State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Lake County
Two Harbors, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than $40 billion in annual financial activity by local governments and approximately $20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

  This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

Lake County
Two Harbors, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Lake County
Two Harbors, Minnesota

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Lake County
Two Harbors, Minnesota

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Introductory Section

Lake County
Two Harbors, Minnesota

Organization
December 31, 2022

			Term Expires
Elected			
Commissioner	Peter Walsh	District 1	January 2023
Commissioner	Derrick Goutermont	District 2	January 2025
Commissioner	Rick Hogenson	District 3	January 2025
Commissioner	Jeremy Hurd	District 4	January 2023
Commissioner	Rich Sve	District 5	January 2025
Attorney	Russ Conrow		January 2023
Auditor/Treasurer	Linda Libal		January 2023
Recorder	Lori Ekstrom		January 2023
Sheriff	Nathan Stadler		January 2023
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, 2022, 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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

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for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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 fund financial statements, budgetary comparison schedules for each nonmajor special revenue fund and the Debt Service Fund, the combining fiduciary fund financial statements, the Schedule of Intergovernmental Revenue, and the 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 February 20, 2024, on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

/s/Julie Blaha	*/s/Chad Struss*
Julie Blaha State Auditor	Chad Struss, CPA Deputy State Auditor

February 20, 2024

Management’s Discussion and Analysis

Lake County
Two Harbors, Minnesota

Management's Discussion and Analysis
December 31, 2022
(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, 2022. 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 $128,519,682, of which $95,645,650 is the net investment in capital assets and $14,500,959 is restricted to specific purposes.

- Lake County's governmental activities' net position increased by $6,110,714 for the year ended December 31, 2022. 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 $26,676.

- The net cost of governmental activities was $12,276,311 for the current fiscal year. The net cost was funded by general revenues and other items totaling $18,387,025.

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 — 2022	Governmental Activities — 2021 Restated*
Assets		
Current and other assets	$ 50,713	$ 43,790
Capital assets	99,790	101,912
Total Assets	$ 150,503	$ 145,702
Deferred Outflows of Resources	$ 5,825	$ 4,396
Liabilities		
Long-term liabilities outstanding	$ 24,108	$ 17,146
Other liabilities	2,535	3,669
Total Liabilities	$ 26,643	$ 20,815
Deferred Inflows of Resources	$ 1,165	$ 6,874
Net Position		
Net investment in capital assets	$ 95,646	$ 97,429
Restricted	14,501	11,221
Unrestricted	18,373	13,759
Total Net Position	$ 128,520	$ 122,409

* See Change in Accounting Principles in Note 1 to the financial statements.

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities — 2022	Governmental Activities — 2021
Revenues		
Program revenues		
Fees, fines, charges, and other	$ 3,831	$ 3,980
Operating grants and contributions	16,320	17,269
Capital grants and contributions	2,171	2,626
General revenues		
Property taxes	11,369	11,391
Other taxes	3,191	3,214
Unrestricted grants and contributions	3,469	1,659
Investment earnings	209	(24)
Gain on sale of capital assets	15	128
Miscellaneous	134	53
Total Revenues	$ 40,709	$ 40,296
Expenses		
General government	$ 5,581	$ 5,472
Public safety	6,340	5,333
Highways and streets	8,905	7,307
Sanitation	452	382
Human services	3,964	3,342
Health	4,244	3,525
Culture and recreation	1,034	1,481
Conservation of natural resources	1,004	916
Economic development	2,755	1,205
Interest	319	336
Total Expenses	$ 34,598	$ 29,299
Increase (Decrease) in Net Position	$ 6,111	$ 10,997
Net Position – January 1 (as restated)	122,409	111,412
Net Position – December 31	$ 128,520	$ 122,409

Governmental Activities

The cost of all governmental activities this year was $34,598,672. 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 $18,387,025, because some of the cost was paid by those who directly benefited from the programs ($3,830,969) or by other governments and organizations that subsidized certain programs with grants and contributions ($18,491,392). 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 — 2022	Total Cost of Services — 2021	Net Cost of Services — 2022	Net Cost of Services — 2021
General government	$ 5,581	$ 5,472	$ 587	$ 706
Public safety	6,340	5,333	5,528	4,442
Highways and streets	8,905	7,307	1,841	201
Human services	3,964	3,342	1,811	1,287
Health	4,244	3,525	438	(302)
All others	5,564	4,320	2,071	(909)
Total	$ 34,598	$ 29,299	$ 12,276	$ 5,425

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 $38,699,921 in 2022, compared with $31,513,311 in 2021, an increase of $7,186,610. 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 2022 of $7,397,855, or 19.12 percent, of total fund balance. Nonspendable fund balance was $398,821, and restricted fund balance was $6,999,034. Unrestricted fund balance was $31,302,066, or 80.88 percent, of total fund balance. Unrestricted fund balance was $1,482,384 committed, $12,068,620 assigned, and $17,751,062 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, 2022, unrestricted fund balance for the General Fund was $17,896,395, compared to $13,451,012 in 2021. 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 89.38 percent of the General Fund's operating revenues and 113.79 percent of operating expenditures.

The Road and Bridge Special Revenue Fund's unrestricted fund balance increased to $6,379,327 in 2022, compared to unrestricted fund balance of $5,141,160 in 2021. In 2022, there was an unbudgeted increase in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 72.78 percent of the fund's operating revenues and 98.16 percent of operating expenditures.

The Human Services Special Revenue Fund's unrestricted fund balance was $6,291,151 in 2022, compared to $6,124,058 in 2021. The increase in fund balance is due to an unbudgeted increase in intergovernmental revenues. Unrestricted fund balance at the end of the year represented 75.09 percent of the fund's operating revenues and 77.37 percent of operating expenditures.

The Forfeited Tax Special Revenue Fund's unrestricted fund balance was $80,894 in 2022, compared to $54,804 in 2021. The increase in the balance of the Forfeited Tax Special Revenue Fund is due to an unexpected increase in revenues. Unrestricted fund balance at the end of the year represented 6.96 percent of the fund's operating revenues and 9.53 percent of operating expenditures.

General Fund Budgetary Highlights

Over the course of the year, the County Board reviews the County's General Fund budget and may make budget amendments. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There were no budget amendments in the General Fund budget in 2022.

In the General Fund, the actual charges to appropriations (expenditures) were $2,218,327 over the final budget amounts. Unbudgeted expenditures included $233,336 of trails expenditures, $196,926 of public safety expenditures, and $2,253,174 of other economic development expenditures. These were offset by savings in various other General Fund departments.

Resources available for appropriation were also above the final budgeted amount by $7,196,178. This was primarily due to greater than expected collections in intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the County had $99,789,949 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 Depreciation, in Thousands)

	Governmental Activities — 2022	Governmental Activities — 2021, Restated*
Land	$ 3,968	$ 3,968
Buildings and improvements	15,594	15,469
Machinery, vehicles, furniture, and equipment	1,988	2,372
Leased equipment	212	258
Infrastructure	78,028	79,845
Totals	$ 99,790	$ 101,912

* See Change in Accounting Principles in Note 1 to the financial statements.

The County’s fiscal year 2023 capital budget calls for it to spend another $352,000 for miscellaneous improvements at various buildings, $145,000 on vehicles for various departments, $1,500,205 on equipment for various departments, and $17,580,000 for road construction. The road construction will be funded by state-aid construction funds.

Debt

At year-end, the County had $9,540,000 in bonds and notes outstanding, versus $10,260,000 last year—a decrease of 7.02 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 — 2022	Governmental Activities — 2021, Restated*
General obligation bonds	$ 9,540	$ 10,260
Lease liability	214	258
Compensated absences	1,638	1,597
Net pension liability	12,018	4,370
Net other postemployment benefits	542	490
Unamortized premium	156	171
Total	$ 24,108	$ 17,146

* See Change in Accounting Principles in Note 1 to the financial statements.

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 2023 budget and tax rates.

- County General Fund expenditures for 2023 are budgeted to decrease 3.71 percent over 2022.
- Property tax levies increased 4.00 percent for 2023.

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 County Auditor/ Treasurer, Linda Libal, 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, 2022

	Primary Government Governmental Activities	Discretely Presented Component Unit
Assets		
Cash and pooled investments	$ 35,549,348	$ 804,252
Receivables	14,077,431	31,343
Inventories	299,187	-
Leases receivable		
Due within one year	48,863	-
Due in more than one year	724,700	-
Prepaid items	13,096	-
Restricted assets		
Cash	-	121,526
Capital assets		
Non-depreciable or amortizable capital assets	3,968,383	-
Depreciable or amortizable capital assets – net of accumulated depreciation and amortization	95,821,566	734,193
Total Assets	**$ 150,502,574**	**$ 1,691,314**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$ 28,554	$ -
Deferred pension outflows	5,795,996	-
Total Deferred Outflows of Resources	**$ 5,824,550**	**$ -**
Liabilities		
Accounts payable and other current liabilities	$ 1,763,663	$ 19,983
Accrued interest payable	31,300	-
Due to primary government	-	6,210
Unearned revenue	739,863	2,459
Security deposits payable	-	19,041
Long-term liabilities		
Due within one year	871,019	-
Due in more than one year	10,677,212	281,794
Other postemployment benefits liability	541,732	-
Net pension liability	12,017,903	-
Total Liabilities	**$ 26,642,692**	**$ 329,487**

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

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2022

	Primary Government Governmental Activities	Discretely Presented Component Unit
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$ 95,154	$ -
Deferred pension inflows	299,613	-
Deferred lease inflows	769,983	-
Total Deferred Inflows of Resources	**$ 1,164,750**	**$ -**
Net Position		
Net investment in capital assets	$ 95,645,650	$ 452,399
Restricted for		
General government	1,556,207	-
Public safety	709,806	-
Highways and streets	10,613,984	-
Conservation of natural resources	467,650	-
Debt service	1,073,949	-
Human services	79,363	-
Housing	-	102,125
Unrestricted	18,373,073	807,303
Total Net Position	**$ 128,519,682**	**$ 1,361,827**

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

Lake County
Two Harbors, Minnesota

Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Fees, Charges, Fines, and Other
Primary government		
Governmental activities		
General government	$ 5,580,987	$ 813,757
Public safety	6,340,540	108,365
Highways and streets	8,904,523	89,248
Sanitation	451,626	39,965
Human services	3,964,114	364,830
Health	4,244,636	404,775
Culture and recreation	1,034,287	-
Conservation of natural resources	1,003,880	268,889
Economic development	2,754,931	1,741,140
Interest	319,148	-
Total Governmental Activities	**$ 34,598,672**	**$ 3,830,969**
Component unit		
Housing and Redevelopment Authority	**$ 509,570**	**$ 334,344**

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

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

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

Exhibit 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Discretely Presented Component Unit
$ 4,180,624	$ -	$ (586,606)	
703,844	-	(5,528,331)	
4,803,094	2,171,136	(1,841,045)	
-	-	(411,661)	
1,788,228	-	(1,811,056)	
3,402,356	-	(437,505)	
477,000	-	(557,287)	
827,353	-	92,362	
137,757	-	(876,034)	
-	-	(319,148)	
$ 16,320,256	**$ 2,171,136**	**$ (12,276,311)**	
$ -	**$ -**		**$ (175,226)**
		$ 11,369,445	$ 113,810
		677,462	-
		1,190,228	-
		998,399	-
		325,000	-
		3,469,042	6,528
		208,576	2,542
		15,149	-
		133,724	25,670
		$ 18,387,025	**$ 148,550**
		$ 6,110,714	**$ (26,676)**
		122,408,968	**1,388,503**
		$ 128,519,682	**$ 1,361,827**

Fund Financial Statements

Governmental Funds

Lake County
Two Harbors, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 18,535,945	$ 9,667,467
Escheat cash	36,538	-
Petty cash and change funds	1,050	1,000
Taxes receivable – delinquent	145,531	30,914
Accounts receivable	35,148	-
Accrued interest receivable	133,530	-
Loans receivable	50,000	-
Leases receivable	582,217	-
Due from other funds	219,397	27,435
Due from other governments	2,847,688	8,117,861
Prepaid items	-	-
Inventories	-	299,187
Total Assets	**$ 22,587,044**	**$ 18,143,864**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 276,027	$ 149,516
Salaries payable	159,799	62,433
Contracts payable	-	159,034
Due to other funds	27,645	80,945
Due to other governments	38,564	54,300
Unearned revenue	580,463	159,400
Total Liabilities	**$ 1,082,498**	**$ 665,628**
Deferred Inflows of Resources		
Unavailable revenue – taxes	$ 103,020	$ 22,070
Unavailable revenue – grants	110,591	7,665,593
Unavailable revenue – long-term receivables	-	-
Deferred lease inflows	574,339	-
Total Deferred Inflows of Resources	**$ 787,950**	**$ 7,687,663**

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

Exhibit 3

Human Services	Forfeited Tax	Nonmajor Funds	Total
$ 5,448,188	$ -	$ 1,858,110	$ 35,509,710
-	-	-	36,538
1,000	50	-	3,100
39,308	-	22,905	238,658
321	583,631	-	619,100
-	-	-	133,530
-	-	-	50,000
-	191,346	-	773,563
3,058	80,945	-	330,835
1,635,573	141,039	293,982	13,036,143
13,096	-	-	13,096
-	-	-	299,187
$ 7,140,544	**$ 997,011**	**$ 2,174,997**	**$ 51,043,460**
$ 230,821	$ 10,641	$ -	$ 667,005
50,127	8,457	-	280,816
-	-	-	159,034
19,381	202,864	-	330,835
427,749	-	136,195	656,808
-	-	-	739,863
$ 728,078	**$ 221,962**	**$ 136,195**	**$ 2,834,361**
$ 28,856	$ -	$ 16,572	$ 170,518
-	-	293,982	8,070,166
-	498,511	-	498,511
-	195,644	-	769,983
$ 28,856	**$ 694,155**	**$ 310,554**	**$ 9,509,178**

Lake County
Two Harbors, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Loans receivables	$ 50,000	$ -
Inventories	-	299,187
Missing heirs	36,538	-
Prepaid items	-	-
Restricted for		
Law library	112,129	-
Recorder's technology equipment	405,824	-
Enhanced 911	629,111	-
County property recorder's fee	488,733	-
Law and prosecutorial equipment	75,695	-
County roads	-	3,112,059
Sheriff's contingency fund	5,000	-
Title III forest	101,377	-
Opioid remediation	-	-
Aquatic invasive species	366,273	-
Debt service	-	-
Lodging tax	549,521	-
Committed to		
Rescue squad capital expenditures	25,019	-
Election equipment	103,427	-
Out-of-home placement costs	-	-
Forestry road grant	-	-
Forestry road maintenance	-	-
Unorganized townships – emergency services	-	-
Assigned to		
Capital assets	15,568	-
Wellness grant	1,319	-
Highways and streets	-	6,379,327
Human services	-	-
Resource development	-	-
Unassigned	17,751,062	-
Total Fund Balances	**$ 20,716,596**	**$ 9,790,573**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 22,587,044**	**$ 18,143,864**

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

Exhibit 3
(Continued)

Human Services	Forfeited Tax	Nonmajor Funds	Total
$ -	$ -	$ -	$ 50,000
-	-	-	299,187
-	-	-	36,538
13,096	-	-	13,096
-	-	-	112,129
-	-	-	405,824
-	-	-	629,111
-	-	-	488,733
-	-	-	75,695
-	-	-	3,112,059
-	-	-	5,000
-	-	-	101,377
79,363	-	-	79,363
-	-	-	366,273
-	-	1,073,949	1,073,949
-	-	-	549,521
-	-	-	25,019
-	-	-	103,427
1,000,000	-	-	1,000,000
-	53,390	-	53,390
-	27,504	-	27,504
-	-	273,044	273,044
-	-	-	15,568
-	-	-	1,319
-	-	-	6,379,327
5,291,151	-	-	5,291,151
-	-	381,255	381,255
-	-	-	17,751,062
$ 6,383,610	**$ 80,894**	**$ 1,728,248**	**$ 38,699,921**
$ 7,140,544	**$ 997,011**	**$ 2,174,997**	**$ 51,043,460**

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, 2022

Fund balances – total governmental funds (Exhibit 3)		**$ 38,699,921**
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.		99,789,949
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		8,739,195
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.		
Deferred other postemployment benefits outflows	$ 28,554	
Deferred pension outflows	5,795,996	5,824,550
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	$ (9,540,000)	
Compensated absences	(1,637,741)	
Bond premium	(156,191)	
Leases	(214,299)	
Net pension liability	(12,017,903)	
Other postemployment benefits liability	(541,732)	
Accrued interest payable	(31,300)	(24,139,166)
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	$ (95,154)	
Deferred pension inflows	(299,613)	(394,767)
Net Position of Governmental Activities (Exhibit 1)		**$ 128,519,682**

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 Balances
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge
Revenues		
Taxes	$ 9,356,733	$ 3,070,646
Licenses and permits	19,205	14,272
Intergovernmental	9,412,442	5,604,914
Charges for services	565,334	49,488
Fines and forfeits	7,001	-
Investment earnings	193,138	-
Gifts and contributions	9,600	-
Miscellaneous	458,856	25,488
Total Revenues	**$ 20,022,309**	**$ 8,764,808**
Expenditures		
Current		
General government	$ 5,541,714	$ -
Public safety	5,807,525	-
Highways and streets	-	6,498,959
Sanitation	416,261	-
Human services	-	-
Health	-	-
Culture and recreation	926,471	-
Conservation of natural resources	127,250	-
Economic development	2,754,931	-
Capital outlay		
General government	41,017	-
Sanitation	29,121	-
Conservation of natural resources	-	-
Debt service		
Principal	76,888	-
Interest	6,835	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 15,728,013**	**$ 6,498,959**
Excess of Revenues Over (Under) Expenditures	**$ 4,294,296**	**$ 2,265,849**
Other Financing Sources (Uses)		
Transfers in	$ 78,566	$ 700
Transfers out	(700)	-
Leases issued	70,138	-
Total Other Financing Sources (Uses)	**$ 148,004**	**$ 700**
Net Change in Fund Balances	**$ 4,442,300**	**$ 2,266,549**
Fund Balances – January 1	**16,274,296**	**7,689,633**
Increase (decrease) in inventories	**-**	**(165,609)**
Fund Balances – December 31	**$ 20,716,596**	**$ 9,790,573**

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

Exhibit 5

	Human Services	Forfeited Tax	Nonmajor Funds	Total
	$ 1,791,447	$ -	$ 1,091,101	$ 15,309,927
	-	346	135	33,958
	5,817,022	204,444	261,211	21,300,033
	482,874	69,272	-	1,166,968
	-	-	-	7,001
	-	1,131	14,307	208,576
	-	-	2,000	11,600
	286,731	886,128	482	1,657,685
	$ 8,378,074	**$ 1,161,321**	**$ 1,369,236**	**$ 39,695,748**
	$ -	$ -	$ 7,058	$ 5,548,772
	-	-	149,946	5,957,471
	-	-	-	6,498,959
	-	-	-	416,261
	3,864,364	-	-	3,864,364
	4,230,138	-	-	4,230,138
	-	-	147	926,618
	-	832,319	-	959,569
	-	-	-	2,754,931
	-	-	-	41,017
	-	-	-	29,121
	-	16,288	-	16,288
	37,044	-	720,000	833,932
	72	-	326,944	333,851
	-	-	2,375	2,375
	$ 8,131,618	**$ 848,607**	**$ 1,206,470**	**$ 32,413,667**
	$ 246,456	**$ 312,714**	**$ 162,766**	**$ 7,282,081**
	$ -	$ -	$ 208,058	$ 287,324
	-	(286,624)	-	(287,324)
	-	-	-	70,138
	$ -	**$ (286,624)**	**$ 208,058**	**$ 70,138**
	$ 246,456	**$ 26,090**	**$ 370,824**	**$ 7,352,219**
	6,137,154	**54,804**	**1,357,424**	**31,513,311**
	-	**-**	**-**	**(165,609)**
	$ 6,383,610	**$ 80,894**	**$ 1,728,248**	**$ 38,699,921**

Lake County
Two Harbors, Minnesota

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities For the Year Ended December 31, 2022

Net change in fund balances – total governmental funds (Exhibit 5)			**$ 7,352,219**
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	$	8,739,195	
Unavailable revenue – January 1		(7,773,686)	965,509
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	$	1,675,045	
Current year depreciation and amortization		(3,796,864)	(2,121,819)
Debt issuances provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position. Debt repayment is an expenditure in funds, but a reduction of a liability in the statement of net position.			
Debt issued			
Leases			(70,138)
Principal repayments			
General obligation bonds	$	720,000	
Amortization of bond premium		14,616	
Leases		113,932	848,548
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	$	2,462	
Change in compensated absences		(41,182)	
Change in net pension asset		(46,672)	
Change in net pension liability		(7,647,404)	
Change in deferred pension outflows		1,434,101	
Change in deferred pension inflows		5,633,271	
Change in other postemployment benefits liability		(51,801)	
Change in other postemployment benefits outflows		(5,701)	
Change in other postemployment benefits inflows		24,930	
Change in inventories		(165,609)	(863,605)
Change in Net Position of Governmental Activities (Exhibit 2)			**$ 6,110,714**

Fiduciary Funds

Lake County
Two Harbors, Minnesota

Exhibit 7

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 91,589	$ 3,120,051
Due from other governments	-	396,751
Accounts receivable	-	8,336
Taxes receivable for other governments	-	606,183
Total Assets	**$ 91,589**	**$ 4,131,321**
Liabilities		
Accounts payable	$ -	$ 7,468
Due to other governments	-	549,453
Due to others	-	20,013
Total Liabilities	**$ -**	**$ 576,934**
Net Position		
Restricted for		
Individuals, organizations, and other governments	**$ 91,589**	**$ 3,554,387**

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

Lake County
Two Harbors, Minnesota

Exhibit 8

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	$ 390,505	$ 2,656,392
Investment earnings		
Interest, dividends, and other	-	16,020
Property tax collections for other governments	-	40,687,341
License and fees collected for the state	-	1,079,638
Miscellaneous	-	9,595
Total Additions	**$ 390,505**	**$ 44,448,986**
Deductions		
Beneficiary payments to individuals	$ 393,134	$ 11,532
Medical, dental, and life insurance	-	133,020
Payments of property tax to other governments	-	39,185,294
Payments to the state	-	2,604,411
Administrative expense	-	1,745,631
Payments to other entities	-	209,400
Total Deductions	**$ 393,134**	**$ 43,889,288**
Change in net position	**$ (2,629)**	**$ 559,698**
Net Position – January 1	**94,218**	**2,994,689**
Net Position – December 31	**$ 91,589**	**$ 3,554,387**

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, 2022. 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 presented on a consolidated basis by column and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

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, 2022. A market approach is used to value all investments other than external investment pools, 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 2022 were $189,061 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 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 then. 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 other purpose unless the Board of Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

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

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

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

Use of Estimates

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

Change in Accounting Principles

During the year ended December 31, 2022, Lake County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases,* which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide financial statements by increasing the beginning balances of the right-to-use capital assets and the leases liability by $258,093. Also, the beginning balances of the leases receivable and deferred inflows of resources – deferred lease inflows increased by $820,893.

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following nonmajor funds:

Excess of Expenditures Over Budget

	Final Budget	Expenditures	Excess
Unorganized Townships Special Revenue Fund	$ 143,250	$ 157,004	$ 13,754
Resource Development Special Revenue Fund	-	147	147
Debt Service Fund	1,047,349	1,049,319	1,970

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, 2022

Primary government	
Cash and pooled investments	$ 35,549,348
Component unit	
Cash and pooled investments	804,252
Restricted cash	121,526
Fiduciary funds	
Cash and pooled investments	3,211,640
Total Cash and Investments	$ 39,686,766

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, 2022, 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) 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 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, 2022, and information relating to potential investment risks:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

	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	$	222,575
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	03/30/2026		225,840
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	04/29/2026		136,674
Federal Home Loan Bank Bonds	AAA	Moody's	<5%	06/15/2026		181,380
Total Federal Home Loan Bank Bonds					$	766,469
Federal Home Loan Mortgage Corporation Notes	AAA	Moody's	<5%	10/27/2027	$	249,438
Municipal bonds						
New York City Transitional Fin Auth	Aa1	Moody's	<5%	02/01/2025	$	160,298
Lancaster School, CA GO Bond	AA	S&P	<5%	08/01/2025		213,897
New York State Dorm Authority	Aa1	S&P	<5%	02/15/2027		236,805
Phoenixville, PA Area School District	Aa2	S&P	<5%	11/15/2027		220,953
Total municipal bonds					$	831,953
Negotiable certificates of deposit						
JP Morgan Chase Bank	N/A	N/A	<5%	10/30/2026	$	172,396
Texas Exchange Bank	N/A	N/A	<5%	12/18/2023		191,908
BMO Harris Bank	N/A	N/A	<5%	04/13/2026		218,378
Sallie Mae Bank	N/A	N/A	<5%	07/21/2026		176,706
Baycoast Bank	N/A	N/A	<5%	01/31/2024		193,942
Eaglebank	N/A	N/A	<5%	01/17/2023		199,770
Goldman Sachs Bank	N/A	N/A	<5%	07/28/2026		215,918
State Bank of India, NY	N/A	N/A	<5%	09/28/2026		215,931
Live Oak Bank	N/A	N/A	<5%	08/11/2028		205,048
Hingham Institution for Savings	N/A	N/A	<5%	04/28/2023		197,560

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022 (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk		Carrying (Fair) Value
Savannah Bank	N/A	N/A	<5%	12/29/2027		242,472
Capital One Bank	N/A	N/A	<5%	03/25/2024		237,199
Ally Bank	N/A	N/A	<5%	04/22/2024		238,123
Popular Bank	N/A	N/A	<5%	05/03/2024		238,721
Nicolet National Bank	N/A	N/A	<5%	09/30/2024		242,699
American Express National Bank	N/A	N/A	<5%	03/03/2025		230,969
Comenity Bank	N/A	N/A	<5%	07/14/2025		192,440
Morgan Stanley Bank	N/A	N/A	<5%	08/04/2025		238,248
City National Bank	N/A	N/A	<5%	11/24/2025		246,106
CFG Community Bank	N/A	N/A	<5%	12/11/2025		239,482
Morgan Stanley Private Bank	N/A	N/A	<5%	09/16/2027		238,917
Total negotiable certificates of deposit					$	4,572,933
Investment pools/mutual funds						
Money market fund	N/R	N/A	N/A	N/A	$	11,731
MAGIC Fund	N/R	N/A	82.81%	N/A		30,991,631
Total Investment pools/mutual funds					$	31,003,362
Total investments					$	37,424,155
Deposits – primary government						1,297,195
Deposits – component unit						925,778
Petty cash and change funds						3,100
Escheat cash						36,538
Total Cash and Investments					$	39,686,766

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, 2022, Lake County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	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	$ 1,015,907	$ -	$ 1,015,907	$ -
Municipal bonds	831,953	-	831,953	-
Negotiable certificates of deposit	4,572,933	-	4,572,933	-
Total Investments Included in the Fair Value Hierarchy	$ 6,420,793	$ -	$ 6,420,793	$ -
Investments measured at the net asset value (NAV)				
Money market fund	11,731			
MAGIC Portfolio	28,791,631			
MAGIC Term	2,200,000			
Total Investments	$ 37,424,155			

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 net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

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, 2022, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental activities		
Taxes	$ 238,658	$ -
Due from other governments	13,036,143	-
Accounts	619,100	-
Interest	133,530	-
Loans receivable	50,000	50,000
Leases receivable	773,563	724,700
Total Governmental Activities	$ 14,850,994	$ 774,700

Loans Receivable

Loans receivable consist of outstanding loans to a township for a wastewater project facility plan.

Leases Receivable

The County implemented GASB Statement No. 87, *Leases*, in fiscal year 2022. Under this statement, a lessor 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 2022, the General Fund and Forfeited Tax Special Revenue Fund received total principal and interest payments of $32,686 and $21,605, respectively.

Capital Assets

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

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 3,968,383	$ -	$ -	$ 3,968,383
Capital assets depreciated				
Buildings	$ 25,052,575	$ 280,324	$ -	$ 25,332,899
Improvements other than buildings	1,049,953	413,896	46,754	1,417,095
Machinery, furniture, and equipment	13,069,790	244,646	123,201	13,191,235
Infrastructure	122,596,458	666,041	-	123,262,499
Total capital assets depreciated	$ 161,768,776	$ 1,604,907	$ 169,955	$ 163,203,728
Less: accumulated depreciation for				
Buildings	$ 9,904,947	$ 523,816	$ -	$ 10,428,763
Improvements other than buildings	728,528	45,958	46,754	727,732
Machinery, furniture, and equipment	10,698,015	628,676	123,201	11,203,490
Infrastructure	42,751,994	2,482,611	-	45,234,605
Total accumulated depreciation	$ 64,083,484	$ 3,681,061	$ 169,955	$ 67,594,590
Total capital assets depreciated, net	$ 97,685,292	$ (2,076,154)	$ -	$ 95,609,138
Capital assets amortized				
Leased buildings and building space	$ 74,135	$ -	$ -	$ 74,135
Leased machinery and equipment	183,958	70,138	-	254,096
Total capital assets amortized	$ 258,093	$ 70,138	$ -	$ 328,231
Less: accumulated amortization for				
Leased buildings and building space	$ -	$ 37,068	$ -	$ 37,068
Leased machinery and equipment	-	78,735	-	78,735
Total accumulated amortization	$ -	$ 115,803	$ -	$ 115,803
Total capital assets amortized, net	$ 258,093	$ (45,665)	$ -	$ 212,428
Total Capital Assets, Net	$ 101,911,768	$ (2,121,819)	$ -	$ 99,789,949

* See Change in Accounting Principles in Note 1.

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	$	324,214
Public safety		269,291
Highways and streets, including depreciation of infrastructure assets		2,855,031
Human services		41,207
Sanitation		9,666
Culture and recreation		271,845
Conservation of natural resources		25,610
Total Depreciation and Amortization Expense – Governmental Activities	$	3,796,864

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

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

Due To/From Other Funds as of December 31, 2022

Receivable Fund	Payable Fund		Amount	Purpose
General Fund	Human Services Special Revenue Fund	$	19,381	Reimbursement for services
	Forfeited Tax Special Revenue Fund		200,016	Reimbursement for deficit cash
Total due to General Fund		$	219,397	
Road and Bridge Special Revenue Fund	Forfeited Tax Special Revenue Fund	$	2,848	Reimbursement for services
	General Fund		24,587	Reimbursement for services
Total Due to Road and Bridge Special Revenue Fund		$	27,435	
Human Services Special Revenue Fund	General Fund	$	3,058	Reimbursement for services
Forfeited Tax Special Revenue Fund	Road and Bridge Special Revenue Fund	$	80,945	Reimbursement for services
Total Due To/From Other Funds		$	330,835	

Interfund Transfers

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

Interfund Transfers for the Year Ended December 31, 2022

Transfer to General Fund from Forfeited Tax Special Revenue Fund	$	78,566	Tax forfeit apportionment
Transfer to Road and Bridge Special Revenue Fund from General Fund		700	To transfer funds for mattress hauling
Transfer to Resource Development Fund from Forfeited Tax Special Revenue Fund		196,416	Tax forfeit apportionment
Transfer to Unorganized Townships Fund from Forfeited Tax Special Revenue Fund		11,642	Tax forfeit apportionment
Total Transfers	$	287,324	

Liabilities

Payables

Payables at December 31, 2022, were as follows:

Governmental Activities Payable at December 31, 2022

	Governmental Activities
Accounts payable	$ 667,005
Salaries payable	280,816
Contracts payable	159,034
Due to other governments	656,808
Total Payables	$ 1,763,663

Long-Term Debt

Governmental Activities

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General obligation bonds					
G.O. Capital Improvement Refunding Bonds, Series 2014A	2030	$60,000-$355,000	2.00-3.25	$ 2,410,000	$ 565,000
G.O. Judgment Bonds, Series 2018A	2033	$390,000-$590,000	3.00-3.25	7,235,000	5,610,000
G.O. Capital Improvement Bonds, Series 2018B	2033	$115,000-$235,000	3.00-3.50	2,765,000	2,185,000
G.O. Capital Improvement Bonds, Series 2019A	2034	$70,000-$115,000	3.00-4.00	1,400,000	1,180,000
Total				$ 13,810,000	$ 9,540,000
Plus: unamortized premium					156,191
Total General Obligation Bonds					$ 9,696,191

Debt Service Requirements

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

Governmental Activities

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2023	$ 750,000	$ 304,519
2024	770,000	279,569
2025	795,000	253,919
2026	825,000	227,344
2027	850,000	201,694
2028-2032	4,495,000	600,264
2033-2034	1,055,000	37,750
Total	$ 9,540,000	$ 1,905,059

Leases

The County has entered into various lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department, 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 and the Health and Human Services Special Revenue Fund.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2022

Year Ending December 31	Principal	Interest
2023	$ 121,019	$ 6,393
2024	52,753	3,221
2025	25,321	1,606
2026	10,692	665
2027	4,514	269
Total	$ 214,299	$ 12,154

Changes in Long-Term Liabilities

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

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance Restated*	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation improvement refunding bonds	$ 625,000	$ -	$ 60,000	$ 565,000	$ 65,000
General obligation judgment bonds	6,035,000	-	425,000	5,610,000	440,000
General obligation capital improvement bonds	3,600,000	-	235,000	3,365,000	245,000
Bond premium	170,807	-	14,616	156,191	-
Compensated absences	1,596,559	765,100	723,918	1,637,741	-
Leases	258,093	70,138	113,932	214,299	121,019
Total Long-Term Liabilities	$ 12,285,459	$ 835,238	$ 1,572,466	$ 11,548,231	$ 871,019

* See Change in Accounting Principles in Note 1.

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, 2022, 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, 2022, six 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 $541,732 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2021. 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, 2022, 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	2.00 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.25 percent, decreasing to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is the same as 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-2020 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, 2022

	Total OPEB Liability
Balance at December 31, 2021	$ 489,931
Changes for the year	
Service cost	$ 55,397
Interest	10,764
Benefit payments	(14,360)
Net change	$ 51,801
Balance at December 31, 2022	$ 541,732

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, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 581,487
Current	2.00%	541,732
1% Increase	3.00%	503,953

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, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 477,183
Current	6.25% Decreasing to 5.00%	541,732
1% Increase	7.25% Decreasing to 6.00%	618,061

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

For the year ended December 31, 2022, the County recognized OPEB expense of $32,572. 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, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 78,679
Changes in actuarial assumptions	15,916	16,475
Contributions made subsequent to the measurement date	12,638	-
Total	$ 28,554	$ 95,154

The $12,638 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, 2023. 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, 2022

Year Ended December 31	OPEB Expense Amount
2023	$ (20,951)
2024	(20,951)
2025	(20,949)
2026	(6,206)
2027	(10,181)

Changes in Actuarial Methods and Assumptions

No changes in actuarial assumptions occurred in 2022.

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, but before July 1, 2014, 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 for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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. 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 2021.

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, 2022

General Employees Plan	$	480,048
Police and Fire Plan		222,408
Correctional Plan		58,371

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

Pension Costs

General Employees Plan

At December 31, 2022, Lake County reported a liability of $6,494,427 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0820 percent. It was 0.0834 percent measured as of June 30, 2021. The County recognized pension expense of $868,952 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 $28,448 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, 2022

The County's proportionate share of the net pension liability	$	6,494,427
State of Minnesota's proportionate share of the net pension liability associated with the County		190,388
Total	$	6,684,815

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, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 54,246	$ 70,439
Changes in actuarial assumptions	1,494,142	26,350
Difference between projected and actual investment earnings	69,541	-
Changes in proportion	70,079	44,840
Contributions paid to PERA subsequent to the measurement date	260,553	-
Total	$ 1,948,561	$ 141,629

The $260,553 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, 2023. 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, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 595,907
2024	599,181
2025	(236,033)
2026	587,324

Police and Fire Plan

At December 31, 2022, the County reported a liability of $4,564,834 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1049 percent. It was 0.1048 percent measured as of June 30, 2021. The County recognized pension expense of $187,066 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, 2022. 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 $38,688 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, 2022

The County's proportionate share of the net pension liability	$ 4,564,834
State of Minnesota's proportionate share of the net pension liability associated with the County	199,449
Total	$ 4,764,283

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $9,441 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, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 280,578	$ -
Changes in actuarial assumptions	2,686,198	29,780
Difference between projected and actual investment earnings	68,810	-
Changes in proportion	10,947	95,106
Contributions paid to PERA subsequent to the measurement date	119,081	-
Total	$ 3,165,614	$ 124,886

The $119,081 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, 2023. 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, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 558,095
2024	560,700
2025	493,775
2026	929,144
2027	379,933

Correctional Plan

At December 31, 2022, the County reported a liability of $958,642 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.2884 percent. It was 0.2841 percent measured as of June 30, 2021. The County recognized pension expense of $331,553 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, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 31,247
Changes in actuarial assumptions	617,896	1,380
Difference between projected and actual investment earnings	30,210	-
Changes in proportion	667	471
Contributions paid to PERA subsequent to the measurement date	33,048	-
Total	$ 681,821	$ 33,098

The $33,048 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, 2023. 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, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 209,485
2024	218,923
2025	110,253
2026	77,014

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,387,571.

Actuarial Assumptions

The total pension liability in the June 30, 2022, 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, 2022

	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	6.50%	6.50%	6.50%

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 per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, 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 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

- 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.

Correctional Plan

- 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.

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, 2022

	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
1% Decrease	5.50%	$ 10,258,288	4.40%	$ 6,908,290	4.42%	$ 1,688,599
Current	6.50%	6,494,427	5.40%	4,564,834	5.42%	958,642
1% Increase	7.50%	3,407,480	6.40%	2,670,289	6.42%	384,731

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, 2022

	Employee	Employer
Contribution amount	$ 11,122	$ 11,122
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 2022, 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 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. 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	
	2022	2021
Unpaid claims, beginning of fiscal year	$ -	$ -
Incurred claims (including incurred but not reported)	139,395	123,496
Claims payments	(139,395)	(123,496)
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 $618,864 in funding during 2022.

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 $5,600 in administration support fees to this organization in 2022.

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 2022.

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, 2022, consists of total assets of $165,313 and total liabilities of $165,313.

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 2022.

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 2022.

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 2022.

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 2022.

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 2022.

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

Opioid Settlement Funds

Lake County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributers, and pharmacy chains. The County is expected to receive $684,547 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. The County recorded activity related to the settlement in the Human Services Special Revenue Fund. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 31, 2022, the County received $79,363 as part of the settlement.

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.

Cash and Cash Equivalents

The Authority’s cash and cash equivalents consist of savings and checking accounts, cash on hand, and certificates of deposit. Restricted cash is shown separately from cash and cash equivalents.

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 applicable governmental or business-type activities column 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
Machinery and equipment	7

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.

Detailed Notes

Assets

Deposits

The Authority's total deposits are reported as follows:

Reconciliation of the Authority's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Government-wide statement of net position		
Governmental activities		
Cash	$	589,976
Restricted assets		
Cash		102,125
Business-type activities		
Cash		214,276
Restricted assets		
Security deposits		19,401
Total Cash	$	925,778

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 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, 2022, the Authority's deposits were not exposed to custodial credit risk.

Capital Assets

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

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Equipment	$ 1,866	$ 1,062	$ -	$ 2,928
Less: accumulated depreciation for				
Equipment	1,866	-	-	1,866
Governmental Activities Capital Assets, Net	$ -	$ 1,062	$ -	$ 1,062

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings and structures	$ 1,951,232	$ -	$ -	$ 1,951,232
Equipment	51,505	-	-	51,505
Total capital assets depreciated	$ 2,002,737	$ -	$ -	$ 2,002,737
Less: accumulated depreciation for				
Buildings and structures	$ 1,170,978	$ 51,253	$ -	$ 1,222,231
Equipment	43,967	3,408	-	47,375
Total accumulated depreciation	$ 1,214,945	$ 54,661	$ -	$ 1,269,606
Business-Type Activities Capital Assets, Net	$ 787,792	$ (54,661)	$ -	$ 733,131

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

Depreciation Expense Charged to Functions/Programs

Business-Type Activities	
Housing	$ 54,661

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

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

Interfund Balances as of December 31, 2022

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

Interfund Transfers

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

Interfund Transfers for the Year Ended December 31, 2022

Transfer to Local Housing Trust Fund from General Fund	$ 100,000	To establish the Local Housing Trust Fund

Liabilities

Long-Term Debt

Business-Type Activities

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2012 General Obligation Senior Housing Bonds	2028	Varies	1.0-3.5	$ 860,000	$ 285,000

Debt Service Requirements

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

Business-Type Activities

Debt Service Requirements as of December 31, 2022

Year Ending	Revenue Bonds	
December 31	Principal	Interest
2023	$ -	$ -
2024	60,000	8,388
2025	60,000	6,588
2026	65,000	4,556
2027	65,000	2,363
2028	35,000	613
Totals	$ 285,000	$ 22,508

Changes in Long-Term Liabilities

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
2012 General Obligation Senior Housing Bonds	$ 345,000	$ -	$ 60,000	$ 285,000	$ -
Less: unamortized discount	(4,009)	-	(803)	(3,206)	-
Total Bonds Payable	$ 340,991	$ -	$ 59,197	$ 281,794	$ -

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,129,509	$ 8,129,509	$ 9,356,733	$ 1,227,224
Licenses and permits	17,350	17,350	19,205	1,855
Intergovernmental	3,866,253	3,866,253	9,412,442	5,546,189
Charges for services	460,683	460,683	565,334	104,651
Fines and forfeits	6,000	6,000	7,001	1,001
Investment earnings	150,634	150,634	193,138	42,504
Gifts and contributions	-	-	9,600	9,600
Miscellaneous	195,702	195,702	458,856	263,154
Total Revenues	**$ 12,826,131**	**$ 12,826,131**	**$ 20,022,309**	**$ 7,196,178**
Expenditures				
Current				
General government				
Commissioners	$ 310,376	$ 310,376	$ 156,937	$ 153,439
Courts	34,150	34,150	19,006	15,144
Law library	8,000	8,000	3,379	4,621
County administration	335,203	335,203	331,522	3,681
County auditor	651,959	651,959	629,697	22,262
County assessor	535,951	535,951	534,191	1,760
Elections	52,887	52,887	111,790	(58,903)
Accounting and auditing	90,280	90,280	66,829	23,451
Data processing	1,133,562	1,133,562	1,044,092	89,470
Personnel	248,977	248,977	247,427	1,550
Attorney	488,334	488,334	439,154	49,180
Recorder	318,400	318,400	262,560	55,840
Planning and zoning	563,815	563,815	490,325	73,490
Buildings and plant	1,088,464	1,088,464	1,041,781	46,683
Veterans service officer	108,771	108,771	98,855	9,916
Motor pool	93,890	93,890	33,768	60,122
Other general government	-	-	30,401	(30,401)
Total general government	**$ 6,063,019**	**$ 6,063,019**	**$ 5,541,714**	**$ 521,305**
Public safety				
Sheriff	$ 2,593,444	$ 2,593,444	$ 2,430,949	$ 162,495
Ambulance	551,729	551,729	565,079	(13,350)
Emergency services	320,899	320,899	359,046	(38,147)
Coroner	37,500	37,500	27,069	10,431
County jail	1,135,707	1,135,707	1,176,446	(40,739)
Community corrections	622,074	622,074	620,613	1,461
Sentence to serve	89,300	89,300	88,068	1,232
Emergency management	107,520	107,520	250,791	(143,271)
Other public safety	152,426	152,426	289,464	(137,038)
Total public safety	**$ 5,610,599**	**$ 5,610,599**	**$ 5,807,525**	**$ (196,926)**

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

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ 273,508	$ 273,508	$ 178,674	$ 94,834
Recycling	288,150	288,150	221,604	66,546
Hazardous waste	18,200	18,200	15,983	2,217
Total sanitation	**$ 579,858**	**$ 579,858**	**$ 416,261**	**$ 163,597**
Culture and recreation				
Historical society	$ 60,000	$ 60,000	$ 60,000	$ -
Arenas	316,791	316,791	306,085	10,706
Humane Society	3,500	3,500	3,500	-
Memorial Day observance	3,000	3,000	-	3,000
Recreation board	153,660	153,660	153,550	110
Trails	-	-	233,336	(233,336)
County/regional library	170,000	170,000	170,000	-
Total culture and recreation	**$ 706,951**	**$ 706,951**	**$ 926,471**	**$ (219,520)**
Conservation of natural resources				
County extension	$ 71,612	$ 71,612	$ 65,891	$ 5,721
Soil and water conservation	67,202	67,202	36,093	31,109
Agricultural society/County fair	22,386	22,386	25,266	(2,880)
Water planning	4,571	4,571	-	4,571
CWP project	14,488	14,488	-	14,488
Wetland challenge	5,000	5,000	-	5,000
Total conservation of natural resources	**$ 185,259**	**$ 185,259**	**$ 127,250**	**$ 58,009**
Economic development				
Information centers	$ 6,500	$ 6,500	$ 6,500	$ -
Airports	7,500	7,500	7,500	-
Housing and Redevelopment Authority	-	-	137,757	(137,757)
Other economic development	350,000	350,000	2,603,174	(2,253,174)
Total economic development	**$ 364,000**	**$ 364,000**	**$ 2,754,931**	**$ (2,390,931)**
Capital outlay				
General government	$ -	$ -	$ 41,017	$ (41,017)
Sanitation	-	-	29,121	(29,121)
Total capital outlay	**$ -**	**$ -**	**$ 70,138**	**$ (70,138)**

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	$ -	$ -	$ 76,888	$ (76,888)
Interest	-	-	6,835	(6,835)
Total debt service	**$ -**	**$ -**	**$ 83,723**	**$ (83,723)**
Total Expenditures	**$ 13,509,686**	**$ 13,509,686**	**$ 15,728,013**	**$ (2,218,327)**
Excess of Revenues Over (Under) Expenditures	**$ (683,555)**	**$ (683,555)**	**$ 4,294,296**	**$ 4,977,851**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 78,566	$ 78,566
Transfers out	(25,000)	(25,000)	(700)	24,300
Leases issued	-	-	70,138	70,138
Total Other Financing Sources (Uses)	**$ (25,000)**	**$ (25,000)**	**$ 148,004**	**$ 173,004**
Net Change in Fund Balance	**$ (708,555)**	**$ (708,555)**	**$ 4,442,300**	**$ 5,150,855**
Fund Balance – January 1	**16,274,296**	**16,274,296**	**16,274,296**	**-**
Fund Balance – December 31	**$ 15,565,741**	**$ 15,565,741**	**$ 20,716,596**	**$ 5,150,855**

Lake County
Two Harbors, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,889,600	$ 2,889,600	$ 3,070,646	$ 181,046
Licenses and permits	-	-	14,272	14,272
Intergovernmental	5,501,462	5,501,462	5,604,914	103,452
Charges for services	3,500	3,500	49,488	45,988
Miscellaneous	27,000	27,000	25,488	(1,512)
Total Revenues	**$ 8,421,562**	**$ 8,421,562**	**$ 8,764,808**	**$ 343,246**
Expenditures				
Current				
Highways and streets				
Administration	$ 412,547	$ 412,547	$ 407,386	$ 5,161
Maintenance	2,886,476	2,886,476	1,516,720	1,369,756
Construction	4,396,836	4,396,836	3,532,120	864,716
Equipment maintenance and shop	781,857	781,857	1,042,733	(260,876)
Total Expenditures	**$ 8,477,716**	**$ 8,477,716**	**$ 6,498,959**	**$ 1,978,757**
Excess of Revenues Over (Under) Expenditures	**$ (56,154)**	**$ (56,154)**	**$ 2,265,849**	**$ 2,322,003**
Other Financing Sources (Uses)				
Transfers in	-	-	700	700
Net Change in Fund Balance	**$ (56,154)**	**$ (56,154)**	**$ 2,266,549**	**$ 2,322,703**
Fund Balance – January 1	**7,689,633**	**7,689,633**	**7,689,633**	**-**
Increase (decrease) in inventories	**-**	**-**	**(165,609)**	**(165,609)**
Fund Balance – December 31	**$ 7,633,479**	**$ 7,633,479**	**$ 9,790,573**	**$ 2,157,094**

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

Lake County
Two Harbors, Minnesota

Exhibit A-3

Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,911,499	$ 1,911,499	$ 1,791,447	$ (120,052)
Intergovernmental	4,889,889	4,889,889	5,817,022	927,133
Charges for services	190,500	190,500	482,874	292,374
Miscellaneous	123,350	123,350	286,731	163,381
Total Revenues	**$ 7,115,238**	**$ 7,115,238**	**$ 8,378,074**	**$ 1,262,836**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,130,490	$ 1,130,490	$ 1,255,087	$ (124,597)
Social services	3,087,735	3,087,735	2,609,277	478,458
Total human services	**$ 4,218,225**	**$ 4,218,225**	**$ 3,864,364**	**$ 353,861**
Health				
Nursing service	$ 97,302	$ 97,302	$ 74,156	$ 23,146
Transportation	105,998	105,998	112,453	(6,455)
Environmental health	140,076	140,076	150,330	(10,254)
Mental health	2,568,272	2,568,272	3,575,284	(1,007,012)
Health education	320,663	320,663	317,915	2,748
Total health	**$ 3,232,311**	**$ 3,232,311**	**$ 4,230,138**	**$ (997,827)**
Debt service				
Principal	$ -	$ -	$ 37,044	$ (37,044)
Interest	-	-	72	(72)
Total debt service	**$ -**	**$ -**	**$ 37,116**	**$ (37,116)**
Total Expenditures	**$ 7,450,536**	**$ 7,450,536**	**$ 8,131,618**	**$ (681,082)**
Net Change in Fund Balance	**$ (335,298)**	**$ (335,298)**	**$ 246,456**	**$ 581,754**
Fund Balance – January 1	**6,137,154**	**6,137,154**	**6,137,154**	**-**
Fund Balance – December 31	**$ 5,801,856**	**$ 5,801,856**	**$ 6,383,610**	**$ 581,754**

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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 1,190	$ 1,190	$ 346	$ (844)
Intergovernmental	62,000	62,000	204,444	142,444
Charges for services	15,000	15,000	69,272	54,272
Investment earnings	-	-	1,131	1,131
Miscellaneous	600,650	600,650	886,128	285,478
Total Revenues	**$ 678,840**	**$ 678,840**	**$ 1,161,321**	**$ 482,481**
Expenditures				
Current				
Conservation of natural resources				
Land use	$ 611,196	$ 611,196	$ 832,319	$ (221,123)
Capital outlay				
Conservation of natural resources	7,000	7,000	16,288	(9,288)
Total Expenditures	**$ 618,196**	**$ 618,196**	**$ 848,607**	**$ (230,411)**
Excess of Revenues Over (Under) Expenditures	**$ 60,644**	**$ 60,644**	**$ 312,714**	**$ 252,070**
Other Financing Sources (Uses)				
Transfers out	-	-	(286,624)	(286,624)
Net Change in Fund Balance	**$ 60,644**	**$ 60,644**	**$ 26,090**	**$ (34,554)**
Fund Balance – January 1	**54,804**	**54,804**	**54,804**	**-**
Fund Balance – December 31	**$ 115,448**	**$ 115,448**	**$ 80,894**	**$ (34,554)**

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

Lake County
Two Harbors, Minnesota

Exhibit A-5

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 55,397	$ 53,783	$ 37,029	$ 31,227	$ 38,756
Interest	10,764	16,122	18,175	18,301	17,891
Differences between expected and actual experience	-	(57,349)	-	(88,004)	-
Changes of assumption or other inputs	-	(13,942)	27,853	(15,209)	-
Benefit payments	(14,360)	(21,503)	(22,766)	(33,974)	(39,361)
Net change in total OPEB liability	**$ 51,801**	**$ (22,889)**	**$ 60,291**	**$ (87,659)**	**$ 17,286**
Total OPEB Liability – Beginning	**489,931**	**512,820**	**452,529**	**540,188**	**522,902**
Total OPEB Liability – Ending	**$ 541,732**	**$ 489,931**	**$ 512,820**	**$ 452,529**	**$ 540,188**
Covered-employee payroll	$ 7,771,655	$ 7,545,296	$ 7,201,631	$ 6,991,875	$ 6,963,854
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.97%	6.49%	7.12%	6.47%	7.76%

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

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

Lake County
Two Harbors, Minnesota

Exhibit A-6

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

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
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

Lake County
Two Harbors, Minnesota

Exhibit A-7

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

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)
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, 2022

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
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.

Lake County
Two Harbors, Minnesota

Exhibit A-9

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022

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)
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.

Exhibit A-10

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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
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.

Lake County
Two Harbors, Minnesota

Exhibit A-11

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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)
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.

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

Note 1 – Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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 exceeding appropriations for the year ended December 31, 2022:

Excess of Expenditures over Appropriations

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current			
General government			
Elections	$ 111,790	$ 52,887	$ 58,903
Other general government	30,401	-	30,401
Public safety			
Ambulance	565,079	551,729	13,350
Emergency services	359,046	320,899	38,147
County jail	1,176,446	1,135,707	40,739
Emergency management	250,791	107,520	143,271
Other public safety	289,464	152,426	137,038
Culture and recreation			
Trails	233,336	-	233,336
Conservation of natural resources			
Agricultural society/County fair	25,266	22,386	2,880
Economic development			
Housing and Redevelopment Authority	137,757	-	137,757
Other economic development	2,603,174	350,000	2,253,174
Capital Outlay			
General government	41,017	-	41,017
Sanitation	29,121	-	29,121
Debt Service			
Principal	76,888	-	76,888
Interest	6,835	-	6,835
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Equipment maintenance and shop	1,042,733	781,857	260,876
Human Services Special Revenue Fund			
Current			
Human services			
Income maintenance	1,255,087	1,130,490	124,597
Health			
Transportation	112,453	105,998	6,455
Environmental health	150,330	140,076	10,254
Mental health	3,575,284	2,568,272	1,007,012
Debt Service			
Principal	37,044	-	37,044
Interest	72	-	72
Forfeited Tax Special Revenue Fund			
Current			
Conservation of natural resources			
Land use	832,319	611,196	221,123
Capital Outlay			
Conservation of natural resources	16,288	7,000	9,288

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 75 to pay related benefits.

No changes in actuarial assumptions occurred in 2022.

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates for non-public safety personnel were updated.
- The salary increase rates were changed from a flat 3.0 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.

The following change in actuarial assumptions occurred in 2020:

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

The following changes in actuarial assumptions occurred in 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.

The following changes in plan provisions occurred in 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

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

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 MN-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

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 MN-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.

<u>2016</u>

- 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 1 and 2 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, 2022

	Special Revenue			
	Unorganized Townships	Resource Development	Debt Service	Total
Assets				
Cash and pooled investments	$ 408,520	$ 381,255	$ 1,068,335	$ 1,858,110
Taxes receivable				
Delinquent	1,463	-	21,442	22,905
Due from other governments	-	293,982	-	293,982
Total Assets	**$ 409,983**	**$ 675,237**	**$ 1,089,777**	**$ 2,174,997**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Due to other governments	**$ 136,195**	**$ -**	**$ -**	**$ 136,195**
Deferred Inflows of Resources				
Unavailable revenue – taxes	$ 744	$ -	$ 15,828	$ 16,572
Unavailable revenue – grants	-	293,982	-	293,982
Total Deferred Inflows of Resources	**$ 744**	**$ 293,982**	**$ 15,828**	**$ 310,554**
Fund Balances				
Restricted for debt service	$ -	$ -	$ 1,073,949	$ 1,073,949
Committed to unorganized townships emergency services	273,044	-	-	273,044
Assigned to resource development	-	381,255	-	381,255
Total Fund Balances	**$ 273,044**	**$ 381,255**	**$ 1,073,949**	**$ 1,728,248**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 409,983**	**$ 675,237**	**$ 1,089,777**	**$ 2,174,997**

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, 2022

	Special Revenue			
	Unorganized Townships	Resource Development	Debt Service	Total
Revenues				
Taxes	$ 122,523	$ -	$ 968,578	$ 1,091,101
Licenses and permits	135	-	-	135
Intergovernmental	30,923	95,976	134,312	261,211
Investment earnings	-	-	14,307	14,307
Gifts and contributions	-	2,000	-	2,000
Miscellaneous	-	-	482	482
Total Revenues	**$ 153,581**	**$ 97,976**	**$ 1,117,679**	**$ 1,369,236**
Expenditures				
Current				
General government	$ 7,058	$ -	$ -	$ 7,058
Public safety	149,946	-	-	149,946
Culture and recreation	-	147	-	147
Debt service				
Principal	-	-	720,000	720,000
Interest	-	-	326,944	326,944
Administrative (fiscal) charges	-	-	2,375	2,375
Total Expenditures	**$ 157,004**	**$ 147**	**$ 1,049,319**	**$ 1,206,470**
Excess of Revenues Over (Under) Expenditures	**$ (3,423)**	**$ 97,829**	**$ 68,360**	**$ 162,766**
Other Financing Sources (Uses)				
Transfers in	11,642	196,416	-	208,058
Net Change in Fund Balance	**$ 8,219**	**$ 294,245**	**$ 68,360**	**$ 370,824**
Fund Balance – January 1	**264,825**	**87,010**	**1,005,589**	**1,357,424**
Fund Balance – December 31	**$ 273,044**	**$ 381,255**	**$ 1,073,949**	**$ 1,728,248**

Lake County
Two Harbors, Minnesota

Exhibit B-3

Budgetary Comparison Schedule
Unorganized Townships Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 129,340	$ 129,340	$ 122,523	$ (6,817)
Licenses and permits	100	100	135	35
Intergovernmental	15,000	15,000	30,923	15,923
Total Revenues	**$ 144,440**	**$ 144,440**	**$ 153,581**	**$ 9,141**
Expenditures				
Current				
General government				
Elections	$ -	$ -	$ 7,058	$ (7,058)
Public safety				
Emergency services	143,250	143,250	149,946	(6,696)
Total Expenditures	**$ 143,250**	**$ 143,250**	**$ 157,004**	**$ (13,754)**
Excess of Revenues Over (Under) Expenditures	**$ 1,190**	**$ 1,190**	**$ (3,423)**	**$ (4,613)**
Other Financing Sources (Uses)				
Transfers in	-	-	11,642	11,642
Net Change in Fund Balance	**$ 1,190**	**$ 1,190**	**$ 8,219**	**$ 7,029**
Fund Balance – January 1	**264,825**	**264,825**	**264,825**	**-**
Fund Balance – December 31	**$ 266,015**	**$ 266,015**	**$ 273,044**	**$ 7,029**

Lake County
Two Harbors, Minnesota

Exhibit B-4

Budgetary Comparison Schedule
Resource Development Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 96,000	$ 96,000	$ 95,976	$ (24)
Gifts and contributions	-	-	2,000	2,000
Total Revenues	**$ 96,000**	**$ 96,000**	**$ 97,976**	**$ 1,976**
Expenditures				
Current				
Culture and recreation				
Trails	**-**	**-**	**147**	**(147)**
Excess of Revenues Over (Under) Expenditures	**$ 96,000**	**$ 96,000**	**$ 97,829**	**$ 1,829**
Other Financing Sources (Uses)				
Transfers in	-	-	196,416	196,416
Net Change in Fund Balance	**$ 96,000**	**$ 96,000**	**$ 294,245**	**$ 198,245**
Fund Balance – January 1	**87,010**	**87,010**	**87,010**	**-**
Fund Balance – December 31	**$ 183,010**	**$ 183,010**	**$ 381,255**	**$ 198,245**

Lake County
Two Harbors, Minnesota

Exhibit B-5

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,035,091	$ 1,035,091	$ 968,578	$ (66,513)
Intergovernmental	65,000	65,000	134,312	69,312
Investment earnings	145	145	14,307	14,162
Miscellaneous	70,337	70,337	482	(69,855)
Total Revenues	**$ 1,170,573**	**$ 1,170,573**	**$ 1,117,679**	**$ (52,894)**
Expenditures				
Debt service				
Principal	$ 720,000	$ 720,000	$ 720,000	$ -
Interest	326,944	326,944	326,944	-
Administrative (fiscal) charges	405	405	2,375	(1,970)
Total Expenditures	**$ 1,047,349**	**$ 1,047,349**	**$ 1,049,319**	**$ (1,970)**
Net Change in Fund Balance	**$ 123,224**	**$ 123,224**	**$ 68,360**	**$ (54,864)**
Fund Balance – January 1	**1,005,589**	**1,005,589**	**1,005,589**	**-**
Fund Balance – December 31	**$ 1,128,813**	**$ 1,128,813**	**$ 1,073,949**	**$ (54,864)**

Fiduciary Funds – Custodial Funds

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

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.

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

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

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

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

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

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, 2022

	Taxes and Penalties	State License and Fees	Jail Canteen
Assets			
Cash and pooled investments	$ 328,746	$ 38,970	$ 18,028
Due from other governments	-	396,751	-
Accounts receivable	-	-	1,037
Taxes receivable for other governments	606,183	-	-
Total Assets	**$ 934,929**	**$ 435,721**	**$ 19,065**
Liabilities			
Accounts payable	$ -	$ -	$ 546
Due to other governments	308,733	94,037	-
Due to others	20,013	-	-
Total Liabilities	**$ 328,746**	**$ 94,037**	**$ 546**
Net Position			
Restricted for			
Individuals, organizations, and other governments	**$ 606,183**	**$ 341,684**	**$ 18,519**

Minnesota Counties Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
$ 1,336,252	$ 185,185	$ 164,549	$ 682,865	$ 365,456	$ 3,120,051
-	-	-	-	-	396,751
6,535	-	764	-	-	8,336
-	-	-	-	-	606,183
$ 1,342,787	**$ 185,185**	**$ 165,313**	**$ 682,865**	**$ 365,456**	**$ 4,131,321**
$ 4,642	$ 2,280	$ -	$ -	$ -	$ 7,468
-	-	-	-	146,683	549,453
-	-	-	-	-	20,013
$ 4,642	**$ 2,280**	**$ -**	**$ -**	**$ 146,683**	**$ 576,934**
$ 1,338,145	**$ 182,905**	**$ 165,313**	**$ 682,865**	**$ 218,773**	**$ 3,554,387**

Lake County
Two Harbors, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2022

	Taxes and Penalties	State License and Fees	Jail Canteen
Additions			
Contributions			
Individuals	$ -	$ -	$ 10,470
Investment earnings:			
Interest, dividends, and other	-	-	-
Property tax collections for other governments	25,838,384	-	-
License and fees collected for the state	-	1,079,638	-
Miscellaneous	-	-	-
Total Additions	**$ 25,838,384**	**$ 1,079,638**	**$ 10,470**
Deductions			
Beneficiary payments to individuals	$ -	$ -	$ 11,532
Medical, dental, and life insurance	-	-	-
Payments of property tax to other governments	26,236,770	-	-
Payments to the state	-	737,833	-
Administrative expense	-	3,966	-
Payments to other entities	-	-	-
Total Deductions	**$ 26,236,770**	**$ 741,799**	**$ 11,532**
Change in net position	**$ (398,386)**	**$ 337,839**	**$ (1,062)**
Net Position – January 1	**1,004,569**	**3,845**	**19,581**
Net Position – December 31	**$ 606,183**	**$ 341,684**	**$ 18,519**

Minnesota Counties Information Systems	Arrowhead Health Alliance	North Shore Collaborative	Escrow Account	Cities, Towns, and Other Governments	Total Custodial Funds
$ 1,564,489	$ 301,732	$ 39,361	$ 740,340	$ -	$ 2,656,392
12,653	-	3,367	-	-	16,020
-	-	-	-	14,848,957	40,687,341
-	-	-	-	-	1,079,638
9,595	-	-	-	-	9,595
$ 1,586,737	**$ 301,732**	**$ 42,728**	**$ 740,340**	**$ 14,848,957**	**$ 44,448,986**
$ -	$ -	$ -	$ -	$ -	$ 11,532
133,020	-	-	-	-	133,020
-	-	-	-	12,948,524	39,185,294
-	-	-	-	1,866,578	2,604,411
1,385,812	262,229	93,624	-	-	1,745,631
-	-	-	209,400	-	209,400
$ 1,518,832	**$ 262,229**	**$ 93,624**	**$ 209,400**	**$ 14,815,102**	**$ 43,889,288**
$ 67,905	**$ 39,503**	**$ (50,896)**	**$ 530,940**	**$ 33,855**	**$ 559,698**
1,270,240	**143,402**	**216,209**	**151,925**	**184,918**	**2,994,689**
$ 1,338,145	**$ 182,905**	**$ 165,313**	**$ 682,865**	**$ 218,773**	**$ 3,554,387**

Other Schedules

Lake County
Two Harbors, Minnesota

Exhibit D-1

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,070,384
County program aid		603,238
Disparity reduction aid		158,977
Aquatic invasive species aid		176,495
Police aid		153,585
Taconite credit		637,023
Enhanced 911		272,268
SCORE		72,440
Market value credit		2,914
Total appropriations and shared revenue	**$**	**6,147,324**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**197,409**
Payments		
Federal		
Payments in lieu of taxes	$	1,066,513
State		
Payments in lieu of taxes		998,399
Local		734,725
Total payments	**$**	**2,799,637**
Grants		
State		
Minnesota Department of		
Public Safety	$	73,364
Health		26,528
Natural Resources		609,876
Human Services		4,283,687
Veterans Affairs		7,500
Transportation		65,000
Board of Water and Soil Resources		148,794
Iron Range Resources and Rehabilitation		475,000
Office of the Minnesota Secretary of State		33,479
Total state	**$**	**5,723,228**

Lake County
Two Harbors, Minnesota

Exhibit D-1
(Continued)

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022

Grants (Continued)		
Federal		
Department of		
Agriculture	$	2,867,879
Housing and Urban Development		137,757
Justice		38,517
Treasury		2,066,890
Education		100
Health and Human Services		1,017,158
Homeland Security		277,309
U.S. Election Assistance Commission		26,825
Total federal	**$**	**6,432,435**
Total state and federal grants	**$**	**12,155,663**
Total Intergovernmental Revenue	**$**	**21,300,033**

Lake County
Two Harbors, Minnesota

Exhibit D-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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		(169,944)	-
State and Private Forestry Cooperative Fire Assistance	10.698		47,368	-
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	59,945	-
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	137,558	-
Passed Through Minnesota Department of Natural Resources				
Cooperative Forestry Assistance	10.664	17-DG-11420004-147	(1,568)	-
Passed Through Minnesota Management and Budget				
Forest Service Schools and Roads Cluster				
Schools and Roads – Grants to States	10.665	P.L. 117-58	2,656,876	-
Total U.S. Department of Agriculture			**$ 2,743,735**	**$ -**
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-17-0042-O-FY18	$ 65,231	$ 65,231
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-18-0022-O-FY19	72,526	72,526
(Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii 14.228 $137,757)				
Total U.S. Department of Housing and Urban Development			**$ 137,757**	**$ 137,757**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVS-2022-LAKEAO	**$ 38,517**	**$ -**
U.S. Department of the Treasury				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Fund	21.027		**$ 2,066,890**	**$ -**
U.S. Department of Education				
Passed Through Carlton, Cook, Lake, and St. Louis Community Health Board				
Special Education – Grants for Infants and Families	84.181	NGA: B04MC32551	**$ 100**	**$ -**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Lake County
Two Harbors, Minnesota

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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. Election Assistance Commission				
Passed Through Office of the Minnesota Secretary of State				
COVID-19 - 2018 HAVA Election Security Grants	90.404	G53HAVA2020	**$ 26,825**	**$ -**
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	$ 11,513	$ -
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	50,348	-
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	40,468	-
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	7,000	-
Temporary Assistance for Needy Families	93.558	NGA 1801MNTANF	1,198	-
(Total Temporary Assistance for Needy Families 93.558 $64,651)				
Medicaid Cluster				
Medical Assistance Program	93.778	2205MN5ADM	14,953	-
(Total Medical Assistance Program 93.778 $434,626)				
Maternal and Child Health Services Block Grant to the States	93.994	NGA: B04MC32551	4,381	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2101MNFPSS	1,096	-
Temporary Assistance for Needy Families	93.558	2201MNTANF	63,453	-
(Total Temporary Assistance for Needy Families 93.558 $64,651)				
Child Support Enforcement	93.563	2201MNCEST	185,211	-
Child Support Enforcement	93.563	2201MNCSES	73,934	-
(Total Child Support Enforcement 93.563 $259,145)				
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCMA	301	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2201MNCCDF	2,166	-
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	3,714	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	1,446	-
Foster Care – Title IV-E	93.658	2201MNFOST	38,636	-
Social Services Block Grant	93.667	2201MNSOSR	82,556	-
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	1,601	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	2,059	-
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	10,736	-
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 $12,795)				
Children's Health Insurance Program	93.767	2205MN5021	715	-
Medicaid Cluster				
Medical Assistance Program	93.778	2205MN5ADM	417,325	-
Medical Assistance Program	93.778	2205MN5MAP	2,348	-
(Total Medical Assistance Program 93.778 $434,626)				
Total U.S. Department of Health and Human Services			**$ 1,017,158**	**$ -**

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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	R29G70CGBLA19	$ 3,404	$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR4659	189,513	-
Emergency Management Performance Grants	97.042	F-EMPG-2022-LAKECO	16,791	-
Homeland Security Grant Program	97.067	F-OPSG-2019-LAKESO	67,601	-
Total U.S. Department of Homeland Security			**$ 277,309**	**$ -**
Total Federal Awards			**$ 6,308,291**	**$ 137,757**

Totals by Cluster

Total expenditures for SNAP Cluster	$ 137,558
Total expenditures for Forest Service Schools and Roads Cluster	2,656,876
Total expenditures for CCDF Cluster	2,166
Total expenditures for Medicaid Cluster	434,626

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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, 2022. 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 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	$ 6,432,435
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
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
Unavailable revenue in 2021, recognized as revenue in 2022	
State and Private Forestry Hazardous Fuel Reduction Program (AL No. 10.697)	(229,814)
State and Private Forestry Cooperative Fire Assistance (AL No. 10.698)	(1,088)
Cooperative Forestry Assistance (AL No. 10.664)	(3,833)
Highway Planning and Construction (AL No. 20.205)	(37,808)
Expenditures per Schedule of Expenditures of Federal Awards	$ 6,308,291

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 20, 2024.

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 an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

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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 section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2022-005. Also, in connection with our audit, nothing came to our attention that caused us to believe that Lake County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Lake County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Lake County's response to the internal control and legal compliance findings identified in our audit and described in the accompanying Corrective Action Plan. Lake 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, 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

February 20, 2024

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, 2022. 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, 2022.

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 2022-003 and 2022-004. 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 2022-003 and 2022-004, 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	*/s/Chad Struss*
Julie Blaha State Auditor	Chad Struss, CPA Deputy State Auditor

February 20, 2024

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's 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? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

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

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

Assistance Listing Number	Name of Federal Program or Cluster
10.665	Forest Service Schools and Roads Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Fund

The threshold used to distinguish between Type A and B programs was $750,000.

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

Section II – Financial Statement Findings

2022-001 **Segregation of Duties**
Prior Year Finding Number: 2021-001
Repeat Finding Since: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

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.

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

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

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

Recommendation: We recommend the County's elected officials 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 by staff to the extent possible.

View of Responsible Official: Concur

2022-002 **<u>Audit Adjustments</u>**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

Criteria: 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control 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.

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

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments below were identified during the course of the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements.

- Road and Bridge Special Revenue Fund – due from other governments and intergovernmental revenue were reduced by $804,798 to remove 2023 activity.

- Human Services Special Revenue Fund – due to other governments and expenditures were increased by $396,751 to record Medical Assistance estate recoveries owed to a custodial fund.

Cause: The Highway Accountant position was vacant at the time of the audit, and the staff who worked on the Road and Bridge Fund were not as familiar with the highway revenue recognition requirements. Additionally, the Medical Assistance estate recoveries activity had not been properly recorded in a custodial fund in accordance with GASB Statement No. 84, *Fiduciary Activities*, due to this activity having been deemed immaterial to the financial statements by the County's management during past audits.

Recommendation: We recommend County staff implement procedures over financial reporting that include review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate, and the County's financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America. We also recommend the County establish a custodial fund for each instance where the County acts as a fiduciary for assets of individuals or other entities separate from the County.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

2022-003 **<u>Reporting</u>**
Prior Year Finding Number: 2021-002
Repeat Finding Since: 2021
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; 2021

Pass-Through Agency: Minnesota Management and Budget

Criteria: Per Office of Management and Budget (OMB) No. 0596-0220, not later than February 1st of the year after the year in which any Title III county funds were expended by a participating county, the participating county must submit a certification that the county funds expended in the applicable year, have been used as authorized under this title, including a description of the amounts expended and their use. The participating county certification also must include the amount of Title III funds not obligated by September 30 of the previous year.

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

Questioned Costs: None.

Context: The County submitted the required report in March 2023.

Effect: The County did not meet the reporting requirements for the program which may affect future funding.

Cause: Program personnel forgot to submit the yearly certification.

Recommendation: We recommend County staff establish procedures to ensure the required yearly certification for Title III funds is submitted to meet reporting requirements.

View of Responsible Official: Acknowledge

2022-004 **Suspension and Debarment**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction. The suspension and debarment requirements apply to covered transaction amounts over $25,000.

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

Questioned Costs: None.

Context: The County informed us that it had a prior working relationship with these vendors. In addition, neither of the vendors tested were listed as suspended or debarred on SAM.gov at the time of the audit.

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

Effect: Failure to verify vendors are not suspended or debarred may result in the County entering into a transaction with a vendor that is not authorized to provide goods and services under the grant.

Cause: The County was not aware that it had to assign specific expenditures when classifying them as "Revenue Replacement". As a result, the County did not complete its established procedures for these expenditures as identified in its Procurement Policy because it was not aware they would be assigned as funded through the SLFRF grant at the time funds were disbursed.

Recommendation: We recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County; this documentation should be completed prior to entering into a covered transaction.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2022-005 Contracting and Bidding
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 574.26, subdivision 2, states that a contract with a public body for the doing of any public work is not valid unless the contractor gives (1) a performance bond to the public body with whom the contractor entered into the contract, for the use and benefit of the public body to complete the contract according to its terms, and conditioned on saving the public body harmless from all costs and charges that may accrue on account of completing the specified work, and (2) a payment bond for the use and benefit of all persons furnishing labor and materials engaged under, or to perform the contract, conditioned for the payment, as they become due, of all just claims for the labor and materials.

Minnesota Statutes, Section 16C.285, states that for each construction contract in excess of $50,000, awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3.

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 a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Minnesota Statutes, Section 471.425, subd 4a, states that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality or pay interest of one and one-half percent per month, or any part of a month, to the subcontractor or any undisputed amount not paid on time to the subcontractor.

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.

Context: The County procured this project through a service cooperative under Minnesota Stat. § 123A.21. The County did not request payment or performance bonds since the scope of the project changed after the contract was signed to be less than $175,000.

Effect: Noncompliance with Minn. Stat. §§ 574.26, 16C.285, 270C.66, and 471.425.

Cause: County staff were not aware of all of the various contracting and bidding requirements applicable to this project.

Recommendation: We recommend the County implement procedures to ensure that contracting and bidding is performed in accordance with applicable statutes for all future contracts.

View of Responsible Official: Acknowledge

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

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
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:

12-31-2023

Finding Number: 2022-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

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.

Anticipated Completion Date:

12-31-2023

Finding Number: 2022-003
Finding Title: Reporting
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:

Report will be submitted by February 1 of each year.

Anticipated Completion Date:

12-31-2023

Finding Number: 2022-004
Finding Title: Suspension and Debarment
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

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.

Anticipated Completion Date:

12-31-2023

Finding Number: 2022-005
Finding Title: Contracting and Bidding

Name of Contact Person Responsible for Corrective Action:

Matthew Huddleston, County Administrator

Corrective Action Planned:

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.

Anticipated Completion Date:

12-31-2023

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, 2022

Finding Number: 2021-001
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 back-up 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.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002
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, 2022, for Title III funds expended in 2021.

Summary of Corrective Action Previously Reported: County will ensure that reporting is done on time.

Status: Partially Corrected. The certification was completed in March of 2023. The County Administrator has verified with the Emergency Management Coordinator that the certification will be done by February 1 moving forward.

Corrective action taken was not significantly different than the action previously reported.