,135
Primebank	07/28/2025	249,510
Safra National Bank	04/08/2025	238,354
Sallie Mae Bank	07/14/2026	233,889
SoFi Bank NA	04/30/2025	243,860
Synovus Bank	04/24/2025	238,512
Texas Heritage National Bank	02/17/2026	244,776
Triad Business Bank	09/29/2025	250,096
Truxton Trust Co	04/30/2025	248,813
UBS Bank USA	07/14/2026	233,456
United Fidelity	05/05/2025	248,437
Unity Bank	01/03/2025	247,985
Valley National Bank	04/02/2026	246,015
Western Alliance Bank	04/30/2025	243,938
Zions Bancorporation	01/10/2025	240,043
Total negotiable certificates of deposit		$ 13,002,055
Investment pools/mutual funds		
MAGIC Portfolio	N/A	13,231,364
MAGIC Term	N/A	16,615,904
Total investment pools/mutual funds		$ 29,847,268
Total investments		$ 56,963,865

N/A – Not Applicable

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 practice to invest only in instruments authorized by Minnesota statutes.

Credit Risk of Investments as of December 31, 2024

Investment Type	Credit Rating	Rating Agency	Fair Value
Federal Farm Credit Bank	Aaa/AA+	Moody's/S&P	$ 985,220
Federal Home Loan Bank	Aaa/AA+	Moody's/S&P	4,099,715
U.S. Treasury Notes	Aaa/AA+	Moody's/S&P	9,029,607
Negotiable certificates of deposit	N/R	N/A	13,002,055
MAGIC Portfolio	N/R	N/A	13,231,364
MAGIC Term	N/R	N/A	16,615,904
Total			$ 56,963,865

N/A – Not Applicable
N/R – Not Rated
S&P – Standard & Poor's

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk for investments. As of December 31, 2024, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's practice is to make investment choices which create investment diversification and avoid risk.

The following table represents the County's deposit and investment balances at December 31, 2024, and information relating to potential investment risks:

Concentration of Credit Risk of Investments as of December 31, 2024

Issuer	Fair Value
Federal Home Loan Bank	$ 4,099,715

Investments

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

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

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

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)
Federal Farm Credit Bank	$ 985,220	$ -	$ 985,220	$ -
Federal Home Loan Bank	4,099,715	-	4,099,715	-
U.S. Treasury Notes	9,029,607	-	9,029,607	-
Negotiable certificates of deposit	13,002,055	-	13,002,055	-
Total Investments Included in the Fair Value Hierarchy	$ 27,116,597	$ -	$ 27,116,597	$ -

Investments Measured at the Net Asset Value (NAV)	December 31, 2024
MAGIC Portfolio	$ 13,231,364
MAGIC Term	16,615,904
Total investments measured at the NAV	$ 29,847,268
Total Investments	$ 56,963,865

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

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

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

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

Receivables

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

Governmental Activities' Receivables as of December 31, 2024

Governmental Activities	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes receivable	$ 649,789	$ -
Special assessments receivable	25,330	-
Accounts receivable	1,310,843	-
Accrued interest receivable	495,642	-
Due from other governments	11,939,296	-
Loans receivable	1,091,457	960,529
Leases receivable	27,289	19,341
Total Governmental Activities	$ 15,539,646	$ 979,870

Loans Receivable

Loans receivable represents amounts owed from private/public enterprises within the County for economic development and from individuals for septic system repair. The revolving loan fund activity is included in the General Fund. At year-end, the County had 19 loans with balances outstanding. Scheduled collections on these loans range from one to nine years.

Leases Receivable

On July 1, 2017, the County entered into a lease agreement with a lease term of ten years where the County is the lessor of land used for advertising billboards. As of December 31, 2024, the County reported leases receivable and deferred inflows of resources totaling $2,832 and $2,824, respectively. The lease receivable will be reduced as repayments are received. Principal payments totaling $933 were received in the Forfeited Tax Special Revenue Fund during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenues of $941.

On February 1, 2024, the County entered into a lease agreement with a lease term of five years where the County is the lessor of office space at the Cloquet Carlton County Airport. As of December 31, 2024, the County reported leases receivable and deferred inflows of resources totaling $21,031 and $20,855, respectively. The lease receivable will be reduced as repayments are received. Principal payments totaling $4,506 were received in the General Fund during the year ended December 31, 2024. Inflows of resources recognized during the current year consisted of lease revenues of $4,682.

On September 1, 2024, the County entered into a lease agreement with a lease term of two years where the County is the lessor of office space at the Carlton County Transportation Building. As of December 31, 2024, the County reported leases receivable and deferred inflows of resources totaling $3,426 and $3,419, respectively. The lease receivable will be reduced as repayments are received. Principal payments totaling $677 were received in the Road and Bridge Special Revenue Fund during the year ended December 31, 2024. Inflows of resources

recognized during the current year consisted of lease revenues of $684.

On December 1, 2004, the County entered into a lease agreement with the Arrowhead Economic Opportunity Agency (AEOA) for the AEOA to lease a portion of the County's maintenance facility building including parking bays and office space for a term of 25 years. The AEOA prepaid its rent of $332,570 at the beginning of the lease, and accordingly, there is no lease receivable to report for this lease. The AEOA is permitted by the lease agreement to fuel its vehicles at the County's fuel pumps and reimburse the County at the bulk price rate for the fuel used. The AEOA is responsible for 9.2 percent of the monthly utility bills incurred by the County in operating the maintenance facility building. Reimbursements received for the AEOA's share of fuel and utilities expenses totaling $56,671 were recorded in the Road and Bridge Special Revenue Fund during 2024.

Regulated Leases

Regulated leases between airports and aeronautical users are subject to regulations set forth by the Federal Aviation Administration and Department of Homeland Security. In accordance with GASB Statement 87, a lease receivable and deferred inflows of resources are not recognized for these leases. Such regulated leases at the Cloquet Carlton County Airport and Moose Lake Carlton County Airport include (a) hangar leases, (b) airport site leases, and (c) a fixed base operator lease.

The fixed base operator, Venture North Aviation, LLC, is also required to pay the County a fuel flowage fee of $0.10 per gallon for the first 30,000 gallons sold during the year and $0.05 per gallon for any additional fuel sold during the same year. The fuel flowage fee makes up the entirety of the revenue for the variable payments received during 2024 for the regulated leases.

During the year ended December 31, 2024, the County recognized the following from regulated leases:

Regulated Lease Revenue for December 31, 2024

Revenue Type		Amount
Lease revenue	$	153,167
Revenue from variable payments		4,915
Total	$	158,082

Future expected minimum payments related to the County's regulated leases at December 31, 2024, are as follows:

Future Minimum Lease Payments Related to Regulated Leases at December 31, 2024

Year Ending December 31	Future Minimum Lease Payments
2025	$ 59,331
2026	58,931
2027	58,931
2028	58,931
2029	58,931
2030-2034	145,956
2035-2039	24,294
2040-2044	24,294
2045-2049	24,294
2050-2054	23,874
2055-2059	14,394
2060-2064	13,594
2065-2069	11,650
2070-2074	10,920
2075-2079	8,280
Total	$ 596,605

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 amortized				
Lease buildings and building space	$ 30,393	$ -	$ -	$ 30,393
Lease machinery and equipment	636,323	613,443	-	1,249,766
Software subscriptions	894,856	-	-	894,856
Total capital assets amortized	$ 1,561,572	$ 613,443	$ -	$ 2,175,015
Less: accumulated amortization for				
Lease buildings and building space	$ 2,534	$ 1,267	$ -	$ 3,801
Lease machinery and equipment	135,763	220,898	-	356,661
Software subscriptions	150,783	150,783	-	301,566
Total accumulated amortization	$ 289,080	$ 372,948	$ -	$ 662,028
Total Capital Assets Amortized, Net	$ 1,272,492	$ 240,495	$ -	$ 1,512,987

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

Amortization Expense Charged to Functions/Programs

Governmental Activities	Amortization Expense
General government	$ 245,944
Public safety	125,737
Sanitation	1,267
Total Amortization Expense – Governmental Activities	$ 372,948

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

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

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

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Forfeited Tax Special Revenue Fund	$ 9,541	Negative cash
General Fund	Capital Projects Fund	13,999,422	Negative cash
Total due to General Fund		$ 14,008,963	
Road and Bridge Special Revenue Fund	General Fund	$ 1,200	Reimburse supplies and services
Road and Bridge Special Revenue Fund	Forfeited Tax Special Revenue Fund	1,785	Reimburse supplies and services
Road and Bridge Special Revenue Fund	Capital Projects Fund	31,250	Reimburse supplies and services
Total due to Road and Bridge Special Revenue Fund		$ 34,235	
Total Due To/From Other Funds		$ 14,043,198	

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system, and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

Interfund Transfers

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

Interfund Transfers for the Year Ended December 31, 2024

Interfund Transfers	Amount	Purpose
Transfers to General Fund from Human Services Special Revenue Fund	$ 111,092	Affordable housing proceeds
Transfers to Road and Bridge Special Revenue Fund from General Fund	225,000	JTurn project
Transfers to Human Services Special Revenue Fund from General Fund	3,486	Collection of Title IV-D funds
Transfers to Opioid Settlement Special Revenue Fund from Human Services Special Revenue Fund	1,108,355	Proceeds to establish fund
Transfers to Capital Projects Fund from General Fund	154,201	Space at Justice Center
Transfers to Debt Service Fund from Road and Bridge Special Revenue Fund	582,400	Barnum garage bond repayment
Total Interfund Transfers	$ 2,184,534	

Liabilities

Payables

Payables at December 31, 2024, were as follows:

Governmental Activities' Payables as of December 31, 2024

Governmental Activities	Amount
Accounts payable	$ 1,756,781
Salaries payable	1,313,245
Contracts payable	429,718
Due to other governments	1,019,939
Total Payables	$ 4,519,683

The County has commitments with respect to unfinished construction projects as of December 31, 2024. The projects include the following:

Active Construction Projects as of December 31, 2024
Governmental Activities

Projects	Spent-to-Date	Remaining Commitment
Justice Center Building	$ 66,238,319	$ 283,676

Long-Term Debt

Bonds Payable

Bond payments are typically made from the Debt Service Fund. Information on individual bonds payable follows:

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2016A G.O. Capital Improvement Refunding Bonds	2030	$215,000-$900,000	2.00	$ 8,620,000	$ 5,220,000
2020A G.O. Capital Improvement Bonds	2040	$375,000-$575,000	2.00-3.00	9,500,000	7,935,000
2021 General Obligation Bonds	2043	$390,000-$605,000	2.00-4.00	10,000,000	9,610,000
2022 General Obligation Bonds	2047	$640,000-$2,280,000	4.00-5.00	27,500,000	26,860,000
2023 General Obligation Bonds	2049	$100,000-$1,015,000	5.00	15,000,000	15,000,000
Total				$ 70,620,000	$ 64,625,000
Plus: unamortized premium					4,683,252
Total General Obligation Bonds, Net					$ 69,308,252

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	$ 2,465,000	$ 2,405,100
2026	2,700,000	2,314,200
2027	2,780,000	2,215,275
2028	2,870,000	2,113,000
2029	2,955,000	2,009,550
2030-2034	12,370,000	8,598,625
2035-2039	13,575,000	6,304,600
2040-2044	13,675,000	3,835,575
2045-2049	11,235,000	1,004,500
Total	$ 64,625,000	$ 30,800,425

Leases

The County has entered into various lease agreements as lessee for financing the acquisition of fleet vehicles and a building used for a recycling center by the County. Lease terms for the fleet vehicles range from 40 to 60 months and the recycling center building was leased for 25 years. Leases have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments for the vehicles are paid by the General Fund. For the Recycling Center, in lieu of lease payments, the County remodeled the building for use as a recycling center, which cost $30,393 in 2021. Accordingly, no lease liability is reported for the recycling center lease as of December 31, 2024.

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

Year Ending December 31	Principal	Interest
2025	$ 249,681	$ 64,083
2026	252,125	44,320
2027	236,964	23,837
2028	133,837	8,002
2029	42,941	1,471
Total	$ 915,548	$ 141,713

Software Subscriptions

The County has entered into various agreements to finance software subscriptions. Software subscriptions range from three to six years and have been recorded at the present value of their future minimum payments as of the inception date. Software subscription payments are paid by the General Fund and the Road and Bridge Special Revenue Fund.

Future Minimum Software Subscription Obligations and Present Value of Minimum Software Subscription Payments as of December 31, 2024

Year Ending December 31	Principal	Interest
2025	$ 145,246	$ 14,946
2026	147,502	11,290
2027	151,215	7,576
2028	149,022	3,770
Total governmental activities software subscription payments	$ 592,985	$ 37,582

Changes in Long-Term Liabilities

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

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

Long-Term Liabilities – Governmental Activities	Beginning Balance, as restated*	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 66,925,000	$ -	$ (2,300,000)	$ 64,625,000	$ 2,465,000
Bond premium	4,957,456	-	(274,204)	4,683,252	-
Compensated absences	5,226,735*	242,778**	-	5,469,513	1,522,660
Leases	506,892	613,443	(204,787)	915,548	249,681
Software subscription liability	734,664	-	(141,679)	592,985	145,246
Governmental Activities Long-Term Liabilities	$ 78,350,747	$ 856,221	$ (2,920,670)	$ 76,286,298	$ 4,382,587

* The beginning balance for the compensated absences liability was restated by $889,952 due to the implementation of GASB 101.
** The change in the compensated absences liability is presented as a net change.

Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

Carlton County provides post-employment health care benefits for retired permanent full-time employees from age 55 to age 65 and their authorized dependents under a single-employer defined benefit health care plan. The percentage of premium paid varies depending on the years of service. The County finances the plan on a pay-as-you-go basis. Premiums are charged to the department from which the employee retired. As part of the post-employment benefits, Carlton County approved a Voluntary Employees' Beneficiary Association (VEBA) plan for funding employee health benefits as authorized under Sections 501(c)(9) and 213(d) of the IRS code. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health plan. Funding is provided through pre-tax contributions from Carlton County based on employee health care elections. The VEBA plan is administered by Compensation Consultants, Ltd.

The current maximum County contribution for active employees consists of 100 percent of the employee deductible amount for all employees enrolled in County health care coverage and 100 percent of the dependent deductible. Any balance remaining in an employee's account at year-end rolls over into the subsequent year.

Eligibility requirements include:

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

Carlton County also provides benefits as required under Minn. Stat. § 471.61, subd. 2b. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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:

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	50
Active plan participants	339
Total	389

Total OPEB Liability

The County's total OPEB liability of $16,173,153 was determined by an actuarial valuation as of January 1, 2023, with a measurement date of January 1, 2024. The OPEB liability is liquidated by the General Fund and the Road and Bridge, Human Services, and Forfeited Tax Special Revenue Funds.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The current year inflation is 2.50 percent.
- The salary increases follow the PERA of Minnesota Actuarial Valuations. The rates are based on the most recent four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and a review of the inflation assumption.
- The health care cost trend is 6.25 percent, decreasing to 5.00 percent over six years and then 4.00 percent over the next 48 years.
- The current year discount rate is 3.70 percent. For the current valuation, the discount rate was selected from a range of the Bond Buyer G.O. 20-year bond Municipal Bond Index, the S&P Municipal Bond 20-year High Grade Rate Index, and the Fidelity 20-year G.O. Municipal Bond Index, where the range is given as the spread between the lowest and highest rate.
- Mortality rates 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 January 1, 2024	$ 15,332,530
Service cost	$ 812,442
Interest	628,364
Assumption changes	280,180
Benefit payments	(880,363)
Net change	$ 840,623
Balance at December 31, 2024	$ 16,173,153

OPEB Liability Sensitivity

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

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

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	$ 17,290,684
Current	3.70%	16,173,153
1% Increase	4.70%	15,120,402

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

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

Change in Health Care Trend Rate	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 14,552,611
Current	6.25% Decreasing to 5.00%	16,173,153
1% Increase	7.25% Decreasing to 6.00%	18,065,150

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 $393,396. 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 experience	$ -	$ 345,569
Changes in actuarial assumption	454,184	1,127,963
Contributions paid to OPEB plan subsequent to the measurement date	900,246	-
Total	$ 1,354,430	$ 1,473,532

The $900,246 reported as subsidized payments subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as 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	$ (219,503)
2026	(219,508)
2027	(329,852)
2028	(297,180)
2029	46,695

Changes in Actuarial Methods and Assumptions

The following changes in actuarial assumptions occurred in 2024:

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

Defined Contribution Health Care Plan

Carlton County employees participate in a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans. Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into individual accounts must be negotiated by each individual bargaining unit and the employer. The

plan must be written into the collective bargaining agreement or a Memo of Understanding. For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written personnel policy.

Under Carlton County's plan, both unionized and non-represented employees are required to contribute, at retirement, 50 to 100 percent of their eligible unused sick time into their HCSP account, depending on the employee's bargaining agreement.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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.

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	$ 1,555,371
Police and Fire Plan	490,707
Correctional Plan	136,980

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 $8,588,468 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 0.2323 percent. It was 0.2546 percent measured as of June 30, 2023. The County recognized pension expense of $499,715 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 $395,149 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 $5,954 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

Total General Employees Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	$ 8,588,468
State of Minnesota's proportionate share of the net pension liability associated with the County	222,080
Total	$ 8,810,548

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	$ 833,164	$ -
Changes in actuarial assumptions	45,936	3,478,314
Difference between projected and actual investment earnings	-	2,527,513
Changes in proportion	3,960	983,784
Contributions paid to PERA subsequent to the measurement date	804,822	-
Total	$ 1,687,882	$ 6,989,611

The $804,822 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	$ (3,309,067)
2026	(748,359)
2027	(1,390,870)
2028	(658,255)

Police and Fire Plan

At December 31, 2024, the County reported a liability of $2,379,034 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 0.1808 percent. It was 0.1887 percent measured as of June 30, 2023. The County recognized pension expense of $411,785 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 $51,351 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 $10,143 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	$ 2,379,034
State of Minnesota's proportionate share of the net pension liability associated with the County	90,688
Total	$ 2,469,722

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	$ 961,125	$ -
Changes in actuarial assumptions	2,784,150	3,655,924
Difference between projected and actual investment earnings	-	753,710
Changes in proportion	9,648	287,921
Contributions paid to PERA subsequent to the measurement date	274,942	-
Total	$ 4,029,865	$ 4,697,555

The $274,942 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	$ (170,541)
2026	613,153
2027	(403,382)
2028	(1,014,037)
2029	32,175

Correctional Plan

At December 31, 2024, the County reported a liability of $177,972 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 0.5839 percent. It was 0.6003 percent measured as of June 30, 2023. The County recognized pension expense of $261,507 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed $5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized $30,692 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	$ 127,581	$ -
Changes in actuarial assumptions	-	619,003
Difference between projected and actual investment earnings	-	235,818
Changes in proportion	21,606	4,932
Contributions paid to PERA subsequent to the measurement date	72,445	-
Total	$ 221,632	$ 859,753

The $72,445 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	$ (644,026)
2026	95,135
2027	(95,156)
2028	(66,519)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was $1,173,007.

Actuarial Assumptions

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

Actuarial Assumptions for the Year Ended June 30, 2024

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

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

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

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

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

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

Discount Rate

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

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

Pension Liability Sensitivity

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

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%	$ 18,758,595	6.00%	$ 5,622,121	6.00%	$ 1,446,240
Current	7.00%	8,588,468	7.00%	2,379,034	7.00%	177,972
1% Increase	8.00%	222,610	8.00%	(284,220)	8.00%	(832,401)

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

Four board members of Carlton County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are

combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually. For the year ended December 31, 2024, the total employee and employer contributions were each $6,408, which represents five percent of covered payroll.

Note 4 – Summary of Significant Contingencies and Other Items

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters 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. The County's group health insurance is purchased from a commercial health care plan. For other risks, 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.

Contingent Liabilities

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

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

Conduit Debt

On February 10, 2015, the Carlton County Board of Commissioners approved a request from Augustana Mercy Care Center, LLC, and Augustana Oakview Care, LLC, for the County to issue $5,805,000 in revenue bonds, pursuant to the Minnesota Municipal Industrial Development Act, Minn. Stat. §§ 469.152 through 469.165, as amended. The proceeds from the bonds were used to finance the acquisition and improvement of the Augustana Oakview Care Facilities ($4,220,000) and the acquisition and installation of equipment in the Augustana Mercy Care Facilities ($1,585,000). Both facilities are located in the City of Moose Lake. The bonds are secured by the

properties financed and are payable solely from the revenues of Augustana Mercy Care Center, LLC, and Augustana Oakview Care, LLC. The County is not obligated in any manner for repayment of the bonds. The bonds were issued on March 2, 2015. As of December 31, 2024, the outstanding principal balance was $4,245,000.

Joint Ventures

Arrowhead Regional Corrections

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

Arrowhead Regional Corrections comprises three major divisions: juvenile institutional services, adult institutional services, and court and field services. These divisions are composed of the five participating counties' probation departments, the Arrowhead Juvenile Detention Center, and the Northeast Regional Corrections Center.

Arrowhead Regional Corrections is governed by an eight-member Board composed of one member appointed from each of the participating county's Board of Commissioners, except for Saint Louis County, which has three members appointed by its Board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties. Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Carlton County provided $2,032,863 in funding in 2024.

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

Carlton County Children and Family Service Collaborative

The Carlton County Children and Family Service Collaborative was established pursuant to Minn. Stat. § 124D.23 (now 142D.15) and 245.491. The Collaborative includes Carlton County; Independent School Districts of Barnum, Carlton, Cloquet, Cromwell, Esko, Moose Lake, and Wrenshall; Lakes and Pines Community Action Agency; Cloquet Area Special Education Cooperative; Fond du Lac Reservation Tribal Council; Arrowhead Regional Corrections; and the Human Development Center.

The purpose of the Collaborative is to create a community environment and service network that promotes family health, stability, and self-sufficiency through an easily accessible integrated human service delivery system.

Control of the Collaborative is vested in a Board of Directors. Carlton County has two members on the Board. Financing is provided by state and local grants, appropriations from Collaborative members, and miscellaneous revenues. Carlton County is the fiscal agent for the Collaborative and handles all of the financial transactions for this organization. Financial information for the Collaborative for the fiscal year ended December 31, 2024, is accounted for in a custodial fund of Carlton County.

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

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

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members; the Saint Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Carlton County provided no funding in 2024.

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

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

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and Saint Louis Counties (excluding the City of Duluth) entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program currently known as JET. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish "service delivery areas" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as a service delivery area, and JET is designated as the grant recipient and administrator for the service delivery area. Carlton County is not a funding mechanism for this organization.

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

Separate financial information can be obtained from JET, 820 North 9th Street, Suite 240, Virginia, Minnesota 55792.

Minnesota Counties Information Systems (MCIS)

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

MCIS is governed by an 11-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the members. Lake County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

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

Arrowhead Health Alliance

Carlton, Cook, Koochiching, and Lake Counties entered into a joint powers agreement forming the Arrowhead Health Alliance, pursuant to Minn. Stat. §§ 471.59 and 256B.692, for the purpose of organizing, governing, planning, and administering a county-based purchasing entity to participate in prepaid health care programs through the Minnesota Department of Human Services and the federal Centers for Medicare and Medicaid Services. In 2012, Saint Louis County joined the Arrowhead Health Alliance.

Control of the Arrowhead Health Alliance is vested in a Board of Directors composed of one representative from each of the member counties. Lake County is the fiscal agent for the Arrowhead Health Alliance. The Arrowhead Health Alliance is accounted for in a custodial fund of Lake County.

Carlton County contributed $252,397 in start-up funds to the Arrowhead Health Alliance in 2007. Carlton County provided $24,000 in funding in 2024.

Northeast Minnesota Emergency Communications Board

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

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

Saint Louis County is the fiscal agent for the Northeast Minnesota Emergency Communications Board. Funding is provided by grants and contributions from participating members. During the current year, Carlton County provided no funding to the Board.

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

Region Two – Northeast Minnesota Homeland Security Emergency Management Organization

The Region Two – Northeast Minnesota Homeland Security 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. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Carlton 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, Carlton County made no payments to the joint powers.

Tax-Forfeited Land

The County manages approximately 72,000 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

Carlton County Economic Development Authority

In May 2008, the Carlton County Board passed a resolution establishing the Carlton County Economic Development Authority (EDA), having the powers and duties of an economic development authority under Minn. Stat. §§ 469.090-469.1081 and of a housing authority under Minn. Stat. §§ 469.001-469.047. The Carlton County EDA bylaws were adopted on February 9, 2010, and the EDA's Board was appointed on March 9, 2010.

The EDA currently operates as a department of Carlton County's General Fund, and has not officially organized as a separate, legal entity. The EDA consists of a nine-member Board, which serves in an advisory capacity to the Carlton County Board of Commissioners, and two County Commissioners are appointed to the EDA Board.

Required Supplementary Information

Exhibit A-1

Carlton County
Carlton, 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	$ 20,190,697	$ 20,190,697	$ 19,979,157	$ (211,540)
Special assessments	590,000	590,000	660,086	70,086
Licenses and permits	96,970	96,970	122,426	25,456
Intergovernmental	5,705,695	6,096,252	6,149,733	53,481
Charges for services	2,374,679	2,566,826	2,684,956	118,130
Fines and forfeits	46,000	46,000	54,737	8,737
Gifts and contributions	241,943	213,862	282,340	68,478
Investment earnings	505,200	505,200	3,277,673	2,772,473
Miscellaneous	840,805	840,805	894,379	53,574
Total Revenues	**$ 30,591,989**	**$ 31,146,612**	**$ 34,105,487**	**$ 2,958,875**
Expenditures				
Current				
General government				
Commissioners	$ 549,030	$ 549,030	$ 362,361	$ 186,669
Restorative justice	407,766	598,407	487,849	110,558
Courts	283,516	283,516	184,903	98,613
County auditor/treasurer	1,586,832	1,586,832	1,450,771	136,061
License bureau	450,475	450,475	400,732	49,743
County assessor	1,046,624	1,046,624	899,581	147,043
Personnel	785,969	785,969	776,772	9,197
Information technology	1,738,679	1,738,679	1,566,656	172,023
Attorney	1,799,984	1,799,984	1,821,005	(21,021)
Law library	35,000	35,000	11,592	23,408
Recorder	629,391	629,391	625,231	4,160
Surveyor	15,000	15,000	102,669	(87,669)
Planning and zoning	558,908	558,908	573,440	(14,532)
Maintenance	1,700,402	1,700,402	1,435,309	265,093
Veterans service officer	373,581	373,581	370,678	2,903
Community and family services	666,410	703,329	506,493	196,836
Total general government	**$ 12,627,567**	**$ 12,855,127**	**$ 11,576,042**	**$ 1,279,085**
Public safety				
Sheriff	$ 5,780,622	$ 6,107,685	$ 5,592,408	$ 515,277
Snowmobile safety	5,355	5,355	5,894	(539)
Boat and water safety	11,929	11,929	20,580	(8,651)
Ambulance	89,700	89,700	74,400	15,300
Animal control	15,000	15,000	1,940	13,060
Coroner	115,000	115,000	108,513	6,487
E-911	1,676,534	1,676,534	1,513,807	162,727
County jail	3,155,129	3,155,129	3,309,335	(154,206)
Community corrections	2,015,688	2,015,688	2,020,730	(5,042)
Court services	149,068	149,068	158,995	(9,927)
Civil defense	269,356	269,356	315,483	(46,127)
Total public safety	**$ 13,283,381**	**$ 13,610,444**	**$ 13,122,085**	**$ 488,359**

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-1
(Continued)

Carlton County
Carlton, 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	$ 1,850,077	$ 1,850,077	$ 1,978,245	$ (128,168)
Recycling	287,265	287,265	230,282	56,983
Total sanitation	**$ 2,137,342**	**$ 2,137,342**	**$ 2,208,527**	**$ (71,185)**
Culture and recreation				
Historical society	$ 44,000	$ 44,000	$ 44,000	$ -
County fair	37,750	37,750	37,750	-
Parks	278,122	278,122	209,820	68,302
Regional library	154,515	154,515	154,804	(289)
Total culture and recreation	**$ 514,387**	**$ 514,387**	**$ 446,374**	**$ 68,013**
Conservation of natural resources				
County extension	$ 314,024	$ 314,024	$ 295,820	$ 18,204
Soil and water conservation	228,220	228,220	228,220	-
Weed inspector	7,798	7,798	2,378	5,420
Timber development	16,000	16,000	19,027	(3,027)
Resource development	56,520	56,520	8,966	47,554
Water planning	280,520	280,520	292,905	(12,385)
Other conservation	8,000	8,000	-	8,000
Total conservation of natural resources	**$ 911,082**	**$ 911,082**	**$ 847,316**	**$ 63,766**
Economic development				
Airport commission	$ 1,225,695	$ 1,225,695	$ 769,360	$ 456,335
Rail authority	8,300	8,300	4,303	3,997
Arrowhead Regional Development	71,915	71,915	-	71,915
Iron Range Resources and Rehabilitation	577,567	577,567	273,603	303,964
Total economic development	**$ 1,883,477**	**$ 1,883,477**	**$ 1,047,266**	**$ 836,211**
Capital outlay				
General government	$ -	$ -	$ 163,687	$ (163,687)
Public safety	-	-	449,756	(449,756)
Total capital outlay	**$ -**	**$ -**	**$ 613,443**	**$ (613,443)**
Debt service				
Principal	$ -	$ -	$ 346,466	$ (346,466)
Interest	-	-	51,469	(51,469)
Total debt service	**$ -**	**$ -**	**$ 397,935**	**$ (397,935)**
Total Expenditures	**$ 31,357,236**	**$ 31,911,859**	**$ 30,258,988**	**$ 1,652,871**

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-1
(Continued)

Carlton County
Carlton, 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	**$ (765,247)**	**$ (765,247)**	**$ 3,846,499**	**$ 4,611,746**
Other Financing Sources (Uses)				
Leases issued	$ -	$ -	$ 613,443	$ 613,443
Transfers in	90,000	90,000	111,092	21,092
Transfers out	-	-	(382,688)	(382,688)
Total Other Financing Sources (Uses)	**$ 90,000**	**$ 90,000**	**$ 341,847**	**$ 251,847**
Net Change in Fund Balance	**$ (675,247)**	**$ (675,247)**	**$ 4,188,346**	**$ 4,863,593**
Fund Balance – January 1	**37,185,262**	**37,185,262**	**37,185,262**	**-**
Fund Balance – December 31	**$ 36,510,015**	**$ 36,510,015**	**$ 41,373,608**	**$ 4,863,593**

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-2

Carlton County
Carlton, 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	$ 6,356,353	$ 6,356,353	$ 6,611,885	$ 255,532
Intergovernmental	12,429,319	12,429,319	12,659,755	230,436
Charges for services	840,000	840,000	678,737	(161,263)
Miscellaneous	201,668	201,668	233,210	31,542
Total Revenues	**$ 19,827,340**	**$ 19,827,340**	**$ 20,183,587**	**$ 356,247**
Expenditures				
Current				
Highways and streets				
Administration	$ 1,052,630	$ 1,052,630	$ 920,760	$ 131,870
Maintenance	3,372,422	3,372,422	2,679,023	693,399
Construction	11,735,122	11,735,122	9,591,764	2,143,358
Equipment maintenance and shop	3,309,766	3,309,766	2,869,976	439,790
Total Expenditures	**$ 19,469,940**	**$ 19,469,940**	**$ 16,061,523**	**$ 3,408,417**
Excess of Revenues Over (Under) Expenditures	**$ 357,400**	**$ 357,400**	**$ 4,122,064**	**$ 3,764,664**
Other Financing Sources (Uses)				
Transfers in	-	-	225,000	225,000
Transfers out	(582,400)	(582,400)	(582,400)	-
Net Change in Fund Balance	**$ (225,000)**	**$ (225,000)**	**$ 3,764,664**	**$ 3,989,664**
Fund Balance – January 1	**7,405,298**	**7,405,298**	**7,405,298**	**-**
Increase (decrease) in inventories	**-**	**-**	**(55,993)**	**(55,993)**
Fund Balance – December 31	**$ 7,180,298**	**$ 7,180,298**	**$ 11,113,969**	**$ 3,933,671**

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-3

Carlton County
Carlton, Minnesota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 7,764,056	$ 7,764,056	$ 7,598,287	$ (165,769)
Intergovernmental	12,253,194	12,253,194	12,080,076	(173,118)
Charges for services	2,410,332	2,410,332	2,485,966	75,634
Gifts and contributions	91,119	91,119	184,056	92,937
Investment earnings	-	-	41,088	41,088
Miscellaneous	412,000	412,000	818,460	406,460
Total Revenues	**$ 22,930,701**	**$ 22,930,701**	**$ 23,207,933**	**$ 277,232**
Expenditures				
Current				
Human services				
Income maintenance	$ 5,966,791	$ 5,966,791	$ 6,175,590	$ (208,799)
Social services	14,451,129	14,451,129	13,672,118	779,011
Total human services	**$ 20,417,920**	**$ 20,417,920**	**$ 19,847,708**	**$ 570,212**
Health	3,095,666	3,095,666	3,013,291	82,375
Total Expenditures	**$ 23,513,586**	**$ 23,513,586**	**$ 22,860,999**	**$ 652,587**
Excess of Revenues Over (Under) Expenditures	**$ (582,885)**	**$ (582,885)**	**$ 346,934**	**$ 929,819**
Other Financing Sources (Uses)				
Transfers in	$ 14,200	$ 14,200	$ 3,486	$ (10,714)
Transfers out	-	-	(1,219,446)	(1,219,446)
Total Other Financing Sources (Uses)	**$ 14,200**	**$ 14,200**	**$ (1,215,960)**	**$ (1,230,160)**
Net Change in Fund Balance	**$ (568,685)**	**$ (568,685)**	**$ (869,026)**	**$ (300,341)**
Fund Balance – January 1	**18,105,551**	**18,105,551**	**18,105,551**	**-**
Fund Balance – December 31	**$ 17,536,866**	**$ 17,536,866**	**$ 17,236,525**	**$ (300,341)**

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-4

Carlton County
Carlton, Minnesota

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	$ -	$ -	$ 17,586	$ 17,586
Miscellaneous	767,626	767,626	477,124	(290,502)
Total Revenues	**$ 767,626**	**$ 767,626**	**$ 494,710**	**$ (272,916)**
Expenditures				
Current				
Conservation of natural resources				
Land use	**$ 445,114**	**$ 445,114**	**$ 341,999**	**$ 103,115**
Excess of Revenues Over (Under) Expenditures	**$ 322,512**	**$ 322,512**	**$ 152,711**	**$ (169,801)**
Other Financing Sources (Uses)				
Transfers out	(90,000)	(90,000)	-	90,000
Total Other Financing Sources (Uses)	**$ (90,000)**	**$ (90,000)**	**$ -**	**$ 90,000**
Net Change in Fund Balance	**$ 232,512**	**$ 232,512**	**$ 152,711**	**$ (79,801)**
Fund Balance – January 1	**33,771**	**33,771**	**33,771**	**-**
Fund Balance – December 31	**$ 266,283**	**$ 266,283**	**$ 186,482**	**$ (79,801)**

The notes to the supplementary information are an integral part of this schedule.

Exhibit A-5

Carlton County
Carlton, Minnesota

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

	2024	2023
Total OPEB Liability		
Service cost	$ 812,442	$ 748,960
Interest	628,364	348,385
Plan changes	-	2,812
Differences between expected and actual experience	-	(506,342)
Assumption changes	280,180	(1,556,965)
Benefit payments	(880,363)	(745,483)
Net change in total OPEB liability	**$ 840,623**	**$ (1,708,633)**
Total OPEB Liability – Beginning	**15,332,530**	**17,041,163**
Total OPEB Liability – Ending	**$ 16,173,153**	**$ 15,332,530**
Covered-employee payroll	$ 23,398,734	$ 22,717,217
Total OPEB liability (asset) as a percentage of covered-employee payroll	69.12%	67.49%

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

The notes to the required supplementary information are an integral part of this schedule.

2022	2021	2020	2019
$ 1,189,914	$ 1,155,256	$ 1,016,715	$ 854,925
343,604	483,716	571,887	543,146
-	8,966	-	-
-	(18,693)	-	-
-	(209,972)	772,466	-
(960,495)	(944,709)	(793,451)	(813,447)
$ 573,023	**$ 474,564**	**$ 1,567,617**	**$ 584,624**
16,468,140	**15,993,576**	**14,425,959**	**13,841,335**
$ 17,041,163	**$ 16,468,140**	**$ 15,993,576**	**$ 14,425,959**
$ 21,558,346	$ 20,930,433	$ 20,560,309	$ 19,961,465
79.05%	78.68%	77.79%	72.27%

Exhibit A-6

Carlton County
Carlton, 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 Carlton 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	0.2323	$ 8,588,468	$ 222,080	$ 8,810,548	$ 19,661,947	43.68	89.08
2023	0.2546	14,236,947	392,436	14,629,383	20,140,307	70.69	83.10
2022	0.2545	20,156,484	590,790	20,747,274	19,108,040	105.49	76.67
2021	0.2591	11,064,731	337,878	11,402,609	18,684,908	59.22	87.00
2020	0.2541	15,234,456	469,713	15,704,169	18,130,240	84.03	79.06
2019	0.2468	13,645,019	424,148	14,069,167	17,466,587	78.12	80.23
2018	0.2524	14,002,118	459,331	14,461,449	16,963,560	82.54	79.53
2017	0.2463	15,723,630	197,710	15,921,340	15,867,080	99.10	75.90
2016	0.2409	19,559,886	255,516	19,815,402	14,950,027	130.84	68.91
2015	0.2434	12,614,251	N/A	12,614,251	14,301,656	88.20	78.19

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

Exhibit A-7

Carlton County
Carlton, Minnesota

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	$ 1,555,371	$ 1,555,371	$ -	$ 20,738,280	7.50
2023	1,456,534	1,456,534	-	19,420,453	7.50
2022	1,445,560	1,445,560	-	19,274,133	7.50
2021	1,421,097	1,421,097	-	18,947,960	7.50
2020	1,431,609	1,431,609	-	19,088,120	7.50
2019	1,331,893	1,331,893	-	17,758,573	7.50
2018	1,292,250	1,292,250	-	17,230,000	7.50
2017	1,238,426	1,238,426	-	16,512,347	7.50
2016	1,151,435	1,151,435	-	15,352,467	7.50
2015	1,096,628	1,096,628	-	14,621,707	7.50

The County's year-end is December 31.

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-8

Carlton County
Carlton, 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 Carlton 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	0.1808	$ 2,379,034	$ 90,688	$ 2,469,722	$ 2,458,644	96.76	90.17
2023	0.1887	3,258,604	131,258	3,389,862	2,495,966	130.55	86.47
2022	0.1933	8,411,652	367,569	8,779,221	2,363,271	355.93	70.53
2021	0.1908	1,472,774	66,219	1,538,993	2,254,712	65.32	93.66
2020	0.1959	2,582,172	60,827	2,642,999	2,212,517	116.71	87.19
2019	0.2065	2,198,401	N/A	2,198,401	2,177,632	100.95	89.26
2018	0.1916	2,042,259	N/A	2,042,259	2,019,309	101.14	88.84
2017	0.1810	2,443,715	N/A	2,443,715	1,860,772	131.33	85.43
2016	0.1860	7,464,504	N/A	7,464,504	1,791,096	416.76	63.88
2015	0.1800	2,045,221	N/A	2,045,221	1,646,691	124.20	86.61

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

Exhibit A-9

Carlton County
Carlton, Minnesota

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	$ 490,707	$ 490,707	$ -	$ 2,772,356	17.70
2023	431,037	431,037	-	2,435,237	17.70
2022	422,817	422,817	-	2,388,797	17.70
2021	411,392	411,392	-	2,324,250	17.70
2020	400,352	400,352	-	2,261,876	17.70
2019	380,996	380,996	-	2,247,764	16.95
2018	341,085	341,085	-	2,105,463	16.20
2017	319,460	319,460	-	1,971,975	16.20
2016	287,427	287,427	-	1,774,241	16.20
2015	282,619	282,619	-	1,744,562	16.20

The County's year-end is December 31.

The notes to the required supplementary information are an integral part of this schedule.

Exhibit A-10

Carlton County
Carlton, 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	0.5839	$ 177,972	$ 1,451,234	12.26	97.54
2023	0.6003	271,366	1,368,880	19.82	95.94
2022	0.5808	1,930,579	1,205,269	160.18	74.58
2021	0.5412	(88,908)	1,168,632	(7.61)	101.61
2020	0.4872	132,197	1,052,846	12.56	96.67
2019	0.4684	64,850	999,200	6.49	98.17
2018	0.4895	80,508	999,806	8.05	97.64
2017	0.4900	1,396,505	982,183	142.18	67.89
2016	0.4500	1,643,914	845,589	194.41	58.16
2015	0.4300	66,478	779,829	8.52	96.95

The measurement date for each year is June 30.

Exhibit A-11

Carlton County
Carlton, Minnesota

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	$ 136,980	$ 136,980	$ -	$ 1,565,497	8.75
2023	119,294	119,294	-	1,363,360	8.75
2022	113,519	113,519	-	1,297,360	8.75
2021	103,823	103,823	-	1,186,546	8.75
2020	100,038	100,038	-	1,143,291	8.75
2019	89,142	89,142	-	1,018,766	8.75
2018	86,975	86,975	-	994,000	8.75
2017	89,907	89,907	-	1,027,509	8.75
2016	78,221	78,221	-	893,954	8.75
2015	71,483	71,483	-	816,949	8.75

The County's year-end is December 31.

The notes to the required supplementary information are an integral part of this schedule.

Note 1 – Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the County did not budget for the Opioid Settlement Special Revenue Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

In July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 30, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor/Treasurer on or before five business days after December 20.

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

Note 2 – Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits. See Note 2 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

Note 3 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred in 2024:

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

The following changes in actuarial assumptions occurred in 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.

No changes in actuarial assumptions occurred in 2022.

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates for non-public safety personnel were updated.
- The inflation rate changed from 2.50 percent to 2.00 percent.
- 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 discount rate was changed from 2.90 percent to 2.00 percent.

The following change in actuarial assumptions occurred in 2020:

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

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 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.

<u>2019</u>

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

<u>2018</u>

- 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.

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.
- 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.

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.
- 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.

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.

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

Carlton County
Carlton, Minnesota

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 4,712,847	$ 4,712,847	$ 4,733,048	$ 20,201
Intergovernmental	-	-	40,617	40,617
Total Revenues	**$ 4,712,847**	**$ 4,712,847**	**$ 4,773,665**	**$ 60,818**
Expenditures				
Debt service				
Principal	$ 3,669,847	$ 3,669,847	$ 2,300,000	$ 1,369,847
Interest	1,622,750	1,622,750	2,340,017	(717,267)
Administrative charges	2,650	2,650	4,850	(2,200)
Total Expenditures	**$ 5,295,247**	**$ 5,295,247**	**$ 4,644,867**	**$ 650,380**
Excess of Revenues Over (Under) Expenditures	**$ (582,400)**	**$ (582,400)**	**$ 128,798**	**$ 711,198**
Other Financing Sources (Uses)				
Transfers in	582,400	582,400	582,400	-
Net Change in Fund Balance	**$ -**	**$ -**	**$ 711,198**	**$ 711,198**
Fund Balance – January 1	**2,861,367**	**2,861,367**	**2,861,367**	**-**
Fund Balance – December 31	**$ 2,861,367**	**$ 2,861,367**	**$ 3,572,565**	**$ 711,198**

Carlton County
Carlton, Minnesota

Fiduciary Funds

Custodial Funds

Taxes and Penalties – To account for the collection and settlement of taxes and penalties to various governmental units.

State Revenue – To account for the collection and payment of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Seized Property and Forfeitures – To account for seized property and forfeitures held by the County.

Local Collaborative – To account for the collection and payment of funds of the local collaborative.

Exhibit C-1

Carlton County
Carlton, Minnesota

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

	Taxes and Penalties	State Revenue	Seized Property and Forfeitures	Local Collaborative	Total Custodial Funds
Assets					
Cash and pooled investments	$ 356,273	$ 130,891	$ 1,045,972	$ 594,054	$ 2,127,190
Due from other governments	1,764	-	-	-	1,764
Taxes receivable for the state	-	9,686	-	-	9,686
Taxes receivable for other governments	605,108	-	-	-	605,108
Total Assets	**$ 963,145**	**$ 140,577**	**$ 1,045,972**	**$ 594,054**	**$ 2,743,748**
Liabilities					
Due to other governments	**$ 356,273**	**$ 130,891**	**$ -**	**$ 594,054**	**$ 1,081,218**
Net Position					
Restricted for individuals, organizations, and other governments	**$ 606,872**	**$ 9,686**	**$ 1,045,972**	**$ -**	**$ 1,662,530**

Exhibit C-2

Carlton County
Carlton, Minnesota

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

	Taxes and Penalties	State Revenue	Seized Property and Forfeitures	Local Collaborative	Total Custodial Funds
Additions					
Contributions					
Other governments	$ -	$ -	$ -	$ 211,980	$ 211,980
Investment earnings					
Interest, dividends, and other	-	3,391	-	-	3,391
Monetary forfeitures	-	-	1,613	-	1,613
Property tax collections for					
State	-	3,762,462	-	-	3,762,462
Other governments	31,949,100	-	-	-	31,949,100
Fees collected for the state	-	5,670,138	-	-	5,670,138
Total Additions	**$ 31,949,100**	**$ 9,435,991**	**$ 1,613**	**$ 211,980**	**$ 41,598,684**
Deductions					
Payments of property taxes to					
Other governments	$ 31,859,918	$ -	$ -	$ -	$ 31,859,918
State	-	3,763,784	-	-	3,763,784
Payments to the state	-	5,675,343	-	-	5,675,343
Forfeitures paid to the County	-	-	2,949	-	2,949
Payments to other individuals/entities	-	-	-	211,980	211,980
Total Deductions	**$ 31,859,918**	**$ 9,439,127**	**$ 2,949**	**$ 211,980**	**$ 41,513,974**
Change in Net Position	**$ 89,182**	**$ (3,136)**	**$ (1,336)**	**$ -**	**$ 84,710**
Net Position – January 1	**517,690**	**12,822**	**1,047,308**	**-**	**1,577,820**
Net Position – December 31	**$ 606,872**	**$ 9,686**	**$ 1,045,972**	**$ -**	**$ 1,662,530**

(Unaudited)

Other Schedule

Exhibit D-1

Carlton County
Carlton, Minnesota

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,714,385
County program aid		3,103,283
PERA rate reimbursement		69,712
Disparity reduction aid		370,199
Police aid		298,480
E-911		228,918
Aquatic invasive species aid		70,487
SCORE		108,071
Market value credit		246,048
Casino revenue aid		11,270
Local homeless prevention aid		73,180
Statewide affordable housing aid		111,092
Out-of-home placement aid		117,445
Total appropriations and shared revenue	**$**	**11,522,570**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**2,024,080**
Payments		
Local		
Other local contributions	$	1,272,006
State		
Payments in lieu of taxes		686,663
Total payments	**$**	**1,958,669**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	765,931
Transportation		549,989
Health		1,335,712
Natural Resources		236,481
Human Services		2,263,779
Water and Soil Resources		87,368
Veterans Affairs		10,000
Iron Range Resources and Rehabilitation		251,852
Office of the Minnesota Secretary of State		37,545
Minnesota Supreme Court		155,272
Minnesota IT Services		87,669
Total state	**$**	**5,781,598**

Exhibit D-1
(Continued)

Carlton County
Carlton, Minnesota

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

Grants (Continued)		
Federal		
Department of		
Agriculture	$	841,748
Justice		165,680
Transportation		3,655,092
Education		979
Health and Human Services		4,735,884
Homeland Security		416,739
Total federal grants	**$**	**9,816,122**
Total state and federal grants	**$**	**15,597,720**
Total Intergovernmental Revenue	**$**	**31,103,039**