State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Lake County
Two Harbors, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2023

Lake County
Two Harbors, Minnesota

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Two Harbors, Minnesota

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Introductory Section

Lake County
Two Harbors, Minnesota

Organization
December 31, 2023

			Term Expires
Elected			
Commissioner	Joseph Baltich	District 1	January 2027
Commissioner	Derrick Goutermont	District 2	January 2025
Commissioner	Rick Hogenson	District 3	January 2025
Commissioner	Jeremy Hurd	District 4	January 2027
Commissioner	Rich Sve	District 5	January 2025
Attorney	Russ Conrow		January 2027
Auditor/Treasurer	Linda Libal		January 2027
Recorder	Lori Ekstrom		January 2027
Sheriff	Nathan Stadler		January 2027
Appointed			
Assessor	Gregg Swartwoudt		December 2024
Examiner of Titles	Scott Smith		Indefinite
Health Officer	Tolga Hanhan, M.D.		Indefinite
Highway Engineer	Jason DiPiazza		May 2025
Veterans Service Officer	Brad Anderson		May 2024
Clerk of the Board	Laurel Buchanan		Indefinite
County Administrator	Matthew Huddleston		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
Lake County
Two Harbors, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County's basic financial statements. The combining nonmajor governmental fund financial statements, budgetary comparison schedules for each nonmajor special revenue fund and the Debt Service Fund, the combining fiduciary fund financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2025, on our consideration of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

March 13, 2025

Management’s Discussion and Analysis

Lake County
Two Harbors, Minnesota

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Lake County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

Financial Highlights

- Governmental activities have a total net position of $135,628,900, of which $94,119,915 is the net investment in capital assets and $15,388,037 is restricted to specific purposes.

- Lake County's governmental activities' net position increased by $7,109,218 for the year ended December 31, 2023. The Lake County Housing and Redevelopment Authority is shown as the "Discretely Presented Component Unit." The net position of the County's discretely presented component unit decreased by $894,024.

- The net cost of governmental activities was $11,820,453 for the current fiscal year. The net cost was funded by general revenues and other items totaling $18,929,671.

Overview of the Financial Statements

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

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the County as a whole and present a 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 these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

In the statement of net position and the statement of activities, we divide the County into two kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Component unit—The County includes another separate legal entity in its report. The entity, the Lake County Housing and Redevelopment Authority, is presented in a separate column. Although legally separate, this component unit is important because the County is financially accountable for it. Further financial information for this component unit is available in separately issued and audited financial statements.

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

Fund Financial Statements

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

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

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

Reporting the County's Fiduciary Responsibilities

The County 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 activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Lake County as a Whole

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

Table 1
Net Position
(In Thousands)

	Governmental Activities – 2023	Governmental Activities – 2022
Assets		
Current and other assets	$ 60,116	$ 50,713
Capital assets	98,786	99,790
Total Assets	$ 158,902	$ 150,503
Deferred Outflows of Resources	$ 4,776	$ 5,825
Liabilities		
Long-term liabilities outstanding	$ 18,161	$ 24,108
Other liabilities	4,466	2,535
Total Liabilities	$ 22,627	$ 26,643
Deferred Inflows of Resources	$ 5,422	$ 1,165
Net Position		
Net investment in capital assets	$ 94,120	$ 95,646
Restricted	15,388	14,501
Unrestricted	26,121	18,373
Total Net Position	$ 135,629	$ 128,520

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities – 2023	Governmental Activities – 2022
Revenues		
Program revenues		
Fees, fines, charges, and other	$ 4,065	$ 3,831
Operating grants and contributions	20,090	16,320
Capital grants and contributions	574	2,171
General revenues		
Property taxes	11,838	11,369
Other taxes	3,313	3,191
Unrestricted grants and contributions	1,406	3,469
Investment earnings	2,169	209
Gain on sale of capital assets	54	15
Miscellaneous	150	134
Total Revenues	$ 43,659	$ 40,709
Expenses		
General government	$ 5,982	$ 5,581
Public safety	5,788	6,340
Highways and streets	8,329	8,905
Sanitation	455	452
Human services	3,935	3,964
Health	6,312	4,244
Culture and recreation	1,891	1,034
Conservation of natural resources	1,000	1,004
Economic development	2,549	2,755
Interest	309	319
Total Expenses	$ 36,550	$ 34,598
Increase (Decrease) in Net Position	$ 7,109	$ 6,111
Net Position – January 1 (as restated)	128,520	122,409
Net Position – December 31	$ 135,629	$ 128,520

Governmental Activities

The cost of all governmental activities this year was $36,550,036. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was $18,929,671, because some of the cost was paid by those who directly benefited from the programs ($4,065,448) or by other governments and organizations that subsidized certain programs with grants and contributions ($20,664,135). 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)

	Total Cost of Services – 2023	Total Cost of Services – 2022	Net Cost of Services – 2023	Net Cost of Services – 2022
General government	$ 5,982	$ 5,581	$ 1,259	$ 587
Public safety	5,788	6,340	4,492	5,528
Highways and streets	8,329	8,905	3,104	1,841
Human services	3,935	3,964	1,714	1,811
Health	6,312	4,244	924	438
All others	6,204	5,564	327	2,071
Total	$ 36,550	$ 34,598	$ 11,820	$ 12,276

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The County's governmental funds reported a combined fund balance of $45,289,947 in 2023, compared with $38,699,921 in 2022, an increase of $6,590,026. Fund balances that are classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances that are classified as unrestricted are either committed, assigned, or unassigned. Committed and assigned fund balances are fund balances for which the County has identified a specific purpose. Unassigned fund balances do not have a specific use identified, but generally support cash flows of the County.

Governmental funds reported nonspendable and restricted fund balance for 2023 of $8,335,349, or 18.40 percent, of total fund balance. Nonspendable fund balance was $392,016, and restricted fund balance was $7,943,333. Unrestricted fund balance was $36,954,598, or 81.60 percent, of total fund balance. Unrestricted fund balance was $1,413,303 committed, $13,003,061 assigned, and $22,538,234 unassigned. Committed fund balances are approved by the County Board. Assigned fund balances are amounts that are to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the General Fund unless there are deficit fund balances in other funds.

The General Fund is the main operating fund of the County. At December 31, 2023, unrestricted fund balance for the General Fund was $22,727,437, compared to $17,896,395 in 2022. This increase in the fund balance of the General Fund is due to an unbudgeted increase in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 108.45 percent of the General Fund's operating revenues and 138.49 percent of operating expenditures.

The Road and Bridge Special Revenue Fund's unrestricted fund balance increased to $7,175,854 in 2023, compared to unrestricted fund balance of $6,379,327 in 2022. In 2023, there was an unbudgeted decrease in construction expenditures, along with an unbudgeted decrease in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 80.96 percent of the fund's operating revenues and 98.29 percent of operating expenditures.

The Human Services Special Revenue Fund's unrestricted fund balance was $5,655,699 in 2023, compared to $6,291,151 in 2022. The decrease in fund balance is due to an unbudgeted increase in expenditures. Unrestricted fund balance at the end of the year represented 58.98 percent of the fund's operating revenues and 55.92 percent of operating expenditures.

The Forfeited Tax Special Revenue Fund did not have an unrestricted fund balance in 2023, compared to $80,894 in 2022. The decrease in the balance of the Forfeited Tax Special Revenue Fund is due to an unexpected decrease in revenues.

General Fund Budgetary Highlights

Over the course of the year, the County Board reviews the County's General Fund budget and may make budget amendments. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There were no budget amendments in the General Fund budget in 2023.

In the General Fund, the actual charges to appropriations (expenditures) were $3,403,855 over the final budget amounts. Unbudgeted expenditures included $475,891 of trails expenditures, $453,189 of public safety expenditures, and $2,534,625 of economic development expenditures. These were offset by savings in various other General Fund departments.

Resources available for appropriation were also above the final budgeted amount by $8,099,560. This was primarily due to greater than expected collections in intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, the County had $98,785,580 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (See Table 4).

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

	Governmental Activities – 2023	Governmental Activities – 2022
Land	$ 3,968	$ 3,968
Buildings and improvements	15,264	15,594
Machinery, vehicles, furniture, and equipment	2,449	1,988
Leased equipment	325	212
Infrastructure	76,779	78,028
Totals	$ 98,785	$ 99,790

The County's fiscal year 2024 capital budget calls for it to spend another $354,000 for miscellaneous improvements at various buildings, $101,000 on vehicles for various departments, $1,567,756 on equipment for various departments, and $20,051,170 for road construction. The road construction will be funded by state-aid construction funds.

Debt

At year-end, the County had $8,790,000 in bonds and notes outstanding, versus $9,540,000 last year—a decrease of 7.86 percent—as shown in Table 5. The decrease is attributed to scheduled payments on the bonds and notes.

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

	Governmental Activities – 2023	Governmental Activities – 2022
General obligation bonds	$ 8,790	$ 9,540
Lease liability	333	214
Compensated absences	1,758	1,638
Net pension liability	6,742	12,018
Net other postemployment benefits	398	542
Unamortized premium	141	156
Total	$ 18,162	$ 24,108

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

Other obligations include accrued vacation pay, sick leave payable, other postemployment benefits, and net pension liability. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting the fiscal year 2024 budget and tax rates.

- County General Fund expenditures for 2024 are budgeted to increase 4.68 percent over 2023.

- Property tax levies increased 3.00 percent for 2024.

Contacting Lake County's Financial Management

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

Basic Financial Statements

Government-Wide Financial Statements

Lake County
Two Harbors, Minnesota

Exhibit 1

Statement of Net Position
December 31, 2023

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority
Assets		
Cash and pooled investments	$ 43,486,418	$ 672,261
Receivables	15,644,836	4,573
Inventories	247,382	-
Leases receivable		
Due within one year	49,943	-
Due in more than one year	674,802	-
Prepaid items	13,096	-
Restricted assets		
Cash and pooled investments	-	336,753
Capital assets		
Non-depreciable or amortizable capital assets	3,968,383	-
Depreciable or amortizable capital assets – net of accumulated depreciation and amortization	94,817,197	697,103
Total Assets	**$ 158,902,057**	**$ 1,710,690**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$ 21,293	$ -
Deferred pension outflows	4,754,574	-
Total Deferred Outflows of Resources	**$ 4,775,867**	**$ -**
Liabilities		
Accounts payable and other current liabilities	$ 3,108,142	$ 19,232
Accrued interest payable	28,571	-
Due to primary government	-	34,788
Unearned revenue	1,329,102	3,304
Security deposits payable	-	19,263
Long-term liabilities		
Due within one year	915,828	-
Due in more than one year	10,106,131	224,102
Other postemployment benefits liability	397,767	-
Net pension liability	6,741,776	-
Total Liabilities	**$ 22,627,317**	**$ 300,689**

Lake County
Two Harbors, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2023

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$ 224,028	$ -
Deferred pension inflows	4,489,350	-
Deferred lease inflows	708,329	-
Total Deferred Inflows of Resources	**$ 5,421,707**	**$ -**
Net Position		
Net investment in capital assets	$ 94,119,915	$ 474,506
Restricted for		
General government	1,147,557	-
Public safety	1,058,347	-
Highways and streets	11,334,998	-
Conservation of natural resources	469,772	-
Debt service	1,187,292	-
Human services	190,071	-
Housing	-	317,202
Unrestricted	26,120,948	618,293
Total Net Position	**$ 135,628,900**	**$ 1,410,001**

Lake County
Two Harbors, Minnesota

Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Fees, Charges, Fines, and Other
Primary government		
Governmental activities		
General government	$ 5,982,580	$ 663,721
Public safety	5,788,030	425,556
Highways and streets	8,329,078	41,946
Sanitation	454,823	26,432
Human services	3,934,879	342,885
Health	6,312,115	358,516
Culture and recreation	1,890,910	5,000
Conservation of natural resources	999,918	598,806
Economic development	2,548,625	1,602,586
Interest	309,078	-
Total Governmental Activities	**$ 36,550,036**	**$ 4,065,448**
Component unit		
Housing and Redevelopment Authority	**$ 548,644**	**$ 335,126**

General Revenues
Property taxes
Mortgage registry and deed tax
Transportation sales tax
Payments in lieu of tax
Taxes – other
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Miscellaneous
Special Item
Donation of land

Total general revenues and special item

Change in net position

Net Position – Beginning, as restated (see Note 5)

Net Position – Ending

Exhibit 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Housing and Redevelopment Authority
$ 4,059,781	$ -	$ (1,259,078)	
870,585	-	(4,491,889)	
4,609,194	574,087	(3,103,851)	
148,235	-	(280,156)	
1,877,437	-	(1,714,557)	
5,029,704	-	(923,895)	
1,849,402	-	(36,508)	
1,443,199	-	1,042,087	
202,511	-	(743,528)	
-	-	(309,078)	
$ 20,090,048	**$ 574,087**	**$ (11,820,453)**	
$ -	**$ -**		**$ (213,518)**
		$ 11,837,801	$ 227,740
		648,287	-
		1,246,233	-
		1,093,348	-
		325,000	-
		1,406,437	12,674
		2,168,565	17,441
		53,743	-
		150,257	3,837
		-	(942,198)
		$ 18,929,671	**$ (680,506)**
		$ 7,109,218	**$ (894,024)**
		128,519,682	**2,304,025**
		$ 135,628,900	**$ 1,410,001**

Fund Financial Statements

Governmental Funds

Lake County
Two Harbors, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 23,671,236	$ 11,662,503
Escheat cash	36,538	-
Petty cash and change funds	1,050	1,000
Taxes receivable – delinquent	164,818	37,369
Accounts receivable	56,916	15,661
Accrued interest receivable	244,202	-
Loans receivable	95,000	-
Leases receivable	553,744	-
Due from other funds	144,439	17,332
Due from other governments	2,871,827	8,234,588
Prepaid items	-	-
Inventories	-	247,382
Total Assets	**$ 27,839,770**	**$ 20,215,835**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 227,134	$ 238,945
Salaries payable	155,044	52,943
Contracts payable	-	628,500
Due to other funds	18,016	12,303
Due to other governments	31,861	17,694
Unearned revenue	1,160,926	168,176
Total Liabilities	**$ 1,592,981**	**$ 1,118,561**
Deferred Inflows of Resources		
Unavailable revenue – taxes	$ 100,575	$ 23,235
Unavailable revenue – grants	72,671	7,760,509
Unavailable revenue – long-term receivables	-	-
Deferred lease inflows	538,892	-
Total Deferred Inflows of Resources	**$ 712,138**	**$ 7,783,744**

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

Exhibit 3

Human Services	Forfeited Tax	Nonmajor Funds	Total
$ 5,437,676	$ -	$ 2,675,365	$ 43,446,780
-	-	-	36,538
1,000	50	-	3,100
42,597	-	25,306	270,090
21,199	765,926	-	859,702
-	-	-	244,202
-	-	-	95,000
-	171,001	-	724,745
3,531	12,303	-	177,605
1,964,327	-	1,105,100	14,175,842
13,096	-	-	13,096
-	-	-	247,382
$ 7,483,426	**$ 949,280**	**$ 3,805,771**	**$ 60,294,082**
$ 649,408	$ 2,047	$ 59,272	$ 1,176,806
62,779	7,769	-	278,535
-	-	-	628,500
40,805	106,481	-	177,605
844,353	-	130,393	1,024,301
-	-	-	1,329,102
$ 1,597,345	**$ 116,297**	**$ 189,665**	**$ 4,614,849**
$ 27,215	$ -	$ 16,072	$ 167,097
-	-	973,058	8,806,238
-	707,622	-	707,622
-	169,437	-	708,329
$ 27,215	**$ 877,059**	**$ 989,130**	**$ 10,389,286**

Lake County
Two Harbors, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)	General	Road and Bridge
Fund Balances		
Nonspendable		
Loans receivable	$ 95,000	$ -
Inventories	-	247,382
Missing heirs	36,538	-
Prepaid items	-	-
Restricted for		
Law library	125,394	-
Recorder's technology equipment	386,953	-
Enhanced 911	702,912	-
County property recorder's fee	511,467	-
Law and prosecutorial equipment	81,896	-
County roads	-	3,890,294
Sheriff's contingency fund	5,000	-
Title III forest	117,901	-
Opioid remediation	-	-
Aquatic invasive species	351,871	-
Debt service	-	-
Lodging tax	123,743	-
Public safety aid	268,539	-
Local homeless prevention	-	-
Out-of-home placement costs	-	-
Medical assistance eligibility renewal	-	-
Committed to		
Rescue squad capital expenditures	25,019	-
Election equipment	103,427	-
Out-of-home placement costs	-	-
Unorganized townships – emergency services	-	-
Assigned to		
Capital assets	15,568	-
Wellness grant	1,113	-
Highways and streets	-	7,175,854
Human services	-	-
Resource development	-	-
Unassigned	22,582,310	-
Total Fund Balances	**$ 25,534,651**	**$ 11,313,530**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 27,839,770**	**$ 20,215,835**

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

Exhibit 3
(Continued)

Human Services	Forfeited Tax	Nonmajor Funds	Total
$ -	$ -	$ -	$ 95,000
-	-	-	247,382
-	-	-	36,538
13,096	-	-	13,096
-	-	-	125,394
-	-	-	386,953
-	-	-	702,912
-	-	-	511,467
-	-	-	81,896
-	-	-	3,890,294
-	-	-	5,000
-	-	-	117,901
76,821	-	-	76,821
-	-	-	351,871
-	-	1,187,292	1,187,292
-	-	-	123,743
-	-	-	268,539
44,033	-	-	44,033
5,609	-	-	5,609
63,608	-	-	63,608
-	-	-	25,019
-	-	-	103,427
1,000,000	-	-	1,000,000
-	-	284,857	284,857
-	-	-	15,568
-	-	-	1,113
-	-	-	7,175,854
4,655,699	-	-	4,655,699
-	-	1,154,827	1,154,827
-	(44,076)	-	22,538,234
$ 5,858,866	**$ (44,076)**	**$ 2,626,976**	**$ 45,289,947**
$ 7,483,426	**$ 949,280**	**$ 3,805,771**	**$ 60,294,082**

Lake County
Two Harbors, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities
December 31, 2023

Fund balances – total governmental funds (Exhibit 3)			**$**	**45,289,947**
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				98,785,580
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.				9,680,957
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.				
Deferred other postemployment benefits outflows	$	21,293		
Deferred pension outflows		4,754,574		4,775,867
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
General obligation bonds	$	(8,790,000)		
Compensated absences		(1,757,558)		
Bond premium		(141,575)		
Leases		(332,826)		
Net pension liability		(6,741,776)		
Other postemployment benefits liability		(397,767)		
Accrued interest payable		(28,571)		(18,190,073)
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	$	(224,028)		
Deferred pension inflows		(4,489,350)		(4,713,378)
Net Position of Governmental Activities (Exhibit 1)			**$**	**135,628,900**

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

Lake County
Two Harbors, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General	Road and Bridge
Revenues		
Taxes	$ 9,468,970	$ 3,295,953
Licenses and permits	26,736	2,760
Intergovernmental	8,171,510	5,519,535
Charges for services	823,804	31,571
Fines and forfeits	6,900	-
Investment earnings	2,108,802	-
Gifts and contributions	2,850	-
Miscellaneous	347,272	14,086
Total Revenues	**$ 20,956,844**	**$ 8,863,905**
Expenditures		
Current		
General government	$ 5,619,078	$ -
Public safety	6,004,028	-
Highways and streets	-	6,435,909
Sanitation	541,236	-
Human services	-	-
Health	-	-
Culture and recreation	1,244,041	-
Conservation of natural resources	210,194	-
Economic development	2,548,625	-
Capital outlay		
General government	76,855	-
Highways and streets	-	864,721
Conservation of natural resources	-	-
Debt service		
Principal	147,813	-
Interest	19,282	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 16,411,152**	**$ 7,300,630**
Excess of Revenues Over (Under) Expenditures	**$ 4,545,692**	**$ 1,563,275**
Other Financing Sources (Uses)		
Transfers in	$ -	$ 11,487
Transfers out	(11,487)	-
Leases issued	283,850	-
Total Other Financing Sources (Uses)	**$ 272,363**	**$ 11,487**
Net Change in Fund Balance	**$ 4,818,055**	**$ 1,574,762**
Fund Balance – January 1	**20,716,596**	**9,790,573**
Increase (decrease) in inventories	**-**	**(51,805)**
Fund Balance – December 31	**$ 25,534,651**	**$ 11,313,530**

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

Human Services	Forfeited Tax	Nonmajor Funds	Total
$ 1,794,853	$ -	$ 1,103,552	$ 15,663,328
-	1,380	98	30,975
7,093,172	64,271	1,555,662	22,404,150
512,154	109,709	-	1,477,238
-	-	-	6,900
-	1,013	58,750	2,168,565
-	-	-	2,850
189,247	411,781	532	962,918
$ 9,589,426	**$ 588,154**	**$ 2,718,594**	**$ 42,716,924**
$ -	$ -	$ 1,330	$ 5,620,408
-	-	144,142	6,148,170
-	-	-	6,435,909
-	-	-	541,236
3,778,606	-	-	3,778,606
6,298,448	-	-	6,298,448
-	-	613,500	1,857,541
-	698,736	4,950	913,880
-	-	-	2,548,625
-	-	-	76,855
-	-	-	864,721
-	32,797	-	32,797
37,091	5,966	750,000	940,870
25	1,172	304,519	324,998
-	-	1,425	1,425
$ 10,114,170	**$ 738,671**	**$ 1,819,866**	**$ 36,384,489**
$ (524,744)	**$ (150,517)**	**$ 898,728**	**$ 6,332,434**
$ -	$ -	$ -	$ 11,487
-	-	-	(11,487)
-	25,547	-	309,397
$ -	**$ 25,547**	**$ -**	**$ 309,397**
$ (524,744)	**$ (124,970)**	**$ 898,728**	**$ 6,641,831**
6,383,610	**80,894**	**1,728,248**	**38,699,921**
-	**-**	**-**	**(51,805)**
$ 5,858,866	**$ (44,076)**	**$ 2,626,976**	**$ 45,289,947**

Exhibit 6

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, 2023

Net change in fund balance – total governmental funds (Exhibit 5)			**$**	**6,641,831**
Amounts reported for governmental activities in the statement of activities are different because:				
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.				
Unavailable revenue – December 31	$	9,680,957		
Unavailable revenue – January 1		(8,739,195)		941,762
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the statement of activities, the gain or loss on the disposal of capital assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of assets sold.				
Expenditures for general capital assets and infrastructure	$	3,030,318		
Net book value of assets sold		(7,173)		
Current year depreciation and amortization		(4,027,514)		(1,004,369)
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.				
Principal repayments of general obligation bonds	$	750,000		
Amortization of bond premium		14,616		764,616
Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but, in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.				
Leases issued				(309,397)
Principal payments on leases				190,870

Lake County
Two Harbors, Minnesota

Exhibit 6
(Continued)

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, 2023

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 2,729	
Change in compensated absences	(119,817)	
Change in net pension liability	5,276,127	
Change in deferred pension outflows	(1,041,422)	
Change in deferred pension inflows	(4,189,737)	
Change in other postemployment benefits liability	143,965	
Change in other postemployment benefits outflows	(7,261)	
Change in other postemployment benefits inflows	(128,874)	
Change in inventories	(51,805)	(116,095)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 7,109,218**

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

Fiduciary Funds

Lake County
Two Harbors, Minnesota

Exhibit 7

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 99,326	$ 2,553,701
Due from other governments	-	290,537
Accounts receivable	-	7,479
Taxes receivable for other governments	-	703,192
Total Assets	**$ 99,326**	**$ 3,554,909**
Liabilities		
Accounts payable	$ -	$ 18,005
Due to other governments	-	578,587
Due to others	-	24,266
Total Liabilities	**$ -**	**$ 620,858**
Net Position		
Restricted for		
Individuals, organizations, and other governments	**$ 99,326**	**$ 2,934,051**

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

Exhibit 8

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	$ 404,289	$ 2,115,372
Investment earnings		
Interest, dividends, and other	-	66,302
Property tax collections for other governments	-	40,013,263
Licenses and fees collected for the state	-	512,040
Miscellaneous	-	10,776
Total Additions	**$ 404,289**	**$ 42,717,753**
Deductions		
Beneficiary payments to individuals	$ 396,552	$ 9,948
Medical, dental, and life insurance	-	131,940
Payments of property tax to other governments	-	38,257,497
Payments to the state	-	2,264,274
Administrative expense	-	2,218,065
Payments to other entities	-	456,365
Total Deductions	**$ 396,552**	**$ 43,338,089**
Change in net position	**$ 7,737**	**$ (620,336)**
Net Position – January 1	**91,589**	**3,554,387**
Net Position – December 31	**$ 99,326**	**$ 2,934,051**

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, 2023. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

Lake County was established March 1, 1866, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Lake County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

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

Component Units of the County

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

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

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 4. The County also participates in jointly-governed organizations 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 unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Lake County considers all revenue as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period, and for the Schools and Roads – Grants to States grant, which has a 120-day accrual period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Deposits and Investments

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

Investments are reported at their fair value at December 31, 2023. A market approach is used to value all investments other than external investment pools and money market funds, which are measured at fair value per share. 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 2023 were $2,104,867 at the governmental fund level.

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

The Road and Bridge Special Revenue Fund inventory is valued at cost using the average cost method and consists of expendable supplies and parts held for consumption and sand and gravel stockpiles. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

Estimated Useful Lives of Capital Assets

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

Unearned Revenue

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

Pension Plan

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

Compensated Absences

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

Lake County's employees (except for Highway Department employees) participate in a post-retirement health savings plan administered by the Minnesota State Retirement System. At retirement, depending on the employee's years of service, he or she is issued a lump sum payout of either ten or 20 percent of the vested sick leave as well as two to three years of insurance coverage. The lump sum payouts are paid directly into the post-retirement health savings plan. Compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Forfeited Tax Special Revenue Fund.

The County determines the current portion, if any, based on anticipated retirements and any activity that occurs within the first few months of the subsequent year. There was no current portion reported at year-end.

Deferred Outflows/Inflows of Resources

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

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

Long-Term Obligations

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

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

Classification of Net Position

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

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

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

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

Classification of Fund Balances

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

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

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

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

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

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

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

Use of Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations in the following nonmajor funds:

Excess of Expenditures Over Budget

	Final Budget	Expenditures	Excess
Unorganized Townships Special Revenue Fund	$ 143,250	$ 145,472	$ 2,222
Resource Development Special Revenue Fund	-	618,450	618,450
Debt Service Fund	1,054,924	1,055,944	1,020

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2023

Primary government	
Cash and pooled investments	$ 43,486,418
Component unit	
Cash and pooled investments	672,261
Restricted cash	336,753
Fiduciary funds	
Cash and pooled investments	2,653,027
Total Cash and Investments	$ 47,148,459

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2023, the County's deposits were not exposed to custodial credit risk.

Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the policy of the County to diversify investments to avoid risk and also for cash flow purposes.

The following table presents the County's cash and pooled investment balances at December 31, 2023, and information relating to potential investment risks:

Cash and Investments and Information Relating to
Potential Investment Risk as of December 31, 2023

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. government agency securities					
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	02/25/2026	$ 232,022
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	03/30/2026	234,330
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	04/29/2026	142,478
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	06/15/2026	189,156
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	05/22/2028	297,210
Total Federal Home Loan Bank Bonds					$ 1,095,196
Federal Home Loan Mortgage Corporation Notes	AAA	Moody's	<5%	05/01/2028	$ 498,335
Federal National Mortgage Association Notes	AAA	Moody's	<5%	11/01/2028	$ 516,370
Municipal bonds					
New York City Transitional Fin Auth	Aa1	Moody's	<5%	02/01/2025	$ 167,324
Lancaster School, CA GO Bond	AA	S&P	<5%	08/01/2025	221,659
New York State Dorm Authority	Aa1	S&P	<5%	02/15/2027	247,796
Phoenixville, PA Area School District	Aa2	S&P	<5%	11/15/2027	229,668
California Infrastructure	AAA	S&P	<5%	10/01/2026	309,692
Wisconsin State General Fund	AA	S&P	<5%	05/01/2027	240,535
Total municipal bonds					$ 1,416,674

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2023 (Continued)

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit					
JP Morgan Chase Bank	N/R	N/R	<5%	10/30/2026	$ 177,964
BMO Harris Bank	N/R	N/R	<5%	04/13/2026	224,856
Sallie Mae Bank	N/R	N/R	<5%	07/21/2026	181,652
UBS Bank	N/R	N/R	<5%	12/21/2028	204,956
Baycoast Bank	N/R	N/R	<5%	01/31/2024	199,390
Goldman Sachs Bank	N/R	N/R	<5%	07/28/2026	222,058
State Bank of India, NY	N/R	N/R	<5%	09/28/2026	221,490
Live Oak Bank	N/R	N/R	<5%	08/11/2028	212,523
Savannah Bank	N/R	N/R	<5%	12/29/2027	242,591
Capital One Bank	N/R	N/R	<5%	03/25/2024	243,084
Ally Bank	N/R	N/R	<5%	04/22/2024	242,851
Popular Bank	N/R	N/R	<5%	05/03/2024	242,837
Nicolet National Bank	N/R	N/R	<5%	09/30/2024	243,091
American Express National Bank	N/R	N/R	<5%	03/03/2025	235,879
Comenity Bank	N/R	N/R	<5%	07/14/2025	194,774
Morgan Stanley Bank	N/R	N/R	<5%	08/04/2025	239,404
City National Bank	N/R	N/R	<5%	11/24/2025	244,461
Morgan Stanley Private Bank	N/R	N/R	<5%	09/16/2027	238,686
Central State Bank	N/R	N/R	<5%	05/10/2028	195,460
Security Bank	N/R	N/R	<5%	02/26/2027	247,869
Inb National Association	N/R	N/R	<5%	01/06/2025	246,512
Gateway First Bank	N/R	N/R	<5%	09/08/2025	243,877
Israel Discount Bank	N/R	N/R	<5%	09/15/2025	243,984
FNCB Bank	N/R	N/R	<5%	05/26/2027	241,133
Centier Bank	N/R	N/R	<5%	07/26/2027	243,217
Pitney Bowes Bank	N/R	N/R	<5%	05/17/2028	242,348
Total negotiable certificates of deposit					$ 5,916,947
Investment pools/mutual funds					
Money market fund	N/R	N/A	N/A	N/A	$ 64,920
MAGIC Fund	N/R	N/A	79.14%	N/A	36,069,280
Total Investment pools/mutual funds					$ 36,134,200
Total investments					$ 45,577,722
Deposits – primary government					522,085
Deposits and investments – component unit					1,009,014
Petty cash and change funds					3,100
Escheat cash					36,538
Total Cash and Investments					$ 47,148,459

N/A – Not Applicable
N/R – Not Rated
<5% – Concentration is less than 5% of investments

Fair Value Measurement

Lake County measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

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

At December 31, 2023, Lake County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2023

		Fair Value Measurements Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agency securities	$ 2,109,901	$ -	$ 2,109,901	$ -
Municipal bonds	1,416,674	-	1,416,674	-
Negotiable certificates of deposit	5,916,947	-	5,916,947	-
Total Investments Included in the Fair Value Hierarchy	$ 9,443,522	$ -	$ 9,443,522	$ -
Investments measured at the NAV				
Money market fund	64,920			
MAGIC Portfolio	34,069,280			
MAGIC Term	2,000,000			
Total Investments	$ 45,577,722			

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 of the County's money with those of other counties to enhance the investment earnings accruing to each member.

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.

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

Receivables

Receivables as of December 31, 2023, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2023

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental activities		
Taxes	$ 270,090	$ -
Due from other governments	14,175,842	-
Accounts	859,702	-
Interest	244,202	-
Loans receivable	95,000	90,000
Leases receivable	724,745	674,802
Total Governmental Activities	$ 16,369,581	$ 764,802

Loans Receivable

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

Leases Receivable

As a lessor, the County is required to recognize a lease receivable and a deferred inflow of resources. The County has entered into various lease agreements where the County is the lessor in the land use lease agreements for communications towers. Lease terms range from five to ten years with options to extend the term. The lease receivable was calculated based on the interest rate charged on the lease, if available, or the County's average annual short-term monthly incremental borrowing rate. During 2023, the General Fund and Forfeited Tax Special Revenue Fund received total principal and interest payments of $32,408 and $21,358, respectively.

Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease/ Adjustments	Ending Balance
Capital assets not depreciated				
Land	$ 3,968,383	$ -	$ -	$ 3,968,383
Capital assets depreciated				
Buildings	$ 25,332,899	$ 66,257	$ -	$ 25,399,156
Improvements other than buildings	1,417,095	156,419	18,390	1,555,124
Machinery, furniture, and equipment	13,191,235	1,260,756	394,240	14,057,751
Infrastructure	123,262,499	1,237,489	-	124,499,988
Total capital assets depreciated	$ 163,203,728	$ 2,720,921	$ 412,630	$ 165,512,019
Less: accumulated depreciation for				
Buildings	$ 10,428,763	$ 503,079	$ -	$ 10,931,842
Improvements other than buildings	727,732	49,003	18,390	758,345
Machinery, furniture, and equipment	11,203,490	792,289	387,067	11,608,712
Infrastructure	45,234,605	2,486,690	-	47,721,295
Total accumulated depreciation	$ 67,594,590	$ 3,831,061	$ 405,457	$ 71,020,194
Total capital assets depreciated, net	$ 95,609,138	$ (1,110,140)	$ 7,173	$ 94,491,825
Capital assets amortized				
Leased buildings and building space	$ 74,135	$ -	$ 74,135	$ -
Leased machinery and equipment	254,096	309,397	-	563,493
Total capital assets amortized	$ 328,231	$ 309,397	$ 74,135	$ 563,493
Less: accumulated amortization for				
Leased buildings and building space	$ 37,068	$ 37,067	$ 74,135	$ -
Leased machinery and equipment	78,735	159,386	-	238,121
Total accumulated amortization	$ 115,803	$ 196,453	$ 74,135	$ 238,121
Total capital assets amortized, net	$ 212,428	$ 112,944	$ -	$ 325,372
Total Capital Assets, Net	$ 99,789,949	$ (997,196)	$ 7,173	$ 98,785,580

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 329,081
Public safety	292,835
Highways and streets, including depreciation of infrastructure assets	3,024,053
Human services	41,206
Sanitation	30,466
Culture and recreation	288,146
Conservation of natural resources	21,727
Total Depreciation and Amortization Expense – Governmental Activities	$ 4,027,514

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2023, is as follows:

Due To/From Other Funds as of December 31, 2023

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Human Services Special Revenue Fund	$ 40,805	Reimbursement for services
	Forfeited Tax Special Revenue Fund	103,634	Reimbursement for deficit cash
Total due to General Fund		$ 144,439	
Road and Bridge Special Revenue Fund	Forfeited Tax Special Revenue Fund	$ 2,847	Reimbursement for services
	General Fund	14,485	Reimbursement for services
Total Due to Road and Bridge Special Revenue Fund		$ 17,332	
Human Services Special Revenue Fund	General Fund	$ 3,531	Reimbursement for services
Forfeited Tax Special Revenue Fund	Road and Bridge Special Revenue Fund	$ 12,303	Reimbursement for services
Total Due To/From Other Funds		$ 177,605	

Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2023

Transfer to Road and Bridge Special Revenue Fund from General Fund	$ 11,487	To transfer funds for mattress hauling and solid waste work

Liabilities

Payables

Payables at December 31, 2023, were as follows:

Governmental Activities Payable at December 31, 2023

Accounts payable	$ 1,176,806
Salaries payable	278,535
Contracts payable	628,500
Due to other governments	1,024,301
Total Payables	$ 3,108,142

Construction Commitments

The County has active construction projects as of December 31, 2023. The projects include the following:

Active Construction Commitments as of December 31, 2023

	Spent-to-Date	Remaining Commitment
Highway and streets Roads and bridges	$ 10,052,295	$ 4,537,390

Long-Term Debt

Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
General obligation bonds					
G.O. Capital Improvement Refunding Bonds, Series 2014A	2030	$60,000-$355,000	2.00-3.25	$ 2,410,000	$ 500,000
G.O. Judgment Bonds, Series 2018A	2033	$390,000-$590,000	3.00-3.25	7,235,000	5,170,000
G.O. Capital Improvement Bonds, Series 2018B	2033	$115,000-$235,000	3.00-3.50	2,765,000	2,020,000
G.O. Capital Improvement Bonds, Series 2019A	2034	$70,000-$115,000	3.00-4.00	1,400,000	1,100,000
Total				$ 13,810,000	$ 8,790,000
Plus: unamortized premium					141,575
Total General Obligation Bonds					$ 8,931,575

Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Governmental Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2024	$ 770,000	$ 279,569
2025	795,000	253,919
2026	825,000	227,344
2027	850,000	201,694
2028	875,000	175,075
2029-2033	4,560,000	459,488
2034	115,000	3,450
Total	$ 8,790,000	$ 1,600,539

Leases

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

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2023

Year Ending December 31	Principal	Interest
2024	$ 145,828	$ 18,712
2025	125,940	9,558
2026	43,337	2,774
2027	17,721	631
Total	$ 332,826	$ 31,675

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation improvement refunding bonds	$ 565,000	$ -	$ 65,000	$ 500,000	$ 65,000
General obligation judgment bonds	5,610,000	-	440,000	5,170,000	450,000
General obligation capital improvement bonds	3,365,000	-	245,000	3,120,000	255,000
Bond premium	156,191	-	14,616	141,575	-
Compensated absences	1,637,741	870,551	750,734	1,757,558	-
Leases	214,299	309,397	190,870	332,826	145,828
Total Long-Term Liabilities	$ 11,548,231	$ 1,179,948	$ 1,706,220	$ 11,021,959	$ 915,828

Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

Lake County explicitly subsidizes the cost of retiree health insurance coverage for certain retired employees through a sick leave reserve program under a single employer self-insured plan. Highway Department employees with at least ten years of service who are eligible to receive a retirement benefit from PERA are eligible for up to two years of health insurance premiums paid by the County at the single rate. Highway Department employees with 20 or more years of service are eligible for up to three years of health insurance premiums. At retirement, each eligible employee’s sick leave hours are converted to a dollar amount using the employee’s hourly pay rate at retirement. The period of time for which the employee may receive the paid health insurance benefit is limited to the dollar value of the employee’s accumulated sick leave at retirement. As of December 31, 2023, there were no retirees using their sick leave balances for insurance premiums.

Active employees who retire from the County when eligible to receive a retirement benefit from PERA and do not participate in any other health benefits program providing similar coverage will be eligible to continue coverage with respect to both themselves and their eligible dependents under the County’s health benefits program. These retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of December 31, 2023, four retirees were receiving health benefits from the County’s health plan, of which, one employee is under the age of 65 years old. The authority to provide these benefits is established in Minn. Stat. § 471.61, subd. 2a.

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

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

Total OPEB Liability

The County's total OPEB liability of $397,767 was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2023. The OPEB liability is liquidated through the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Forfeited Tax Special Revenue Fund.

The total OPEB liability in the fiscal year-end December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent, decreasing to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 4.00 percent, which is up from 2.00 percent from the prior year rate. For the current valuation, GASB Statement 75 requires liabilities to be discounted based on a tax-exempt, high-quality 20-year municipal bond index.

Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 General Improvement Scale.

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2023

Balance at December 31, 2022	$ 541,732
Changes for the year	
Service cost	$ 36,669
Interest	11,442
Assumption changes	(45,654)
Difference between expected and actual experience	(133,784)
Benefit payments	(12,638)
Net change	$ (143,965)
Balance at December 31, 2023	$ 397,767

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, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	3.00%	$ 428,332
Current	4.00%	397,767
1% Increase	5.00%	369,207

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, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.50%	$ 356,724
Current	6.50% Decreasing to 5.00%	397,767
1% Increase	7.50% Decreasing to 6.00%	445,549

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

For the year ended December 31, 2023, the County recognized OPEB expense of $7,830. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB for this same time period.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 172,586
Changes in actuarial assumptions	11,937	51,442
Contributions made subsequent to the measurement date	9,356	-
Total	$ 21,293	$ 224,028

The $9,356 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	$ (46,585)
2025	(46,583)
2026	(31,840)
2027	(35,815)
2028	(25,634)
Thereafter	(25,634)

Changes in Actuarial Methods and Assumptions

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

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis

Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Lake County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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 maximum of 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 maximum of 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 are available for vested members and are based on years of service and average high-five salary.

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 2022.

Member and Employer Required Contribution Rates

	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, 2023

General Employees Plan	$	525,934
Police and Fire Plan		225,082
Correctional Plan		62,731

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

Pension Costs

General Employees Plan

At December 31, 2023, Lake County reported a liability of $4,898,494 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0876 percent. It was 0.0820 percent measured as of June 30, 2022. The County recognized pension expense of $836,485 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional $607 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, 2023

The County's proportionate share of the net pension liability	$	4,898,494
State of Minnesota's proportionate share of the net pension liability associated with the County		135,012
Total	$	5,033,506

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, 2023

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	158,398	$	32,127
Changes in actuarial assumptions		754,472		1,342,636
Difference between projected and actual investment earnings		-		227,185
Changes in proportion		356,623		29,894
Contributions paid to PERA subsequent to the measurement date		264,054		-
Total	$	1,533,547	$	1,631,842

The $264,054 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ 196,995
2025	(638,218)
2026	185,139
2027	(106,265)

Police and Fire Plan

At December 31, 2023, the County reported a liability of $1,702,694 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0986 percent. It was 0.1049 percent measured as of June 30, 2022. The County recognized pension expense of $472,031 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2023. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional ($4,132) 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, 2023

The County's proportionate share of the net pension liability	$ 1,702,694
State of Minnesota's proportionate share of the net pension liability associated with the County	68,605
Total	$ 1,771,299

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $8,874 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 483,010	$ -
Changes in actuarial assumptions	2,101,401	2,395,625
Difference between projected and actual investment earnings	-	70,845
Changes in proportion	5,668	293,944
Contributions paid to PERA subsequent to the measurement date	114,941	-
Total	$ 2,705,020	$ 2,760,414

The $114,941 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ 44,265
2025	(22,662)
2026	412,707
2027	(136,504)
2028	(468,141)

Correctional Plan

At December 31, 2023, the County reported a liability of $140,588 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.3110 percent. It was 0.2884 percent measured as of June 30, 2022. The County recognized pension expense of ($525,508) for its proportionate share of the Correctional Plan's pension expense.

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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 54,148	$ 14,304
Changes in actuarial assumptions	379,469	64,138
Difference between projected and actual investment earnings	-	18,338
Changes in proportion	50,414	314
Contributions paid to PERA subsequent to the measurement date	31,976	-
Total	$ 516,007	$ 97,094

The $31,976 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ 217,450
2025	108,781
2026	75,542
2027	(14,836)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was $783,008.

Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2023

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and 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, 2023, 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 July 29, 2023, was utilized.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. 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 2023:

General Employees Plan

- 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.

Police and Fire Plan

- 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.

Correctional Plan

- 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.

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, 2023

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	$ 8,665,829	6.00%	$ 3,378,348	6.00%	$ 741,054
Current	7.00%	4,898,494	7.00%	1,702,694	7.00%	140,588
1% Increase	8.00%	1,799,717	8.00%	325,082	8.00%	(338,508)

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25

percent of the assets in each member account annually.

Total Contributions by Dollar Amount and
Percentage of Covered Payroll Made by the Employer
For the Year Ended December 31, 2023

	Employee	Employer
Contribution amount	$ 9,717	$ 9,717
Percentage of covered payroll	5.00%	5.00%

Postemployment Health Care Plans

Minnesota State Retirement System (MSRS) Health Care Savings Plan

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

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

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

Voluntary Employees' Beneficiary Association (VEBA) Plan

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

In 2023, the maximum County contribution for active employees is $1,690 for employees with single coverage and $3,250 for employees with family coverage. Any balance remaining in an employee's account at year-end rolls over into the subsequent year. Upon retirement, any balance remaining in the VEBA account may be used to pay medical expenses.

Eligibility requirements include:

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

Note 4 – Summary of Significant Contingencies and Other Items

Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 in 2023 and 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

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

Changes in Unpaid Claims

	Year Ended December 31	
	2023	2022
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims (including incurred but not reported)	140,575	139,395
Claims payments	(140,575)	(139,395)
Unpaid Claims, End of Fiscal Year	$ -	$ -

Contingent Liabilities

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

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

Tax-Forfeited Land

The County manages approximately 150,000 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs, such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures.

Joint Ventures

Arrowhead Regional Corrections

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

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

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

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. Lake County provided $548,358 in funding during 2023.

Separate financial information can be obtained from Arrowhead Regional Corrections, 211 West Second Street, Suite 450, Duluth, Minnesota 55802.

Carlton, Cook, Lake, and St. Louis Community Health Board

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

The Community Health Board is composed of nine members. The Carlton, Cook, and Lake County Boards of Commissioners each appoint two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. Lake County provided $2,520 in administration support fees to this organization in 2023.

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

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

Separate financial information can be obtained from the Northeast Minnesota Office of Job Training, 820 North Ninth Street, Suite 210, Virginia, Minnesota 55792.

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to 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 a 13-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.

Northern Counties Land Use Coordinating Board

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

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

Lake County provided no funding to this organization during 2023.

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

North Shore Collaborative

The North Shore Collaborative was established in 1995, pursuant to Minn. Stat. § 124D.23. The Collaborative includes Lake County, Cook County, Independent School District 381, Independent School District 166, and the Grand Portage Reservation. The purpose of the Collaborative is to form a coalition of agencies, schools, and communities along the North Shore that will systematically address the mental health and other needs of the whole person for all children and youth; ensure their graduation from high school; and assist them in becoming healthy, happy, productive citizens.

Control of the North Shore Collaborative is vested in a Board of Directors. Financing is provided by state and federal grants, appropriations from Collaborative members, and miscellaneous revenues. Lake County is the fiscal agent for the Collaborative and handles all of the financial transactions for the organization. Financial information for the Collaborative for the fiscal year ended December 31, 2023, consists of total assets of $141,067 and total liabilities of $141,067.

Separate financial information can be obtained from Lake County, 601 – 3rd Avenue, Two Harbors, Minnesota 55616.

Arrowhead Health Alliance

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

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

Lake County contributed $78,697 in start-up funds to the Arrowhead Health Alliance in 2007. Lake County provided no further funding in 2023.

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 St. Louis, and the Cities of Duluth, Hibbing, International Falls, and Virginia, along with three tribes including Grand Portage Band of Chippewa, Leech Lake Band of Ojibwe, and Mille Lacs Band of Ojibwe. Control of the Northeast Minnesota Emergency Communications Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties, one City Council member from each of the member cities, and one tribal member. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

St. Louis County is the fiscal agent for the Northeast Minnesota Emergency Communications Board. Funding is provided by grants and contributions from participating members. Lake County provided no funding in 2023.

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

Lake Superior Drug and Violent Crime Task Force

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

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

Fiscal agent responsibilities for the Task Force are with St. Louis County. Lake County provided no funding to this organization in 2023.

Jointly-Governed Organizations

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

North Shore Management Board

The North Shore Management Board provides Lake Superior shoreline planning for Cook, Lake, and St. Louis Counties; the Cities of Beaver Bay, Grand Marais, Silver Bay, and Two Harbors; and the Townships of Duluth and Lakewood. Lake County contributed $2,500 to the Board in 2023.

St. Louis and Lake Counties Regional Railroad Authority

The St. Louis and Lake Counties Regional Railroad Authority was established under the Regional Railroad Authorities Act, Minn. Stat. §§ 398A.01-398A.09. The Authority is governed by a Board composed of three members from the St. Louis County Board of Commissioners and two members from the Lake County Board of Commissioners. St. Louis County is the fiscal agent for the Authority, and all of its financial transactions are recorded in the Regional Railroad Authority Custodial Fund. Financing is obtained through a tax levy and federal, state, and local grants or participation. Lake County did not contribute to the Authority during 2023.

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

Note 5 – Component Unit Disclosures

Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Deposits and Investments

The Authority's cash and cash equivalents consist of savings and checking accounts, cash on hand, and certificates of deposits. Restricted cash and investments are shown separately from cash and cash equivalents.

The Authority invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value (NAV) per share provided by the pool. In 2023, the Authority reported pooled investment earnings of $14,577.

Receivables and Payables

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

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

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

Restricted Assets

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings and structures	25-40
Equipment	7

Special Item

The Authority donated land for the construction of affordable housing to entice housing development within Lake County. The sale of this land is reported as a special item on the government-wide financial statements because it was sold below market value.

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation balances. The liability is based off the employment resolution which states that when an employee's service is terminated, the employee shall be paid for the number of hours of accumulated unused vacation leave. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The Authority determines the current portion, if any, based on anticipated retirements and any activity that occurs within the first few months of the subsequent year. There was no current portion reported at year-end.

Long-Term Obligations

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

Prior Period Audit Adjustment

The Lake County Housing and Redevelopment Authority recognized a prior period adjustment to record land received to be used for affordable housing prior to January 1, 2023. Beginning net position and assets were adjusted by $942,198 to record the receipt of land in prior years.

Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the Authority's Total Cash and Investments to the Basic Financial Statements as of December 31, 2023

Government-wide statement of net position		
Governmental activities		
Cash	$	490,615
Restricted assets		
External investment pool		317,202
Business-type activities		
Cash		181,646
Restricted assets		
Security deposits		19,551
Total Cash	$	1,009,014

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2023, the Authority's deposits were not exposed to custodial credit risk.

Investments

The Authority has not adopted a formal investment policy.

Fair Value Measurement

The following table presents the Authority's investment balances at December 31, 2023:

Cash and Investment Information as of
December 31, 2023

	Carrying (Fair) Value
MAGIC Portfolio	$ 317,202

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

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

Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 942,200	$ -	$ 942,200	$ -
Capital assets depreciated				
Equipment	$ 2,928	$ -	$ -	$ 2,928
Less: accumulated depreciation for				
Equipment	1,866	152	-	2,018
Total capital assets depreciated	$ 1,062	$ (152)	$ -	$ 910
Governmental Activities Capital Assets, Net	$ 943,262	$ (152)	$ 942,200	$ 910

*See Prior Period Audit Adjustment in Note 5.

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

Depreciation Expense Charged to Functions/Programs

Governmental Activities	
Housing	$ 152

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings and structures	$ 1,951,232	$ -	$ -	$ 1,951,232
Equipment	51,505	18,915	-	70,420
Total capital assets depreciated	$ 2,002,737	$ 18,915	$ -	$ 2,021,652
Less: accumulated depreciation for				
Buildings and structures	$ 1,222,231	$ 51,253	$ -	$ 1,273,484
Equipment	47,375	4,601	-	51,976
Total accumulated depreciation	$ 1,269,606	$ 55,854	$ -	$ 1,325,460
Business-Type Activities Capital Assets, Net	$ 733,131	$ (36,939)	$ -	$ 696,192

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

Depreciation Expense Charged to Functions/Programs

Business-Type Activities	
Housing	$ 55,854

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2023, is as follows:

Interfund Balances as of December 31, 2023

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Silverpointe Apartments Enterprise Fund	$ 11,195	Reimbursement for services
	Lakeview Apartments Enterprise Fund	1,977	Reimbursement for services
Total due to General Fund		$ 13,172	
Silverpointe Apartments Enterprise Fund	General Fund	7,557	2012 bond proceeds
Total Due To/From Other Funds		$ 20,729	

Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2023

Transfer to Local Housing Trust Fund from General Fund	$ 200,000	To provide funding to the Local Housing Trust Fund

Liabilities

Long-Term Debt

Business-Type Activities

Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
2012 General Obligation Senior Housing Bonds	2028	Varies	1.0-3.5	$ 860,000	$ 225,000

Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Business-Type Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Revenue Bonds Principal	Revenue Bonds Interest
2024	$ -	$ 3,781
2025	60,000	6,588
2026	65,000	4,556
2027	65,000	2,363
2028	35,000	613
Totals	$ 225,000	$ 17,901

Changes in Long-Term Liabilities

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ -	$ 3,582	$ 2,077	$ 1,505	$ -

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2012 General Obligation Senior Housing Bonds	$ 285,000	$ -	$ 60,000	$ 225,000	$ -
Less: unamortized discounts	(3,206)	-	(803)	(2,403)	-
Total	$ 281,794	$ -	$ 59,197	$ 222,597	$ -

Summary of Significant Contingencies and Other Items

Risk Management

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

Required Supplementary Information

Lake County
Two Harbors, Minnesota

Exhibit A-1

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,374,806	$ 8,374,806	$ 9,468,970	$ 1,094,164
Licenses and permits	17,350	17,350	26,736	9,386
Intergovernmental	3,588,565	3,588,565	8,171,510	4,582,945
Charges for services	499,127	499,127	823,804	324,677
Fines and forfeits	6,000	6,000	6,900	900
Investment earnings	175,634	175,634	2,108,802	1,933,168
Gifts and contributions	-	-	2,850	2,850
Miscellaneous	195,802	195,802	347,272	151,470
Total Revenues	**$ 12,857,284**	**$ 12,857,284**	**$ 20,956,844**	**$ 8,099,560**
Expenditures				
Current				
General government				
Commissioners	$ 356,085	$ 356,085	$ 168,863	$ 187,222
Courts	30,750	30,750	22,611	8,139
Law library	8,000	8,000	4,446	3,554
County administration	335,491	335,491	345,117	(9,626)
County auditor	659,259	659,259	695,545	(36,286)
County assessor	544,732	544,732	453,850	90,882
Elections	13,248	13,248	38,183	(24,935)
Accounting and auditing	90,280	90,280	36,359	53,921
Data processing	952,256	952,256	1,035,051	(82,795)
Personnel	266,380	266,380	243,749	22,631
Attorney	464,850	464,850	493,181	(28,331)
Recorder	316,137	316,137	299,584	16,553
Planning and zoning	595,796	595,796	644,181	(48,385)
Buildings and plant	1,036,640	1,036,640	911,246	125,394
Veterans service officer	125,028	125,028	141,278	(16,250)
Motor pool	75,439	75,439	83,203	(7,764)
Other general government	-	-	2,631	(2,631)
Total general government	**$ 5,870,371**	**$ 5,870,371**	**$ 5,619,078**	**$ 251,293**
Public safety				
Sheriff	$ 2,618,250	$ 2,618,250	$ 2,842,205	$ (223,955)
Ambulance	574,430	574,430	518,768	55,662
Emergency services	115,758	115,758	142,972	(27,214)
Coroner	37,500	37,500	53,925	(16,425)
County jail	1,133,400	1,133,400	1,238,058	(104,658)
Community corrections	553,480	553,480	548,916	4,564
Sentence to serve	98,476	98,476	102,454	(3,978)
Emergency management	109,147	109,147	207,282	(98,135)
Other public safety	310,398	310,398	349,448	(39,050)
Total public safety	**$ 5,550,839**	**$ 5,550,839**	**$ 6,004,028**	**$ (453,189)**

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

Lake County
Two Harbors, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ 312,233	$ 312,233	$ 263,049	$ 49,184
Recycling	220,147	220,147	257,689	(37,542)
Hazardous waste	13,200	13,200	20,498	(7,298)
Total sanitation	**$ 545,580**	**$ 545,580**	**$ 541,236**	**$ 4,344**
Culture and recreation				
Historical society	$ 60,000	$ 60,000	$ 70,025	$ (10,025)
Arenas	438,093	438,093	370,675	67,418
Humane Society	3,500	3,500	3,500	-
Memorial Day observance	3,000	3,000	-	3,000
Recreation board	163,660	163,660	153,550	10,110
Trails	-	-	475,891	(475,891)
County/regional library	170,400	170,400	170,400	-
Total culture and recreation	**$ 838,653**	**$ 838,653**	**$ 1,244,041**	**$ (405,388)**
Conservation of natural resources				
County extension	$ 72,871	$ 72,871	$ 66,241	$ 6,630
Soil and water conservation	68,462	68,462	69,805	(1,343)
Agricultural society/County fair	22,462	22,462	25,534	(3,072)
Water planning	4,571	4,571	9,142	(4,571)
CWP project	14,488	14,488	29,472	(14,984)
Wetland challenge	5,000	5,000	10,000	(5,000)
Total conservation of natural resources	**$ 187,854**	**$ 187,854**	**$ 210,194**	**$ (22,340)**
Economic development				
Information centers	$ 6,500	$ 6,500	$ 6,500	$ -
Airports	7,500	7,500	7,500	-
Housing and Redevelopment Authority	-	-	202,511	(202,511)
Other economic development	-	-	2,332,114	(2,332,114)
Total economic development	**$ 14,000**	**$ 14,000**	**$ 2,548,625**	**$ (2,534,625)**
Capital outlay				
General government	**$ -**	**$ -**	**$ 76,855**	**$ (76,855)**
Debt service				
Principal	$ -	$ -	$ 147,813	$ (147,813)
Interest	-	-	19,282	(19,282)
Total debt service	**$ -**	**$ -**	**$ 167,095**	**$ (167,095)**
Total Expenditures	**$ 13,007,297**	**$ 13,007,297**	**$ 16,411,152**	**$ (3,403,855)**

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

Lake County
Two Harbors, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Excess of Revenues Over (Under) Expenditures	**$ (150,013)**	**$ (150,013)**	**$ 4,545,692**	**$ 4,695,705**
Other Financing Sources (Uses)				
Transfers out	$ (25,000)	$ (25,000)	$ (11,487)	$ 13,513
Leases issued	-	-	283,850	283,850
Total Other Financing Sources (Uses)	**$ (25,000)**	**$ (25,000)**	**$ 272,363**	**$ 297,363**
Net Change in Fund Balance	**$ (175,013)**	**$ (175,013)**	**$ 4,818,055**	**$ 4,993,068**
Fund Balance – January 1	**20,716,596**	**20,716,596**	**20,716,596**	**-**
Fund Balance – December 31	**$ 20,541,583**	**$ 20,541,583**	**$ 25,534,651**	**$ 4,993,068**

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

Lake County
Two Harbors, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,269,100	$ 3,269,100	$ 3,295,953	$ 26,853
Licenses and permits	-	-	2,760	2,760
Intergovernmental	15,106,625	15,106,625	5,519,535	(9,587,090)
Charges for services	23,000	23,000	31,571	8,571
Miscellaneous	29,000	29,000	14,086	(14,914)
Total Revenues	**$ 18,427,725**	**$ 18,427,725**	**$ 8,863,905**	**$ (9,563,820)**
Expenditures				
Current				
Highways and streets				
Administration	$ 421,384	$ 421,384	$ 387,842	$ 33,542
Maintenance	2,683,175	2,683,175	1,677,016	1,006,159
Construction	17,964,892	17,964,892	3,465,446	14,499,446
Equipment maintenance and shop	976,411	976,411	905,605	70,806
Total highways and streets	**$ 22,045,862**	**$ 22,045,862**	**$ 6,435,909**	**$ 15,609,953**
Capital outlay				
Highways and streets	-	-	864,721	(864,721)
Total Expenditures	**$ 22,045,862**	**$ 22,045,862**	**$ 7,300,630**	**$ 14,745,232**
Excess of Revenues Over (Under) Expenditures	**$ (3,618,137)**	**$ (3,618,137)**	**$ 1,563,275**	**$ 5,181,412**
Other Financing Sources (Uses)				
Transfers in	-	-	11,487	11,487
Net Change in Fund Balance	**$ (3,618,137)**	**$ (3,618,137)**	**$ 1,574,762**	**$ 5,192,899**
Fund Balance – January 1	**9,790,573**	**9,790,573**	**9,790,573**	**-**
Increase (decrease) in inventories	**-**	**-**	**(51,805)**	**(51,805)**
Fund Balance – December 31	**$ 6,172,436**	**$ 6,172,436**	**$ 11,313,530**	**$ 5,141,094**

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

Exhibit A-3

Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,911,499	$ 1,911,499	$ 1,794,853	$ (116,646)
Intergovernmental	5,004,603	5,004,603	7,093,172	2,088,569
Charges for services	216,000	216,000	512,154	296,154
Miscellaneous	123,950	123,950	189,247	65,297
Total Revenues	**$ 7,256,052**	**$ 7,256,052**	**$ 9,589,426**	**$ 2,333,374**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,145,820	$ 1,145,820	$ 1,037,298	$ 108,522
Social services	3,216,198	3,216,198	2,741,308	474,890
Total human services	**$ 4,362,018**	**$ 4,362,018**	**$ 3,778,606**	**$ 583,412**
Health				
Nursing service	$ 97,302	$ 97,302	$ 93,232	$ 4,070
Transportation	105,998	105,998	116,469	(10,471)
Environmental health	140,076	140,076	195,631	(55,555)
Mental health	2,568,272	2,568,272	5,567,203	(2,998,931)
Health education	329,439	329,439	325,913	3,526
Total health	**$ 3,241,087**	**$ 3,241,087**	**$ 6,298,448**	**$ (3,057,361)**
Debt service				
Principal	$ -	$ -	$ 37,091	$ (37,091)
Interest	-	-	25	(25)
Total debt service	**$ -**	**$ -**	**$ 37,116**	**$ (37,116)**
Total Expenditures	**$ 7,603,105**	**$ 7,603,105**	**$ 10,114,170**	**$ (2,511,065)**
Net Change in Fund Balance	**$ (347,053)**	**$ (347,053)**	**$ (524,744)**	**$ (177,691)**
Fund Balance – January 1	**6,383,610**	**6,383,610**	**6,383,610**	**-**
Fund Balance – December 31	**$ 6,036,557**	**$ 6,036,557**	**$ 5,858,866**	**$ (177,691)**

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

Lake County
Two Harbors, Minnesota

Exhibit A-4

Budgetary Comparison Schedule
Forfeited Tax Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 1,180	$ 1,180	$ 1,380	$ 200
Intergovernmental	62,000	62,000	64,271	2,271
Charges for services	15,000	15,000	109,709	94,709
Investment earnings	-	-	1,013	1,013
Miscellaneous	531,650	531,650	411,781	(119,869)
Total Revenues	**$ 609,830**	**$ 609,830**	**$ 588,154**	**$ (21,676)**
Expenditures				
Current				
Conservation of natural resources				
Land use	**$ 586,662**	**$ 586,662**	**$ 698,736**	**$ (112,074)**
Capital outlay				
Conservation of natural resources	**$ 11,000**	**$ 11,000**	**$ 32,797**	**$ (21,797)**
Debt service				
Principal	$ -	$ -	$ 5,966	$ (5,966)
Interest	-	-	1,172	(1,172)
Total debt service	**$ -**	**$ -**	**$ 7,138**	**$ (7,138)**
Total Expenditures	**$ 597,662**	**$ 597,662**	**$ 738,671**	**$ (141,009)**
Excess of Revenues Over (Under) Expenditures	**$ 12,168**	**$ 12,168**	**$ (150,517)**	**$ (162,685)**
Other Financing Sources (Uses)				
Leases issued	-	-	25,547	25,547
Net Change in Fund Balance	**$ 12,168**	**$ 12,168**	**$ (124,970)**	**$ (137,138)**
Fund Balance – January 1	**80,894**	**80,894**	**80,894**	**-**
Fund Balance – December 31	**$ 93,062**	**$ 93,062**	**$ (44,076)**	**$ (137,138)**

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

Lake County
Two Harbors, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2023

	2023	2022
Total OPEB Liability		
Service cost	$ 36,669	$ 55,397
Interest	11,442	10,764
Differences between expected and actual experience	(133,784)	-
Changes of assumption or other inputs	(45,654)	-
Benefit payments	(12,638)	(14,360)
Net change in total OPEB liability	**$ (143,965)**	**$ 51,801**
Total OPEB Liability – Beginning	**541,732**	**489,931**
Total OPEB Liability – Ending	**$ 397,767**	**$ 541,732**
Covered-employee payroll	$ 8,600,681	$ 7,771,655
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.62%	6.97%

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

Exhibit A-5

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

Lake County
Two Harbors, Minnesota

Exhibit A-6

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2023

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

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-7

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2023

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)
2023	$ 525,934	$ 525,934	$ -	$ 7,012,451	7.50 %
2022	480,048	480,048	-	6,400,645	7.50
2021	457,055	457,055	-	6,094,066	7.50
2020	454,329	454,329	-	6,057,720	7.50
2019	435,685	435,685	-	5,809,133	7.50
2018	421,704	421,704	-	5,622,720	7.50
2017	409,868	409,868	-	5,464,906	7.50
2016	416,317	416,317	-	5,550,893	7.50
2015	406,332	406,332	-	5,417,760	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

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

Lake County
Two Harbors, Minnesota

Exhibit A-8

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2023

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

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

Lake County
Two Harbors, Minnesota

Exhibit A-9

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2023

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)
2023	$ 225,082	$ 225,082	$ -	$ 1,271,651	17.70 %
2022	222,408	222,408	-	1,256,542	17.70
2021	220,561	220,561	-	1,246,105	17.70
2020	227,592	227,592	-	1,285,831	17.70
2019	216,644	216,644	-	1,278,136	16.95
2018	199,512	199,512	-	1,231,556	16.20
2017	195,698	195,698	-	1,208,014	16.20
2016	191,785	191,785	-	1,183,858	16.20
2015	194,705	194,705	-	1,201,883	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

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

Lake County
Two Harbors, Minnesota

Exhibit A-10

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023

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
2023	0.3110 %	$ 140,588	$ 729,183	19.28 %	95.94 %
2022	0.2884	958,642	633,506	151.32	74.58
2021	0.2841	(46,672)	628,169	(7.43)	101.61
2020	0.2792	75,758	607,452	12.47	96.67
2019	0.2791	38,642	595,360	6.49	98.17
2018	0.2901	47,713	592,526	8.05	97.64
2017	0.2800	798,003	554,689	143.86	67.89
2016	0.2900	1,059,410	548,503	193.15	58.16
2015	0.3000	46,380	535,509	8.66	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

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

Exhibit A-11

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023

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)
2023	$ 62,731	$ 62,731	$ -	$ 716,929	8.75 %
2022	58,371	58,371	-	667,101	8.75
2021	55,157	55,157	-	630,367	8.75
2020	56,958	56,958	-	650,949	8.75
2019	53,047	53,047	-	606,251	8.75
2018	51,881	51,881	-	592,926	8.75
2017	48,374	48,374	-	552,846	8.75
2016	50,114	50,114	-	572,731	8.75
2015	50,912	50,912	-	581,851	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

Note 1 – Budgetary Information

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

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

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

Encumbrance accounting is employed in governmental funds.

Note 2 – Excess of Expenditures Over Appropriations

The following funds and departments had expenditures in excess of appropriations for the year ended December 31, 2023:

Excess of Expenditures over Appropriations for the Year Ended December 31, 2023

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current			
General government			
County administration	$ 345,117	$ 335,491	$ 9,626
County auditor	695,545	659,259	36,286
Elections	38,183	13,248	24,935
Data processing	1,035,051	952,256	82,795
Attorney	493,181	464,850	28,331
Planning and zoning	644,181	595,796	48,385
Veterans service officer	141,278	125,028	16,250
Motor pool	83,203	75,439	7,764
Other general government	2,631	-	2,631
Public safety			
Sheriff	2,842,205	2,618,250	223,955
Emergency services	142,972	115,758	27,214
Coroner	53,925	37,500	16,425
County jail	1,238,058	1,133,400	104,658
Sentence to service	102,454	98,476	3,978
Emergency management	207,282	109,147	98,135
Other public safety	349,448	310,398	39,050

Excess of Expenditures over Appropriations for the Year Ended December 31, 2023
(Continued)

	Expenditures	Budget	Excess
General Fund			
Current (Continued)			
Sanitation			
Recycling	257,689	220,147	37,542
Hazardous waste	20,498	13,200	7,298
Culture and recreation			
Historical society	70,025	60,000	10,025
Trails	475,891	-	475,891
Conservation of natural resources			
Soil and water conservation	69,805	68,462	1,343
Agricultural society/County fair	25,534	22,462	3,072
Water planning	9,142	4,571	4,571
CWP project	29,472	14,488	14,984
Wetland challenge	10,000	5,000	5,000
Economic development			
Housing and Redevelopment Authority	202,511	-	202,511
Other economic development	2,332,114	-	2,332,114
Capital outlay			
General government	76,855	-	76,855
Debt service			
Principal	147,813	-	147,813
Interest	19,282	-	19,282
Road and Bridge Special Revenue Fund			
Capital outlay			
Highways and streets	864,721	-	864,721
Human Services Special Revenue Fund			
Current			
Health			
Transportation	116,469	105,998	10,471
Environmental health	195,631	140,076	55,555
Mental health	5,567,203	2,568,272	2,998,931
Debt service			
Principal	37,091	-	37,091
Interest	25	-	25
Forfeited Tax Special Revenue Fund			
Current			
Conservation of natural resources			
Land use	698,736	586,662	112,074
Capital outlay			
Conservation of natural resources	32,797	11,000	21,797
Debt service			
Principal	5,966	-	5,966
Interest	1,172	-	1,172

Note 3 – Schedule of Funding Progress – Other Postemployment Benefits

In 2018, Lake County implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

Note 4 – 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.

The changes that occurred in actuarial assumptions are as follows:

2023

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

2022

None.

2021

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

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

2020

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

2019

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

- The retirement and withdrawal tables for police and fire employees were updated.

- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

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

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

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

General Employees Retirement Plan

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.

2019

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

2018

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

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

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

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.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- 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.

<u>2017</u>

- 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

Lake County
Two Harbors, Minnesota

Nonmajor Governmental Funds

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

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

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

Lake County
Two Harbors, Minnesota

Exhibit B-1

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue			
	Unorganized Townships	Resource Development	Debt Service	Total
Assets				
Cash and pooled investments	$ 414,374	$ 1,082,057	$ 1,178,934	$ 2,675,365
Taxes receivable				
Delinquent	1,769	-	23,537	25,306
Due from other governments	-	1,105,100	-	1,105,100
Total Assets	**$ 416,143**	**$ 2,187,157**	**$ 1,202,471**	**$ 3,805,771**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 59,272	$ -	$ 59,272
Due to other governments	130,393	-	-	130,393
Total Liabilities	**$ 130,393**	**$ 59,272**	**$ -**	**$ 189,665**
Deferred Inflows of Resources				
Unavailable revenue – taxes	$ 893	$ -	$ 15,179	$ 16,072
Unavailable revenue – grants	-	973,058	-	973,058
Total Deferred Inflows of Resources	**$ 893**	**$ 973,058**	**$ 15,179**	**$ 989,130**
Fund Balances				
Restricted for debt service	$ -	$ -	$ 1,187,292	$ 1,187,292
Committed to unorganized townships emergency services	284,857	-	-	284,857
Assigned to resource development	-	1,154,827	-	1,154,827
Total Fund Balances	**$ 284,857**	**$ 1,154,827**	**$ 1,187,292**	**$ 2,626,976**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 416,143**	**$ 2,187,157**	**$ 1,202,471**	**$ 3,805,771**

Lake County
Two Harbors, Minnesota

Exhibit B-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2023

	Special Revenue			
	Unorganized Townships	Resource Development	Debt Service	Total
Revenues				
Taxes	$ 125,629	$ -	$ 977,923	$ 1,103,552
Licenses and permits	98	-	-	98
Intergovernmental	31,558	1,392,022	132,082	1,555,662
Investment earnings	-	-	58,750	58,750
Miscellaneous	-	-	532	532
Total Revenues	**$ 157,285**	**$ 1,392,022**	**$ 1,169,287**	**$ 2,718,594**
Expenditures				
Current				
General government	$ 1,330	$ -	$ -	$ 1,330
Public safety	144,142	-	-	144,142
Culture and recreation	-	613,500	-	613,500
Conservation of natural resources	-	4,950	-	4,950
Debt service				
Principal	-	-	750,000	750,000
Interest	-	-	304,519	304,519
Administrative (fiscal) charges	-	-	1,425	1,425
Total Expenditures	**$ 145,472**	**$ 618,450**	**$ 1,055,944**	**$ 1,819,866**
Net Change in Fund Balance	**$ 11,813**	**$ 773,572**	**$ 113,343**	**$ 898,728**
Fund Balance – January 1	**273,044**	**381,255**	**1,073,949**	**1,728,248**
Fund Balance – December 31	**$ 284,857**	**$ 1,154,827**	**$ 1,187,292**	**$ 2,626,976**

Lake County
Two Harbors, Minnesota

Exhibit B-3

Budgetary Comparison Schedule
Unorganized Townships Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 133,209	$ 133,209	$ 125,629	$ (7,580)
Licenses and permits	100	100	98	(2)
Intergovernmental	15,000	15,000	31,558	16,558
Total Revenues	**$ 148,309**	**$ 148,309**	**$ 157,285**	**$ 8,976**
Expenditures				
Current				
General government				
Elections	$ -	$ -	$ 1,330	$ (1,330)
Public safety				
Emergency services	143,250	143,250	144,142	(892)
Total Expenditures	**$ 143,250**	**$ 143,250**	**$ 145,472**	**$ (2,222)**
Net Change in Fund Balance	**$ 5,059**	**$ 5,059**	**$ 11,813**	**$ 6,754**
Fund Balance – January 1	**273,044**	**273,044**	**273,044**	**-**
Fund Balance – December 31	**$ 278,103**	**$ 278,103**	**$ 284,857**	**$ 6,754**

Exhibit B-4

Budgetary Comparison Schedule
Resource Development Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	**$ 96,000**	**$ 96,000**	**$ 1,392,022**	**$ 1,296,022**
Expenditures				
Current				
Culture and recreation				
Trails	$ -	$ -	$ 613,500	$ (613,500)
Conservation of natural resources				
Other conservation	-	-	4,950	(4,950)
Total Expenditures	**$ -**	**$ -**	**$ 618,450**	**$ (618,450)**
Net Change in Fund Balance	**$ 96,000**	**$ 96,000**	**$ 773,572**	**$ 677,572**
Fund Balance – January 1	**381,255**	**381,255**	**381,255**	**-**
Fund Balance – December 31	**$ 477,255**	**$ 477,255**	**$ 1,154,827**	**$ 677,572**

Lake County
Two Harbors, Minnesota

Exhibit B-5

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,043,046	$ 1,043,046	$ 977,923	$ (65,123)
Intergovernmental	65,000	65,000	132,082	67,082
Investment earnings	145	145	58,750	58,605
Miscellaneous	70,337	70,337	532	(69,805)
Total Revenues	**$ 1,178,528**	**$ 1,178,528**	**$ 1,169,287**	**$ (9,241)**
Expenditures				
Debt service				
Principal	$ 750,000	$ 750,000	$ 750,000	$ -
Interest	304,519	304,519	304,519	-
Administrative (fiscal) charges	405	405	1,425	(1,020)
Total Expenditures	**$ 1,054,924**	**$ 1,054,924**	**$ 1,055,944**	**$ (1,020)**
Net Change in Fund Balance	**$ 123,604**	**$ 123,604**	**$ 113,343**	**$ (10,261)**
Fund Balance – January 1	**1,073,949**	**1,073,949**	**1,073,949**	**-**
Fund Balance – December 31	**$ 1,197,553**	**$ 1,197,553**	**$ 1,187,292**	**$ (10,261)**

Fiduciary Funds – Custodial Funds

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

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

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

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

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

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

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

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

Lake County
Two Harbors, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2023

	Taxes and Penalties	State Licenses and Fees	Jail Canteen
Assets			
Cash and pooled investments	$ 449,684	$ 52,300	$ 16,838
Due from other governments	-	290,537	-
Accounts receivable	-	-	2,051
Taxes receivable for other governments	703,192	-	-
Total Assets	**$ 1,152,876**	**$ 342,837**	**$ 18,889**
Liabilities			
Accounts payable	$ -	$ -	$ 454
Due to other governments	425,418	46,884	-
Due to others	24,266	-	-
Total Liabilities	**$ 449,684**	**$ 46,884**	**$ 454**
Net Position			
Restricted for			
Individuals, organizations, and other governments	**$ 703,192**	**$ 295,953**	**$ 18,435**

Minnesota Counties Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
$ 1,067,490	$ 197,622	$ 140,369	$ 352,340	$ 277,058	$ 2,553,701
-	-	-	-	-	290,537
4,730	-	698	-	-	7,479
-	-	-	-	-	703,192
$ 1,072,220	**$ 197,622**	**$ 141,067**	**$ 352,340**	**$ 277,058**	**$ 3,554,909**
$ 15,805	$ 1,746	$ -	$ -	$ -	$ 18,005
-	-	-	-	106,285	578,587
-	-	-	-	-	24,266
$ 15,805	**$ 1,746**	**$ -**	**$ -**	**$ 106,285**	**$ 620,858**
$ 1,056,415	**$ 195,876**	**$ 141,067**	**$ 352,340**	**$ 170,773**	**$ 2,934,051**

Lake County
Two Harbors, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2023

	Taxes and Penalties	State Licenses and Fees	Jail Canteen
Additions			
Contributions			
Individuals	$ -	$ -	$ 9,864
Investment earnings			
Interest, dividends, and other	-	-	-
Property tax collections for other governments	25,653,602	-	-
License and fees collected for the state	-	512,040	-
Miscellaneous	-	-	-
Total Additions	**$ 25,653,602**	**$ 512,040**	**$ 9,864**
Deductions			
Beneficiary payments to individuals	$ -	$ -	$ 9,948
Medical, dental, and life insurance	-	-	-
Payments of property tax to other governments	25,556,593	-	-
Payments to the state	-	557,517	-
Administrative expense	-	254	-
Payments to other entities	-	-	-
Total Deductions	**$ 25,556,593**	**$ 557,771**	**$ 9,948**
Change in net position	**$ 97,009**	**$ (45,731)**	**$ (84)**
Net Position – January 1	**606,183**	**341,684**	**18,519**
Net Position – December 31	**$ 703,192**	**$ 295,953**	**$ 18,435**

Minnesota Counties Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
$ 1,631,338	$ 292,107	$ 56,223	$ 125,840	$ -	$ 2,115,372
58,330	-	7,972	-	-	66,302
-	-	-	-	14,359,661	40,013,263
-	-	-	-	-	512,040
10,776	-	-	-	-	10,776
$ 1,700,444	**$ 292,107**	**$ 64,195**	**$ 125,840**	**$ 14,359,661**	**$ 42,717,753**
$ -	$ -	$ -	$ -	$ -	$ 9,948
131,940	-	-	-	-	131,940
-	-	-	-	12,700,904	38,257,497
-	-	-	-	1,706,757	2,264,274
1,850,234	279,136	88,441	-	-	2,218,065
-	-	-	456,365	-	456,365
$ 1,982,174	**$ 279,136**	**$ 88,441**	**$ 456,365**	**$ 14,407,661**	**$ 43,338,089**
$ (281,730)	**$ 12,971**	**$ (24,246)**	**$ (330,525)**	**$ (48,000)**	**$ (620,336)**
1,338,145	**182,905**	**165,313**	**682,865**	**218,773**	**3,554,387**
$ 1,056,415	**$ 195,876**	**$ 141,067**	**$ 352,340**	**$ 170,773**	**$ 2,934,051**

Other Schedules

Exhibit D-1

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2023

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,986,532
County program aid		606,763
Disparity reduction aid		155,178
Aquatic invasive species aid		175,960
Police aid		165,156
Taconite credit		641,032
Enhanced 911		208,508
SCORE		72,440
Public safety aid		268,539
Medical assistance renewal aid		63,608
Local homeless prevention aid		44,033
Out-of-home placement aid		5,609
Market value credit		3,464
Total appropriations and shared revenue	**$**	**7,396,822**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**347,471**
Payments		
Federal		
Payments in lieu of taxes	$	1,047,636
State		
Payments in lieu of taxes		1,093,348
Local		418,755
Total payments	**$**	**2,559,739**
Grants		
State		
Minnesota Department of		
Public Safety	$	24,097
Health		2,253
Natural Resources		1,285,182
Human Services		5,405,690
Veterans Affairs		7,500
Transportation		65,000
Board of Water and Soil Resources		164,209
Trial Courts		1,328
Iron Range Resources and Rehabilitation		653,000
Pollution Control Agency		144,689
Secretary of State		4,999
Total state	**$**	**7,757,947**

Exhibit D-1
(Continued)

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2023

Grants (Continued)		
Federal		
Department of		
Agriculture	$	2,912,336
Commerce		3,546
Housing and Urban Development		202,511
Justice		22,230
Transportation		56,772
Health and Human Services		975,221
Homeland Security		169,555
Total federal	**$**	**4,342,171**
Total state and federal grants	**$**	**12,100,118**
Total Intergovernmental Revenue	**$**	**22,404,150**

Lake County
Two Harbors, Minnesota

Exhibit D-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Contract Number/ Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Direct				
U.S. Forest Service Cooperative Agreement	10.U01	16-LE-11090900-002	$ 13,500	$ -
State and Private Forestry Hazardous Fuel Reduction Program	10.697		39,962	-
State and Private Forestry Cooperative Fire Assistance	10.698		(47,816)	-
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	53,830	-
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	131,182	-
Passed Through Minnesota Department of Agriculture				
WIC Farmers' Market Nutrition Program (FMNP)	10.572	226914FMNP2023	198	-
Passed Through Minnesota Department of Natural Resources				
Cooperative Forestry Assistance	10.664	17-DG-11420004-147	10,128	-
Passed Through Minnesota Management and Budget				
Forest Service Schools and Roads Cluster				
Schools and Roads – Grants to States	10.665	P.L. 117-58	2,673,432	-
Total U.S. Department of Agriculture			**$ 2,874,416**	**$ -**
U.S. Department of Commerce				
Passed Through Minnesota Department of Natural Resources				
Coastal Zone Management Administration Awards	11.419	NA21NOS4190083	**$ 3,546**	**$ -**
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-18-0022-O-FY19	**$ 202,511**	**$ 202,511**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVS-2022-LAKEAO	**$ 22,230**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Natural Resources				
Recreational Trails Program	20.219	0006-23-2C	**$ 56,772**	**$ -**

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Contract Number/ Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	$ 19,451	$ -
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	NU90TP922026	525	-
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	10,476	-
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions Related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334	NU58DP006917	4,750	-
COVID-19 – Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	13,133	-
Temporary Assistance for Needy Families	93.558	NGA 1801MNTANF	2,675	-
(Total Temporary Assistance for Needy Families 93.558 $61,677)				
Medicaid Cluster				
Medical Assistance Program	93.778	2305MN5ADM	11,349	-
(Total Medical Assistance Program 93.778 $432,283)				
Maternal and Child Health Services Block Grant to the States	93.994	NGA: B04MC32551	14,496	-
Passed Through Minnesota Department of Human Services				
Marylee Allen Promoting Safe and Stable Families Program	93.556	2201MNFPSS	877	-
Temporary Assistance for Needy Families	93.558	2301MNTANF	59,002	-
(Total Temporary Assistance for Needy Families 93.558 $61,677)				
Child Support Services	93.563	2301MNCEST	197,428	-
Child Support Services	93.563	2301MNCSES	66,899	-
(Total Child Support Services 93.563 $264,327)				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2301MNRCMA	442	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2301MNCCDF	2,300	-
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	2,614	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	1,391	-
Foster Care – Title IV-E	93.658	2301MNFOST	43,300	-
Social Services Block Grant	93.667	2301MNSOSR	84,678	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	1,901	-
Children's Health Insurance Program	93.767	2305MN5021	556	-
Medicaid Cluster				
Medical Assistance Program	93.778	2305MN5ADM	419,349	-
Medical Assistance Program	93.778	2305MN5MAP	1,585	-
(Total Medical Assistance Program 93.778 $432,283)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI083504	16,044	-
Total U.S. Department of Health and Human Services			**$ 975,221**	**$ -**

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Contract Number/ Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	3319FAS190127	$ 3,500	$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR4659	20,412	-
Emergency Management Performance Grants	97.042	F-EMPG-2022-LAKECO	21,476	-
Homeland Security Grant Program	97.067	F-OPSG-2020-LAKESO	124,167	-
Total U.S. Department of Homeland Security			**$ 169,555**	**$ -**
Total Federal Awards			**$ 4,304,251**	**$ 202,511**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 131,182
Total expenditures for Forest Service Schools and Roads Cluster	2,673,432
Total expenditures for Medicaid Cluster	432,283
Total expenditures for CCDF Cluster	2,300

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake County under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Lake County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lake County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 2 – De Minimis Cost Rate

Lake County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	4,342,171
Grants received more than 60 days after year-end, considered unavailable revenue in 2023		
State and Private Forestry Hazardous Fuel Reduction Program (AL No. 10.697)		72,031
State and Private Forestry Cooperative Fire Assistance (AL No. 10.698)		640
Highway Planning and Construction (AL No. 20.205)		37,808
Unavailable revenue in 2022, recognized as revenue in 2023		
State and Private Forestry Hazardous Fuel Reduction Program (AL No. 10.697)		(59,870)
State and Private Forestry Cooperative Fire Assistance (AL No. 10.698)		(48,456)
Cooperative Forestry Assistance (AL No. 10.664)		(2,265)
Highway Planning and Construction (AL No. 20.205)		(37,808)
Expenditures per Schedule of Expenditures of Federal Awards	$	4,304,251

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
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Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Lake County
Two Harbors, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lake County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 13, 2025. This report does not include the results of our audit testing of the Lake County Housing and Redevelopment Authority component unit's internal control over financial reporting or on compliance and other matters. We issue a separate Management and Compliance Report for the Lake County Housing and Redevelopment Authority component unit.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Lake County failed to comply with the provisions of the contracting – bid laws and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2023-006 and 2023-007. Also, in connection with our audit, nothing came to our attention that caused us to believe that Lake County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Lake County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

March 13, 2025

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Lake County
Two Harbors, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Lake County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Lake County's major federal programs for the year ended December 31, 2023. Lake County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Lake County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

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

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lake County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of Lake County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lake County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 through 2023-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 through 2023-005 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on Lake County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Lake County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

March 13, 2025

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over the major federal programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.665	Forest Service Schools and Roads Cluster
93.778	Medicaid Cluster

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

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

Section II – Financial Statement Findings

2023-001 **Segregation of Duties**
Prior Year Finding Number: 2022-001
Year of Finding Origination: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

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

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

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

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

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

View of Responsible Official: Concur

2023-002 **Key Card Access**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

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

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

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

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

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

Cause: The County's Information Technology Department may not have been properly notified when an employee leaves employment. The County's key card system also does not retain documentation of when an employee's access is removed.

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

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

2023-003 **<u>Special Tests and Provisions</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Agriculture
Program: 10.665 Schools and Roads – Grants to States
Award Number and Year: P.L. 117-58; 2023

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Title 16 United States Code § 7142 states that a participating county can use Title III funds only after a 45-day public comment period.

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

Questioned Costs: None.

Context: The 45-day public comment period for fiscal year 2019 Title III funds was from October 27, 2023, to December 11, 2023.

Effect: Failing to follow program requirements could result in inappropriately expending funds and affect future funding.

Cause: New County personnel were unaware of these requirements.

Recommendation: We recommend County staff establish procedures to ensure Title III funds are not expended prior to the required public comment period.

View of Responsible Official: Concur

2023-004 **Eligibility**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM; 2023

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

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

- In METS, three case files did not contain documentation that social security numbers were verified. Additionally, two of those three files did not contain documentation that citizenship was verified.

- In MAXIS, there was one instance where judicial determination or voluntary placement agreement for Foster Care was missing.

Questioned Costs: Not applicable. The County administers the program, but the State of Minnesota pays benefits to participants in this program.

Context: The State of Minnesota and Lake County Public Health and Human Services split the eligibility determination process. Pursuant to Minnesota statutes, Lake County Public Health and Human Services performs the "intake function" needed for this program, while the state maintains the MAXIS and METS systems, which support the eligibility determination process. Participants receive benefit payments from the state.

The sample size was based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information in MAXIS and METS documenting verification of key eligibility-determining factors increases the risk that program participants will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS and METS did not ensure all required information was obtained or retained.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained, retained, and properly input or updated in MAXIS and METS. In addition, Lake County should consider providing further training to program personnel.

View of Responsible Official: Concur

2023-005 **Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220)**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM; 2023

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are accurate and completed in accordance with DHS reporting instructions. DHS Bulletin No. 16-32-04 requires the Local Collaborative Time Study (LCTS) Fiscal Reporting and Payment Agent to review DHS-3220 quarterly reports prior to their submission.

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

Questioned Costs: None.

Context: The DHS-3220 Cost Schedules are submitted quarterly by each member of a collaborative to DHS for reimbursement of LCTS money, which is reimbursed to the County, in part, with federal Medical Assistance Program funds. Lake County Public Health and Human Services acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Lake County.

The sample size was based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: If reviews are not performed, there is an increased possibility that an error will occur and not be detected, resulting in the County receiving the incorrect amount of federal reimbursements.

Cause: Staff from Lake County Public Health and Human Services were not aware of the review requirements for the collaborative partners' quarterly reports.

Recommendation: We recommend the County implement procedures to ensure the DHS-3220 Cost Schedules are reviewed and evidence of the review is retained.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2023-006 **Contracting and Bidding – Withholding Affidavit for Contractors (Form IC-134)**
Prior Year Finding Number: 2022-005
Year of Finding Origination: 2022
Type of Finding: Minnesota Legal Compliance

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

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

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

Effect: Noncompliance with Minn. Stat. § 270C.66.

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

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

View of Responsible Official: Acknowledge

2023-007 **Publication of Board Minutes**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 375.12 requires the County to publish all Board meeting minutes in the official newspaper of the County as designated by the County Board. These publications should be done within 30 days of the meeting.

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

Context: County Board meetings are typically held twice a month with 16 days between meetings. Meeting minutes are approved by the County Board at the subsequent meeting.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The summaries of Board minutes were not published timely due to County staff absences.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledge

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

Representation of Lake County
Two Harbors, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2024

Finding Number: 2023-002
Finding Title: Key Card Access

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2024

Finding Number: 2023-003
Finding Title: Special Tests and Provisions
Program: 10.665 Forest Service Schools and Roads Cluster, Schools and Roads – Grants to States

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2025

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

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2024

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

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2024

Finding Number: 2023-006
Finding Title: Contracting and Bidding – Withholding Affidavit for Contractors (Form IC-134)

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2025

Finding Number: 2023-007
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:
Matthew Huddleston, County Administrator

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

Anticipated Completion Date:
12-31-2024

Lake County Auditor/Treasurer
Linda Libal, County Auditor/Treasurer
Ronelle Radle, Chief Deputy
Lake County Court House
601 3rd Avenue
Two Harbors, MN 55616
218.834.8315

Representation of Lake County
Two Harbors, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

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

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

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

Finding Number: 2022-002
Year of Finding Origination: 2022
Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: A new Highway Accountant is in place. The 2023 amounts will be reviewed and recorded correctly. Human Services will review establishing custodial funds when the County acts as a fiduciary for assets of individuals.

Status: Fully corrected. Corrective action was taken.

Finding Number: 2022-003
Year of Finding Origination: 2021
Finding Title: Reporting
Program: Schools and Roads – Grants to States (Assistance Listing #10.665)

Summary of Condition: The County did not submit the required certification by February 1, 2023, for Title III funds expended in 2022.

Summary of Corrective Action Previously Reported: Report will be submitted by February 1 of each year.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2022-004
Year of Finding Origination: 2022
Finding Title: Suspension and Debarment
Program: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing #21.027)

Summary of Condition: For two covered transactions tested, the verification for suspension or debarred vendors was not performed before entering into the covered transactions.

Summary of Corrective Action Previously Reported: County will maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County prior to entering into a covered transaction.

Status: Fully Corrected.

Corrective action taken was significantly different than the action previously reported.

The County did not enter into any new covered transactions for the Coronavirus State and Local Fiscal Recovery Funds during the year.

Finding Number: 2022-005
Year of Finding Origination: 2022
Finding Title: Contracting and Bidding

Summary of Condition: Testing of compliance with State of Minnesota contracting and bid laws identified the following instances of noncompliance for one of the two contracts over $175,000 tested:

- The County did not obtain payment or performance bonds at the time the agreement for a project was signed.
- The County did not obtain the responsible contractor certification.
- The County did not obtain Minnesota Form IC-134, Contractor Affidavit, before making final payment on a project as required by Minnesota Statutes.
- The disclosure regarding prompt payment to subcontracts was not included in the contract.

Summary of Corrective Action Previously Reported: County will follow procedures currently used by the Highway Department for Construction Projects to ensure that contracting and bidding is performed in accordance with applicable statutes.

Status: Partially corrected. County Administration will work with Department Heads to follow procedures currently used by the Highway Department for Construction Projects to ensure that contracting and bidding is performed in accordance with applicable statutes.