

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

YEAR ENDED DECEMBER 31, 2024



Hoffman, Philipp, & Martell, PLLC

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

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INTRODUCTORY SECTION

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2024**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Anthony Flage	January 2027
2 nd District	Ron Weiss ¹	January 2025
3 rd District	Eric Mickelson**	January 2027
4 th District	Allen Remick	January 2027
5 th District	Tony Gerardy*	January 2029
<i>*Chair</i>		
<i>**Vice-Chair</i>		
Officers		
Elected:		
Attorney	Harbott, Knutson, Larson, & Holten Law Firm	January 2027
Sheriff	Mitch Bernstein	January 2027
Treasurer	Nick Knott	January 2027
Appointed:		
Assessor	Michelle Nelson	December 2028
Auditor	Kelsey Gervais	Indefinite
Medical Examiner	Dr. Mary Ann Sens	June 2028
Highway Engineer	Taylor Amiot	Indefinite
Recorder	Joyce Paquin	Indefinite
Veterans Service Officer	Kurtis Ellefson	Indefinite
Environmental Services Director	Kurt Casavan	Indefinite
Social Services Director	Kristi Nelson	Indefinite

1 Replaced by Anthony Moran on January 7, 2025.

FINANCIAL SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Red Lake County
Red Lake Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Red Lake County, as of December 31, 2024, and the respective changes in financial position, and where applicable, cash flows 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee than an audit conducted in accordance with generally accepted auditing standards 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 they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Red Lake County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered that raise substantial doubt about Red Lake 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 in our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Lake County's basic financial statements. The supplementary information and the Schedule of Expenditures, and related notes, as required by Title U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost-Principles, and Audit Requirements for Federal Awards, as listed in the table of contents, are presented for purposes of additional analysis and is 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 and the Schedule of Expenditures and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of an introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of Red Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is 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 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.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell".

Hoffman, Philipp, & Martell, PLLC
November 13, 2025

PO Box 367
Red Lake Falls, MN 56750
218/253-2598
FAX: 218/253-4894

Red Lake County Auditor's Office

Kelsey Gervais, County Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of Red Lake County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Red Lake County for the fiscal year ended December 31, 2024. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$65,972,062, of which \$58,558,938 is the net investment in capital assets, \$5,782,834 is restricted for specific purposes, and \$1,630,290 is unrestricted. The total net position of governmental activities increased by \$1,655,058 for the year ended December 31, 2024. This is attributed mainly to state funding for highway construction projects.

At the close of 2024, the County's governmental funds reported combined ending fund balances of \$5,707,050, a decrease of \$1,178,450 from the prior year. Of the total fund balance amount, \$696,459 is non-spendable, \$2,031,224 is legally or contractually restricted, \$912,000 is formally committed for specific purposes, \$1,300,742 is assigned for specific purposes, and \$766,625 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Red Lake County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, the County's activities include 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.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Red Lake County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the *Balance Sheet – Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports two governmental fund types: General and Special Revenue. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Road and Bridge Special Revenue Fund, and the Social Services Special Revenue Fund, all of which are considered to be major funds. Data from the nonmajor Ditch Special Revenue Fund is presented with the major funds.

Red Lake County adopts annual budgets for its governmental funds. *Budgetary Comparison Schedules* have been provided for the major governmental funds to demonstrate compliance with their budgets.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which, therefore, cannot be used to support the government's own programs. Red Lake County's fiduciary funds consist of one private purpose trust fund which is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and six custodial funds which are used to report resources held by the County in a purely custodial capacity. The Social Welfare Private-Purpose Trust Fund is presented in the *Statement of Fiduciary Net Position – Fiduciary Funds* and the *Statement of Changes in Fiduciary Net Position – Fiduciary Funds*. Custodial funds do not involve measurement of results of operations. In addition, the Fiduciary Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that assets reported in these funds are used for their intended purposes. Custodial Fund activities are reported in Statement 1 and Statement 2.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found beginning on page 21 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information*. The County also provides supplementary and other information including a Schedule of Expenditures of Federal Awards, a *Ditch Balance Sheet*, and a *Schedule of Intergovernmental Revenue*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$65,972,062 at the close of 2024. The largest portion of the County's net position (approximately 89 percent) reflects its net investment in capital assets (i.e., land, infrastructure, buildings, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately nine percent of the County's net position is restricted, and 2 percent of the County's net position is unrestricted. The unrestricted net position amount of \$1,630,290 as of December 31, 2024, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by \$1,638,518 from the prior year, deferred outflows of resources related to other post-employment benefits and pensions decreased by \$631,810, total liabilities decreased by \$870,830 from the prior year, and deferred inflows of resources related to other post-employment benefits and pensions increased by \$222,480. During 2024, the County changed to age-graded retiree health insurance premiums, therefore there is no longer a liability for the health insurance implicit rate subsidy. This resulted in an increased net position of \$1,655,058 from the prior year.

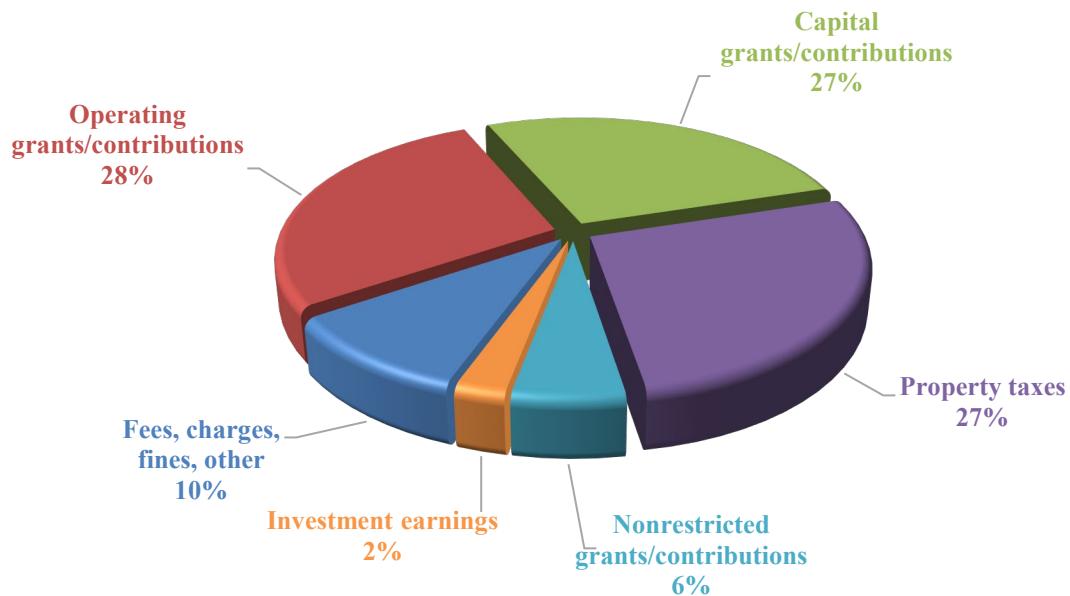
NET POSITION

	Governmental Activities	
	2024	2023
Current and other assets	\$ 10,314,309	\$ 12,062,120
Capital assets	<u>59,458,707</u>	<u>56,072,378</u>
 Total assets	 <u>\$ 69,773,016</u>	 <u>\$ 68,134,498</u>
 Deferred outflows of resources		
Related to other post-employment benefits	\$ -	\$ 60,441
Related to pensions	<u>1,442,628</u>	<u>2,013,997</u>
 Total deferred outflows of resources	 <u>\$ 1,442,628</u>	 <u>\$ 2,074,438</u>
 Other liabilities		
Long-term liabilities outstanding	\$ 610,308	\$ 234,452
 Total liabilities	 <u>\$ 2,993,538</u>	 <u>\$ 3,864,368</u>
 Deferred inflows of resources		
Related to other post-employment benefits	\$ -	\$ 1,902
Related to pensions	<u>2,250,044</u>	<u>2,025,662</u>
 Total deferred inflows of resources	 <u>\$ 2,250,044</u>	 <u>\$ 2,027,564</u>
 Net investment in capital assets		
Restricted	\$ 58,558,938	\$ 56,072,378
Unrestricted	<u>5,782,834</u>	<u>5,695,415</u>
 Total net position	 <u>\$ 65,972,062</u>	 <u>\$ 64,317,004</u>

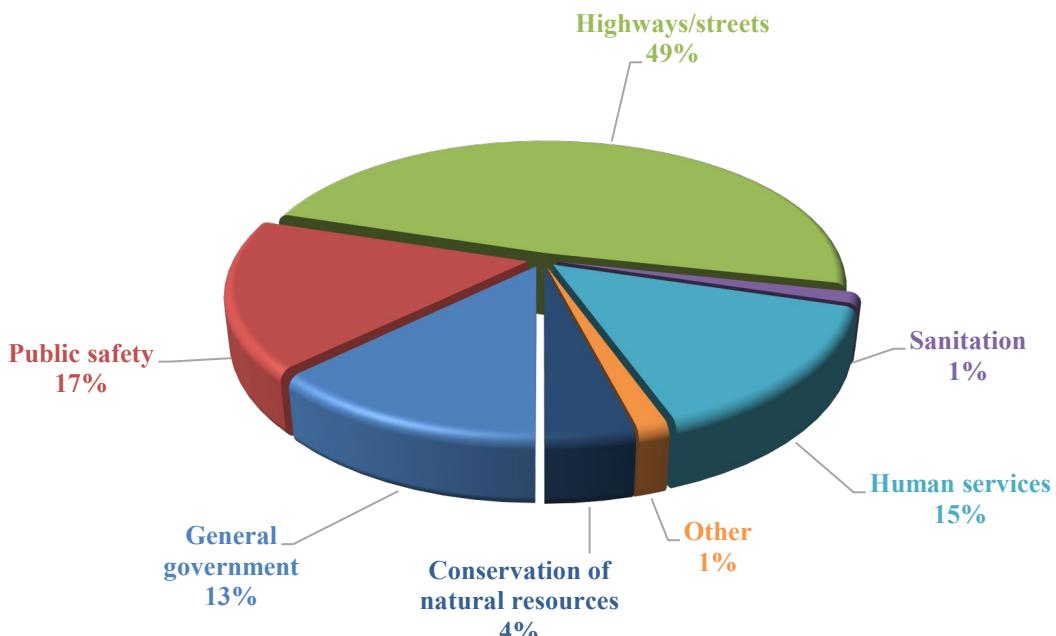
CHANGES IN NET POSITION

	Governmental Activities	
	2024	2023
 Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 1,349,155	\$ 1,443,349
Operating grants and contributions	3,763,001	4,014,372
Capital grants and contributions	3,590,311	2,477,659
General Revenues		
Property taxes	3,662,753	3,447,227
Gravel taxes	6,888	11,549
Grants and contributions		
not restricted to specific programs	754,890	604,160
Payments in lieu of taxes	13,704	12,015
Investment earnings	341,958	170,406
Miscellaneous	<u>12,632</u>	<u>15,326</u>
 Total revenues	 <u>\$ 13,495,292</u>	 <u>\$ 12,196,063</u>
 Expenses		
General government	\$ 1,542,721	\$ 1,525,464
Public safety	2,077,781	2,053,080
Highways and streets	5,866,289	4,339,669
Sanitation	150,261	213,916
Human services	1,790,196	1,746,435
Health	91,938	101,703
Culture and recreation	79,589	81,314
Conservation of natural resources	489,549	779,919
Economic development	<u>900</u>	<u>900</u>
 Total expenses	 <u>\$ 12,089,224</u>	 <u>\$ 10,842,400</u>
 Increase (decrease)	 <u>\$ 1,406,068</u>	 <u>\$ 1,353,663</u>
 Net position, January 1, as previously reported	 <u>\$ 64,317,004</u>	 <u>\$ 62,963,341</u>
Prior period adjustment	248,990	-
 Net position, January 1, as restated	 <u>\$ 64,565,994</u>	 <u>\$ 46,918,794</u>
 Net position, December 31	 <u>\$ 65,972,062</u>	 <u>\$ 64,317,004</u>

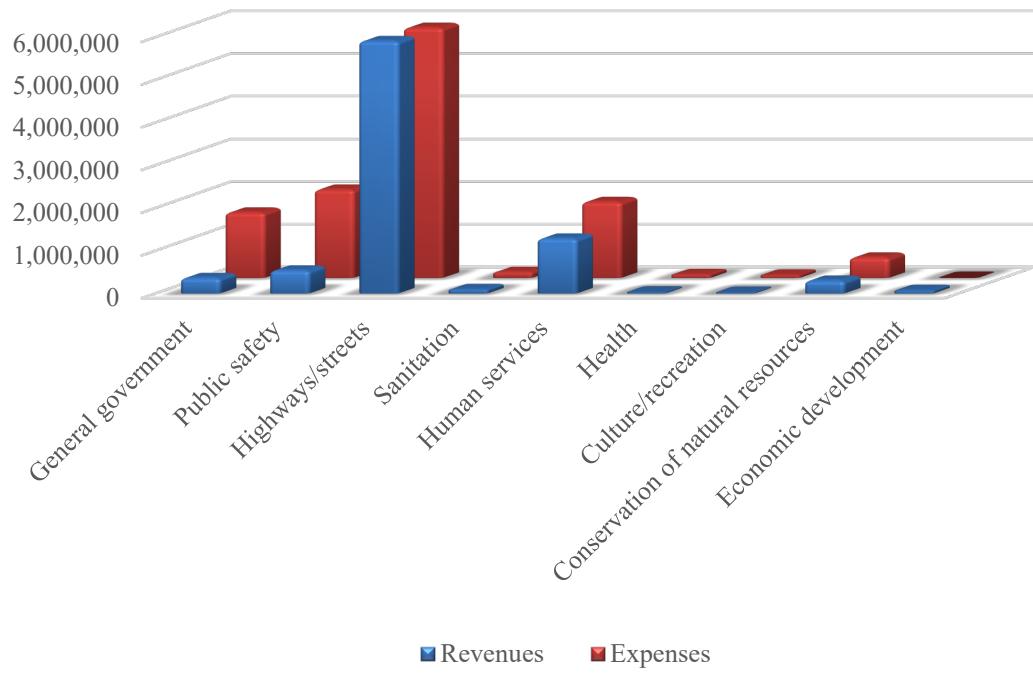
Revenues by Source



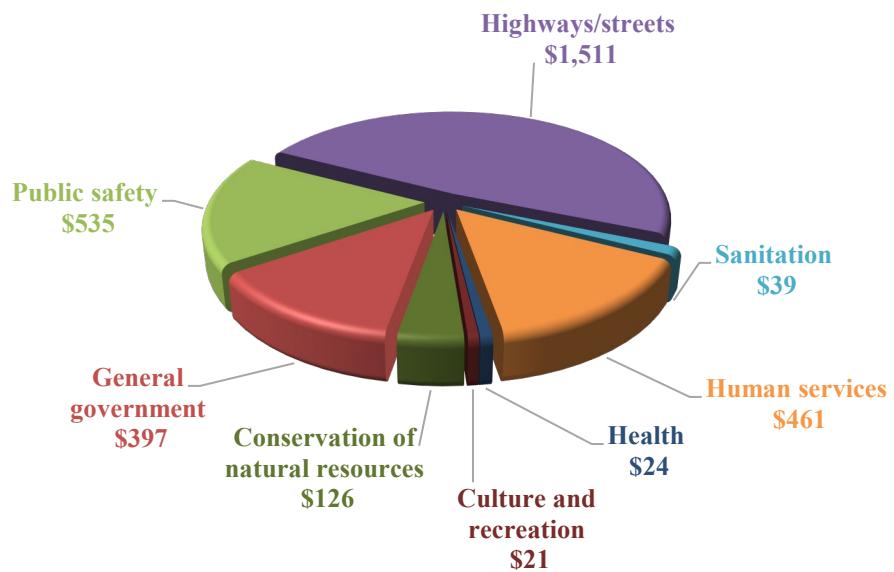
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 3,882 Population as of July 1, 2024



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows of resources, deferred outflows of resources, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2024, the County's governmental funds reported combined ending fund balance of \$5,707,050. Of this amount, approximately 12 percent constitutes non-spendable fund balance, 36 percent constitutes legally or contractually restricted fund balance, 16 percent constitutes formally committed fund balance, 23 percent constitutes specifically assigned fund balance, and 13 percent constitutes unassigned balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$2,535,955. The General Fund had no non-spendable or assigned fund balance. The restricted fund balance was \$979,570, the committed fund balance was \$312,000, and the unassigned fund balance was \$1,244,385. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2024. The unrestricted fund balance represents 35 percent, and the total fund balance represents 56 percent of total General Fund expenditures.

In 2024, the fund balance amount in the General Fund increased by \$126,312. The primary reason for this is an overall increase in interest rates.

The fund balance of the Road and Bridge Special Revenue Fund decreased by \$1,230,812 in 2024. This was due to completion of several prior projects.

The fund balance of the Social Services Special Revenue Fund decreased by \$129,699 from the prior year mainly due to a budgeted spend down of reserves.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2024.

Actual revenues were more than overall final budgeted revenues by \$262,427, with the largest positive variance in investment earnings. Actual expenditures were more than overall final budgeted expenditures by \$158,754 with the largest negative variance in capital outlay.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2024, amounted to \$59,458,707 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was six percent, due to construction of highway infrastructure.

	Governmental Activities	
	2024	2023
Land	\$ 1,043,449	\$ 997,274
Construction in progress	12,756,135	9,500,706
Infrastructure	43,527,995	43,794,260
Buildings and improvements	272,177	285,722
Machinery and equipment	1,851,418	1,494,415
Right-to-use assets	7,533	-
Total capital assets	\$ 59,458,707	\$ 56,072,377

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$7,533 which is backed by the full faith and credit of the government.

	Governmental Activities	
	2024	2023
Right to use leases	\$ 7,533	\$ -

Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2024, overall debt of the County is below the three percent debt limit.

Red Lake County's bond rating is "AAA" from Standard & Poor's. Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- Red Lake County's unemployment rate was 5.3 percent as of December 2024. This is higher than the statewide rate of 2.7 percent and the national average rate of 3.8 percent.
- Red Lake County's estimated United States Census population July 1, 2024, was 3,882, a decrease of 53 since the census of 2020. This ranks Red Lake County 85th of 87 in the State of Minnesota.
- On December 17, 2024, Red Lake County set its 2025 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Red Lake County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Red Lake County Auditor, Red Lake County Courthouse, P.O. Box 367, Red Lake Falls, Minnesota 56750.

BASIC FINANCIAL STATEMENTS

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Governmental Activities
<u>Assets</u>	
Cash and pooled investments	\$ 4,669,886
Cash with fiscal agent	108
Investments	144,716
Taxes receivable - prior	47,155
Special assessments receivable - prior	348
Accounts receivable	16,493
Accrued interest receivable	9,211
Due from other governments	4,729,933
Inventories	696,459
Capital assets	
Non-depreciable	13,799,584
Depreciable - net of accumulated depreciation	<u>45,659,123</u>
Total Assets	\$ 69,773,016
<u>Deferred Outflows of Resources</u>	
Related to pensions	\$ 1,442,628
<u>Liabilities</u>	
Accounts payable	\$ 271,320
Salaries payable	160,755
Contracts payable	162,977
Due to other governments	15,256
Long-term liabilities	
Due within one year.	124,524
Due in more than one year	293,072
Net pension liability	<u>1,965,634</u>
Total Liabilities	\$ 2,993,538
<u>Deferred Inflows of Resources</u>	
Related to pensions	\$ 2,250,044
<u>Net Position</u>	
Net investment in capital assets	\$ 58,558,938
Amounts restricted for	
General government	150,817
Public safety	64,614
Highways and streets	3,892,677
Conservation of natural resources	1,606,477
Economic development	68,249
Unrestricted amounts	<u>1,630,290</u>
Total Net Position	\$ 65,972,062

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 1,542,721	\$ 278,962	\$ 94,101	\$ -	\$ (1,169,658)
Public safety	2,077,781	155,102	395,419	-	(1,527,260)
Highways and streets	5,866,289	462,361	1,866,859	3,590,311	53,242
Sanitation	150,261	17,002	89,578	-	(43,681)
Human services	1,790,196	287,971	1,008,893	-	(493,332)
Health	91,938	34,943	-	-	(56,995)
Culture and recreation	79,589	-	28,107	-	(51,482)
Conservation of natural resources	489,549	112,814	197,899	-	(178,836)
Economic development	900	-	82,145	-	81,245
Total governmental activities	\$ 12,089,224	\$ 1,349,155	\$ 3,763,001	\$ 3,590,311	\$ (3,386,757)
General revenues					
Property taxes					\$ 3,662,753
Gravel taxes					6,888
Grants and contributions not restricted to specific programs					754,890
Payments in lieu of taxes					13,704
Investment earnings					341,958
Miscellaneous					12,632
Total general revenues					\$ 4,792,825
Change in net position					\$ 1,406,068
Net position - January 1, as previously reported					\$ 64,317,004
Prior period adjustment					248,990
Net position - January 1, as restated					\$ 64,565,994
Net position - December 31					\$ 65,972,062

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Nonmajor		Total Governmental Funds
				Ditch Special Revenue Fund		
Assets						
Cash and pooled investments	\$ 1,744,700	\$ -	\$ 1,830,527	\$ 1,094,659	\$ -	\$ 4,669,886
Cash with fiscal agent	108	-	-	-	-	108
Investments	29,835	114,881	-	-	-	144,716
Taxes receivable - prior	31,737	10,769	4,649	-	-	47,155
Special assessments receivable - prior	-	-	-	348	-	348
Accounts receivable	4,715	3,124	8,654	-	-	16,493
Accrued interest receivable	9,211	-	-	-	-	9,211
Due from other funds	776,160	-	-	-	-	776,160
Due from other governments	70,717	4,518,880	130,358	9,978	-	4,729,933
Inventories	-	696,459	-	-	-	696,459
Total Assets	\$ 2,667,183	\$ 5,344,113	\$ 1,974,188	\$ 1,104,985	\$ -	\$ 11,090,469
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 44,374	\$ 197,817	\$ 23,021	\$ 6,108	\$ -	\$ 271,320
Salaries payable	63,174	69,647	27,934	-	-	160,755
Due to other funds	-	725,164	6,151	44,845	-	776,160
Due to other governments	309	-	12,917	2,030	-	15,256
Contracts payable	-	162,977	-	-	-	162,977
Total Liabilities	\$ 107,857	\$ 1,155,605	\$ 70,023	\$ 52,983	\$ -	\$ 1,386,468
Deferred Inflows of Resources						
Unavailable revenues						
Taxes	\$ 23,371	\$ 7,930	\$ 3,423	\$ -	\$ -	\$ 34,724
Special assessments	-	-	-	348	-	348
County State Aid Highway Allotment	-	3,961,879	-	-	-	3,961,879
Total Deferred Inflows of Resource	\$ 23,371	\$ 3,969,809	\$ 3,423	\$ 348	\$ -	\$ 3,996,951
Fund Balances						
Non-spendable	\$ -	\$ 696,459	\$ -	\$ -	\$ -	\$ 696,459
Restricted	979,570	-	-	-	1,051,654	2,031,224
Committed	312,000	-	600,000	-	-	912,000
Assigned	-	-	1,300,742	-	-	1,300,742
Unassigned	1,244,385	(477,760)	-	-	-	766,625
Total Fund Balances	\$ 2,535,955	\$ 218,699	\$ 1,900,742	\$ 1,051,654	\$ -	\$ 5,707,050
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,667,183	\$ 5,344,113	\$ 1,974,188	\$ 1,104,985	\$ -	\$ 11,090,469

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

Fund balances - total governmental funds (Exhibit 3)	\$ 5,707,050
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	59,458,707
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	3,996,951
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds:	
Deferred outflows of resources related pensions	1,442,628
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences payable	\$ (410,063)
Right to use lease liability	(7,533)
Net pension liability	<u>(1,965,634)</u> (2,383,230)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Deferred inflows of resources related to pensions	<u>(2,250,044)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ 65,972,062</u>

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Nonmajor Ditch Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes	\$ 2,438,035	\$ 880,213	\$ 340,708	\$ -	\$ 3,658,956
Special assessments	-	-	-	96,699	96,699
Intergovernmental	1,312,947	6,594,886	1,076,037	-	8,983,870
Charges for services	263,643	404,782	209,761	9,979	888,165
Fines and forfeitures	3,808	-	-	-	3,808
Investment earnings	340,136	1,822	-	-	341,958
Miscellaneous	253,789	57,579	78,210	-	389,578
Total Revenues	\$ 4,612,358	\$ 7,939,282	\$ 1,704,716	\$ 106,678	\$ 14,363,034
Expenditures					
Current					
General government	\$ 1,563,083	\$ -	\$ -	\$ -	\$ 1,563,083
Public safety	1,986,898	-	-	-	1,986,898
Highways and streets	-	8,716,073	-	-	8,716,073
Sanitation	164,611	-	-	-	164,611
Human services	4,070	-	1,811,776	-	1,815,846
Health	91,938	-	-	-	91,938
Culture and recreation	79,589	-	-	-	79,589
Conservation of natural resources	438,620	-	-	50,929	489,549
Economic development	900	-	-	-	900
Capital outlay					
General government	89,683	-	-	-	89,683
Public safety	89,293	-	-	-	89,293
Highways and streets	-	591,602	-	-	591,602
Total Expenditures	\$ 4,508,685	\$ 9,307,675	\$ 1,811,776	\$ 50,929	\$ 15,679,065
Excess of Revenues Over (Under) Expenditures	\$ 103,673	\$ (1,368,393)	\$ (107,060)	\$ 55,749	\$ (1,316,031)
Other Financing Sources (Uses)					
Transfers in	\$ 22,639	\$ -	\$ -	\$ -	\$ 22,639
Transfers out	-	-	(22,639)	-	(22,639)
Total Other Financing Sources (Uses)	\$ 22,639	\$ -	\$ (22,639)	\$ -	\$ -
Net Change in Fund Balance	\$ 126,312	\$ (1,368,393)	\$ (129,699)	\$ 55,749	\$ (1,316,031)
Fund Balance - January 1	2,409,643	1,449,511	2,030,441	995,905	6,885,500
Increase (decrease) in inventories	-	137,581	-	-	137,581
Fund Balance - December 31	\$ 2,535,955	\$ 218,699	\$ 1,900,742	\$ 1,051,654	\$ 5,707,050

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (1,316,031)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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 expense.

Expenditures for general capital assets and infrastructure	\$ 4,984,005
Current year depreciation	<u>(1,597,676)</u>
	3,386,329

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Change in deferred inflows of resources	(945,217)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in	
Compensated absences payable	\$ (31,209)
Right to use lease liability	(7,533)
Inventories	<u>137,581</u>
	98,839

Other post-employment benefits and net pension liability do not represent an impending source or use of current resources. Therefore, the change in the asset, liability, and related deferrals of resources are not reported in the governmental funds.

Change in	
Deferred outflows of resources related to net pension liability	\$ (571,369)
Deferred inflows of resources related to net pension liability	(224,382)
Net pension liability	<u>977,899</u>
	182,148

Change in net position of governmental activities (Exhibit 2)	<u>\$ 1,406,068</u>
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**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 1)	Total Fiduciary Funds
<u>Assets</u>			
Cash and pooled investments	\$ 2,824	\$ 206,691	\$ 209,515
Accounts receivable	- <hr/>	71,305 <hr/>	71,305 <hr/>
Total Assets	<u>\$ 2,824</u>	<u>\$ 277,996</u>	<u>\$ 280,820</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 152,529	\$ 152,529
Due to other governments	- <hr/>	74,659 <hr/>	74,659 <hr/>
Total Liabilities	<u>\$ -</u>	<u>\$ 227,188</u>	<u>\$ 227,188</u>
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	<u>\$ 2,824</u>	<u>\$ 50,808</u>	<u>\$ 53,632</u>

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Social Welfare Private-Purpose Trust Fund		Custodial Funds (Statement 2)		Total Fiduciary Funds
Additions					
Contributions:					
Contributions from individuals	\$ 29,600		\$ 902,916		\$ 932,516
Property tax collections for other governments	-		\$ 17,115,053		\$ 17,115,053
Proceed from sale of forfeited property	-		\$ 70,114		\$ 70,114
Intergovernmental receipts for other governments	-		\$ 29,744		\$ 29,744
License and fees collected for State	-		\$ 98,552		\$ 98,552
Miscellaneous	-		\$ 2,228		\$ 2,228
Total Additions	\$ 29,600		\$ 18,218,607		\$ 18,248,207
Deductions					
Medical, dental, and life insurance	\$ -		\$ 902,616		\$ 902,616
Payments of property tax to other governments	-		\$ 15,743,466		\$ 15,743,466
Payments to state	-		\$ 1,470,139		\$ 1,470,139
Administrative expense	-		\$ 1,037		\$ 1,037
Payments to other entities/individuals	\$ 29,630		\$ 132,952		\$ 162,582
Total Deductions	\$ 29,630		\$ 18,250,210		\$ 18,279,840
Change in net position	\$ (30)		\$ (31,603)		\$ (31,633)
Net Position – January 1	\$ 2,854		\$ 82,411		\$ 85,265
Net Position – December 31	\$ 2,824		\$ 50,808		\$ 53,632

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

I. 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). 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.

A. Financial Reporting Entity

Red Lake County was established December 24, 1896, and has the powers, duties, and privileges granted counties by state law, codified in Minnesota Statutes, Chapter 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

The County participates in joint ventures and related and jointly-governed organizations which are described in Notes section VII, subdivisions D, E, and F, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide statement of net position, the totals are 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report 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. Financing is provided by an annual tax levy, intergovernmental revenues, and charges for services committed for various highways and streets purposes.

The Social Services Special Revenue Fund is used to account for and report financial services provided to persons receiving public assistance. Financing is provided by an annual tax levy and intergovernmental revenues committed and assigned for various social services purposes.

Additionally, the County reports the following non-major fund with the major funds:

The Ditch Special Revenue Fund is used to account for and report the operation and maintenance of county, judicial, and state drainage systems. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources.

Additionally, the County reports the following fund type:

Fiduciary Funds are custodial in nature and do not present results of operations or have a measurement focus. The County reports the following fiduciary fund types:

The Social Welfare Private-Purpose Trust Fund is used to manage the day-to-day finances of Red Lake County citizens that are not able to manage their own finances.

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 County considers property tax revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2024, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Investment earnings for 2024 were \$293,551, and net increase in fair value of investments was \$48,407, for investment earnings of \$341,958. Pooled earnings were \$202,200.

2. Receivables and Payables

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 on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2006 through 2024 and deferred special assessments collectible in 2025 and beyond. Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances from/to other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

3. Inventories

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

Inventories, as reported in the fund financial statements, are offset by a fund balance account to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of \$5,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	50-75
Buildings and improvements	30
Machinery and equipment	5
Right-to-use leases	4-5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which County employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The County reports delinquent property taxes and

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Deferred Outflows/Inflows of Resources (Continued)

special assessments, special assessments levied for subsequent years, and County State Aid Highway Allotments as deferred inflows of resources in the governmental fund financial statements in accordance with the modified accrual basis of accounting. In addition, the County reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which County employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick and safe 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.

7. 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. Investments are reported at fair value. The pension liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund.

8. Net Position and Fund Balance

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

Net investment in capital assets – represents capital assets, net of accumulated depreciation, 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.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Net Position and Fund Balance (Continued)

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

In the fund financial statements, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Auditor.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 40 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of zero dollars. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be determined by the County Board within a three-year period.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be expended in the event of a natural disaster that exists as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County does not identify an amount for stabilization at December 31, 2024.

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

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Net Position and Fund Balance (Continued)

committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

9. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Land Management

The County manages approximately 424 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

B. Tax Abatement

The County has a business subsidy program, and on March 1, 2022, the Red Lake County Board of commissioners approved an Economic Development tax abatement pursuant to Minnesota Statute §§ 469.1821-1815 for the Altoz, Inc expansion project. The County agrees to abate an amount equal to the City's portion of ad valorem property tax imposed on the project for each year within the abatement term. The abatement shall be for a maximum of 10 years and shall be applicable for the tax years beginning in 2024 through 2033. The amount of the abatement paid in 2024 was \$5,709.

C. Prior Period Adjustment

The County has changed to age-graded retiree health insurance premiums, therefore there is no longer an implicit rate subsidy and a restatement was made to reflect the change in accounting policy for GASB 45/75 (OPEB – Health Insurance).

Net Position, January 1, as previously reported	\$ 64,317,004
Restatement	248,990
Net Position, January 1, as restated	<u><u>\$ 64,565,994</u></u>

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2024, are as follows:

Governmental Funds	
Cash and pooled investments	\$ 4,669,886
Cash with fiscal agent	108
Investments	144,716
Fiduciary Funds	
Cash and pooled investments	<u>209,515</u>
Total cash and investments	<u>\$ 5,024,225</u>
 Cash on hand	\$ 695
Checking accounts	225,262
Cash with fiscal agent	108
Money market savings	1,122,175
Certificates of deposit	240,000
Investments	<u>3,435,985</u>
Total deposits and investments	<u>\$ 5,024,225</u>

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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. Red Lake County's policy is to minimize exposure to custodial credit risk by obtaining documentation of pledged collateral from their financial institutions. As of December 31, 2024, no County deposits were exposed to custodial credit risk.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

- (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 Minnesota Statute, § 118A.04, subdivision 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 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. Red Lake County's policy is to minimize interest rate risk by structuring investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County invests in both short-term and long-term investments so that a portion of the portfolio matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At December 31, 2024, the County had the following investments and maturities:

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Interest Rate Risk (Continued)

	Fair Value	Less Than 1 Year	1-5 Years
Federal Home Loan Bank	\$ 2,130,334	\$ 737,382	\$ 1,392,952
Negotiable Certificates of Deposit	241,668	-	241,668
Minnesota Municipal Money Market Funds	1,063,983	1,063,983	-
Total Investments	<u>\$ 3,435,985</u>	<u>\$ 1,801,365</u>	<u>\$ 1,634,620</u>
	100%	52%	48%

Credit Risk

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

The County's exposure to credit risk as of December 31, 2024, is as follows:

	S & P Rating	Fair Value
Government Bonds	AAA	\$ 2,130,334
Negotiable Certificates of Deposit	N/A	241,668
Minnesota Municipal Money Market Funds	N/R	1,063,983
		<u>\$ 3,435,985</u>
N/A – not applicable		

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Red Lake County's policy is to minimize custodial credit risk. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk. At December 31, 2024, the County had no investments subject to custodial credit risk.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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, excluding U.S. guaranteed investments, investment pools, and mutual funds. Red Lake County's policy is to minimize concentration of credit risk. At December 31, 2024, the County's investments were not subject to concentration of credit risk.

Fair Value Measurement

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

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

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

Investments by fair value level	December 31, 2024	Fair Value Measurements Using		
		Quotes Prices in Active Markets for Identical Assets	Significant Other Inputs	Observable Inputs (Level 2)
		(Level 1)		
Money Markets	\$ 1,063,983	\$ 1,063,983		-
Debt securities	2,130,334	2,130,334		-
Negotiable certificates of deposit	241,668	-		241,668
Total Investments	<u>\$ 3,435,985</u>	<u>\$ 3,194,317</u>		<u>\$ 241,668</u>

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices. The County had no level 3 investments.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

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

	<u>Total Receivables</u>
Taxes receivable	\$ 47,155
Special assessments	348
Accounts receivable	16,493
Accrued interest	9,211
Due from other governments	<u>4,729,933</u>
 Total	 <u>\$ 4,803,140</u>

All amounts are scheduled for collection during the subsequent year.

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 997,274	\$ 46,175	\$ -	\$ 1,043,449
Construction in progress	<u>9,500,706</u>	<u>5,944,061</u>	<u>2,688,632</u>	<u>12,756,135</u>
 Total capital assets not depreciated	 <u>\$ 10,497,980</u>	 <u>\$ 5,990,236</u>	 <u>\$ 2,688,632</u>	 <u>\$ 13,799,584</u>
Capital assets being depreciated/amortized				
Infrastructure	\$ 67,288,924	\$ 1,011,829	\$ -	\$ 68,300,753
Buildings and improvements	1,523,050	-	-	1,523,050
Machinery and equipment	3,923,782	658,500	98,344	4,483,938
Right-to-use	-	12,072	-	12,072
 Total capital assets being depreciated/amortized	 <u>\$ 72,735,756</u>	 <u>\$ 1,682,401</u>	 <u>\$ 98,344</u>	 <u>\$ 74,319,813</u>
Less: accumulated depreciation/amortization for				
Infrastructure	\$ 23,494,663	\$ 1,278,095	\$ -	\$ 24,772,758
Buildings and improvements	1,237,328	13,545	-	1,250,873
Machinery and equipment	2,429,367	301,497	98,344	2,632,520
Right-to-use	-	4,539	-	4,539
 Total accumulated depreciation/amortization	 <u>\$ 27,161,358</u>	 <u>\$ 1,597,676</u>	 <u>\$ 98,344</u>	 <u>\$ 28,660,690</u>
 Total capital assets, depreciated/amortization net	 <u>\$ 45,574,398</u>	 <u>\$ 84,725</u>	 <u>\$ -</u>	 <u>\$ 45,659,123</u>
Governmental Activities				
Capital Lease Assets, Net	<u>\$ 56,072,378</u>	<u>\$ 6,074,961</u>	<u>\$ 2,688,632</u>	<u>\$ 59,458,707</u>

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Depreciation Expense

Depreciation and amortization expense was charged to functions of the County as follows:

General government	\$ 29,441
Public safety	59,748
Highways and streets, including depreciation of infrastructure assets	1,503,099
Human services	<u>5,388</u>
 Total Depreciation Expense	 <u>\$ 1,597,676</u>

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Road & Bridge Special Revenue Fund	\$ 725,164	Negative cash
	Human Services Special Revenue Fund	6,151	Reimburse personnel costs
	Ditch Special Revenue Fund	<u>44,845</u>	Ditch 10 collections
 Total Due To/From Other Funds		 <u>\$ 776,160</u>	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

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

Transfer to General Fund from Human Services Special Revenue Fund	<u>\$ 22,639</u>	Reimburse personnel costs
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**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Current payables at December 31, 2024, were as follows:

Accounts	\$ 271,320
Salaries	160,755
Contracts	162,977
Due to other governments	<u>15,256</u>
 Total Payables	 <u>\$ 610,308</u>

All payables amounts are scheduled for payment during the subsequent year.

2. Compensated Absence

Under the County's personnel policies and union contracts, employees are granted vacation, sick, and earned sick and safe time leave in varying amounts based on their length of service and hours worked. Maximum vacation earnings vary by years of employment. Maximum sick leave earnings are 900 hours. For each month an employee maintains their maximum sick leave accumulation, an additional half day of vacation shall be added to their vacation accrual.

At severance, employees may receive a portion of their sick leave accumulation with a maximum pay out of 720 hours. Employees are also able to accrue a sick bank which is their accrual of sick leave over 720 hours. This sick bank may only be used once the entire sick leave balance is exhausted.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination based on years of employment upon resignation or retirement in good standing as severance pay. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to them at termination.

3. Right-to-Use Copier Leases

The County leases various copy machines under 5-year lease agreements. These leases have an original issue amount of \$12,072 and are payable in monthly installments through 2029 from the General Fund and the Road and Bridge Special Revenue Fund.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Debt and Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Right to use Leases	\$ -	\$ 12,072	\$ 4,539	\$ 7,533	\$ 2,734
Compensated Absences	378,854	447,263	416,054	410,063	121,790
OPEB Liability	307,529	-	307,529	-	-
Net Pension Liability	2,943,533	-	977,899	1,965,634	-
	<u><u>\$ 3,629,916</u></u>	<u><u>\$ 459,335</u></u>	<u><u>\$ 1,706,021</u></u>	<u><u>\$ 2,383,230</u></u>	<u><u>\$ 124,524</u></u>

5. Deferred Inflows of Resources

Deferred inflows of resources consist of unavailable revenues made up of taxes, special assessments, and County State Aid Highway Allotments (CSAH) not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2024, are summarized below by fund:

	Special			Total
	<u>Taxes</u>	<u>Assessments</u>	<u>CSAH</u>	
Governmental funds				
General	\$ 23,371	\$ -	\$ -	\$ 23,371
Road & Bridge	7,930	-	3,961,879	3,969,809
Social Services	3,423	-	-	3,423
Ditch	-	348	-	348
Total	<u>\$ 34,724</u>	<u>\$ 348</u>	<u>\$ 3,961,879</u>	<u>\$ 3,996,951</u>

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2024, were as follows:

	General Fund	Special Revenue Funds		Nonmajor Ditch Special Revenue Fund	Total Governmental Funds
		Road and Bridge	Social Services		
Nonspendable					
Inventories	\$ -	\$ 696,459	\$ -	\$ -	\$ 696,459
Restricted by enabling legislation					
Attorney's forfeiture	\$ 13	\$ -	\$ -	\$ -	\$ 13
American Rescue Plan	76,664	-	-	-	76,664
Gravel pit restoration	76,291	-	-	-	76,291
Landslide acquisition	68,249	-	-	-	68,249
Conservation	-	-	-	1,051,654	1,051,654
Enhanced 911	60,011	-	-	-	60,011
Law library	22,177	-	-	-	22,177
Opiod Settlement	56,613	-	-	-	56,613
Recorder's equipment	72,014	-	-	-	72,014
Recorder's technology	64,403	-	-	-	64,403
Riparian Protection Aid	478,532	-	-	-	478,532
Sheriff's contingent fund	4,468	-	-	-	4,468
Sheriff's forfeited property	135	-	-	-	135
Total restricted	\$ 979,570	\$ -	\$ -	\$ 1,051,654	\$ 2,031,224
Committed to					
Future expenditures	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
Ambulance	54,000	-	-	-	54,000
Courthouse equipment	8,000	-	-	-	8,000
Landfill permitting	156,000	-	-	-	156,000
Solid waste	54,000	-	-	-	54,000
Landfill well monitoring	40,000	-	-	-	40,000
New programming	-	-	500,000	-	500,000
Total committed	\$ 312,000	\$ -	\$ 600,000	\$ -	\$ 912,000
Assigned to					
Social services	\$ -	\$ -	\$ 1,300,742	\$ -	\$ 1,300,742
Total assigned	\$ -	\$ -	\$ 1,300,742	\$ -	\$ 1,300,742
Unassigned					
	\$ 1,244,385	\$ (477,760)	\$ -	\$ -	\$ 766,625
Total Fund Balances	\$ 2,535,955	\$ 218,699	\$ 1,900,742	\$ 1,051,654	\$ 5,707,050

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

A. Plan Descriptions

Red Lake County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes fulltime, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested", they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided

1. General Employees Plan Benefits (Continued)

reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent of each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at a age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 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 increase will receive a prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. 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 prorated increase.

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and Red Lake County was required to contribute 7.50 percent for General Plan members. Red Lake County's contributions to the General Employees Fund for

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions

1. General Employees Fund Contributions (Continued)

the year ended December 31, 2024, were \$207,015. Red Lake County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan member's members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and Red Lake County was required to contribute 17.70 percent for Police and Fire Plan members. Red Lake County's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$120,013. Red Lake County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, Red Lake County reported a liability of \$1,278,740 for its proportionate share of the General Employees Fund's net pension liability. Red Lake County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Red Lake County totaled \$33,066.

Red Lake County's	
Proportionate share of the net pension liability	\$ 1,278,740
State of Minnesota's proportionate share of	
the net pension liability associated with	
Red Lake County	<u>33,066</u>
Total	<u><u>\$ 1,311,806</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Red Lake County's proportionate share of the net pension liability was based on Red Lake County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. Red Lake County's proportionate share was .0346 percent at the end of the measurement period and .0355 percent for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2024, Red Lake County recognized pension expense of \$52,644 for its proportionate share of the General Employees Plan's pension expense.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

In addition, Red Lake County recognized an additional \$886 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. Red Lake County recognized \$58,834 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, Red Lake County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 121,151	\$ -
Changes in actuarial assumptions	6,300	493,289
Net collective difference between projected and actual investment earnings investment earnings	-	371,317
Changes in proportion	25,896	38,197
Contributions paid to PERA subsequent to the measurement date	<u>102,402</u>	-
Total	<u>\$ 255,749</u>	<u>\$ 902,803</u>

The \$102,402 reported as deferred outflows of resources related to pensions resulting from Red Lake County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2025	\$ (407,419)
2026	\$ (73,518)
2027	\$ (170,512)
2028	\$ (98,007)

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2024, Red Lake County reported a liability of \$686,894 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Red Lake County's proportionate share of the net pension liability was based on Red Lake County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. Red Lake County's proportionate share was .0522 percent at the end of the measurement period and .0555 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the Red Lake County totaled \$26,184

Red Lake County's	
Proportionate share of the net pension liability	\$ 686,894
<hr/>	
State of Minnesota's proportionate share of	
the net pension liability associated with	
Red Lake County	<hr/> 26,184
<hr/>	
Total	\$ <hr/> 713,078

For the year ended December 31, 2024, Red Lake County recognized pension expense of \$79,144 for its proportionate share of the Police and Fire Plan's pension expense. Red Lake County recognized \$2,929 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. Red Lake County recognized \$14,826 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Fund.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2024, Red Lake County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 274,204	\$ -
Changes in actuarial assumptions	749,100	1,074,939
Net collective difference between projected and actual investment earnings		
investment earnings	-	221,596
Changes in proportion	103,842	50,706
Contributions paid to PERA subsequent to the measurement date	59,733	-
Total	\$ 1,186,879	\$ 1,347,241

The \$59,733 reported as deferred outflows of resources related to pensions resulting from Red Lake County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2025	\$ (31,442)
2026	\$ 175,199
2027	\$ (102,990)
2028	\$ (267,225)
2029	\$ 6,363

3. Total Pension Expense

The total pension expense for all plans recognized by Red Lake County for the year ended December 31, 2024, was \$209,263.

D. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 weighing the expected future rates of return by the target asset allocation percentages. The

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RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023, actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025, actuarial valuation.

**RED LAKE COUNTY
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V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates of Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. 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.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

H. Pension Liability Sensitivity

The following presents Red Lake County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what Red Lake 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 Analysis				Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates				Net Pension Liability (Asset) at Different Discount Rates			
General Employees Fund				Police and Fire Fund			
1% Lower	6.00%	\$	2,792,973	1% Lower	6.00%	\$	1,623,265
Current Discount Rate	7.00%	\$	1,278,740	Current Discount Rate	7.00%	\$	686,894
1% Higher	8.00%	\$	33,144	1% Higher	8.00%	\$	(82,092)

I. Pension Plan Fiduciary Net Position

Detailed information about each 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 .

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Two employees are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP 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. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount no to exceed the employer share. Employer and employee 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 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by Red Lake County during fiscal year 2024 were:

Contribution Amount		Percentage of Cover Payroll		Required Rate
Employee	Employer	Employee	Employer	Rate
\$ 2,122	\$ 2,122	5%	5%	5%

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VII. Summary of Significant Contingencies and Other Items

A. 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, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the pending claims and potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. 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 these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Northwest Service Cooperative. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

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

The Northwest Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health insurance 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 Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties. The HSEM Region 3 Emergency Managers Joint Powers Board charges sufficient rates so that the participating members experience no financial benefit or burden.

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Red Lake County reports no contributions to the HSEM for the year ended December 31, 2024. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9th Avenue North, Moorhead, Minnesota 56560.

Pennington and Red Lake County Public Health & Home Care Board

The Pennington and Red Lake County Public Health & Home Care Board (formerly the Inter-County Nursing Service) was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Pennington and Red Lake Counties. The purpose of the PHHC is to provide, through visits to individuals' homes, skilled public nursing care on a part-time or intermittent basis to residents of Pennington and Red Lake Counties who are in need of such care.

Control of the PHHC is vested in the Pennington and Red Lake County Public Health and Home Care Board which is composed of one County Commissioner and four others from each County, and a physician who may be from either County. In the event of dissolution of the net assets of the PHHC at that time shall be divided among the member counties in proportion to the contribution of each.

The PHHC has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties. Red Lake County contributed \$25,938 to the PHHC for the year ended December 31, 2024. Pennington County reports the cash transactions of the PHHC as fiduciary fund on its financial statements. Complete financial information can be

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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pennington and Red Lake County Public Health & Home Care Board (Continued)

obtained from the Pennington County Auditor/Treasurer's Office or at the PHHC office, P. O. Box 616, Thief River Falls, Minnesota, 56701.

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Red Lake, Polk, Pennington, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

Control of the Waste Management Group is vested in the Northwest Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one county commissioner from each of the member counties, as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Red Lake County contributed \$4,092 to the Waste Management Group for the year ended December 31, 2024. Clearwater County reports the cash transactions of the Waste Group as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Waste Management Group's office, P.O. Box 186, Bagley, Minnesota, 56621.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board (NMRRB) was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Red Lake, Polk, Pennington, and Roseau counties and the City of Moorhead. The purpose of the NMRRB is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one County council member from the member County, appointed by their respective governing bodies as provided in the NMRRB's Joint Powers Agreement.

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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Red Lake County contributed \$3,500 to the Northwest Minnesota Regional Radio Board for the year ended December 31, 2024. Complete financial information can be obtained from the NMRRB, C/O Greater Northwest EMS, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota, 56601.

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Red Lake, Polk, and Roseau Counties. The purpose of the Northwest Minnesota Six County Joint Powers Board is to receive and expend funds for the purpose of beaver damage control. Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution of the Northwest Minnesota Six County Joint Powers Board, the net assets of the Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. The Northwest Minnesota Six County Joint Powers Board charges sufficient rates so that the participating members experience no financial benefit or burden.

Financing is provided by grants from the State of Minnesota or from any other lawful source specifically including contributions from the respective member counties. Red Lake County did not contribute for the year ended December 31, 2024. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative's purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Service Cooperative (Continued)

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one County representative, with a maximum of three at-large appointees and three ex-officio superintendents. The NWSC charges sufficient rates so that the participating members experience no financial benefit or burden.

Red Lake County did not contribute to the NWSC for the year ended December 31, 2024. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

Pine to Prairie Drug and Violent Crime Task Force (PTPDTF)

The Pine to Prairie Drug and Violent Crime Task Force was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes as Full Members the Counties of Lake of the Woods, Norman, Pennington, Polk, Red Lake, and Roseau, the Cities of Crookston, East Grand Forks, and Thief River Falls, and the US Customs and Border Protection and Homeland Security Investigations Department; as Associate Members the City of Red Lake Falls and the City of Ada; and as Liaison Members the Counties of Kittson, and Marshall. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

Control of the Task Force is vested in the PTPDTF Governing Board, which shall consist of not less than 6 members or more than 14 members designated by each participating Full Member, and up to 5 additional members selected by the Governing Board. Board members shall not be deemed to be employees of the Task Force and shall not be compensated by it. Full Members shall assign a peace officer to be an Agent on the task force; Associate Members are not required to assign an officer but shall participate in operations and activities and contribute funds annually. Liaison Members shall participate upon request.

Dissolution would occur when two-thirds of the members agree by resolution to terminate the agreement or when necessitated by law or funding status at which time the net assets of the Task Force shall be divided among the members in the same proportion as their respective full-time equivalent contributions. Any member may withdraw upon six months written notice and shall not be entitled to any distribution of the assets.

Financing is provided by state and federal grants, charges for services, appropriations from members and donations. Members do not experience any additional financial benefit or burden. The City of Crookston is designated as the Coordinating Agency. Red Lake County reported \$5,000 in contributions to the PTPDTF for the year ended December 31, 2024. Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota, 56716.

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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Quin County Community Health Service

The Quin County Community Health Service (QCCHS) was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the QCCHS is vested in the Quin County Board of Health which is composed of one member appointed by each of the member counties, as provided in the joint powers agreement. The QCCHS charges sufficient rates so that the participating members experience no financial benefit or burden. In the event of dissolution of the Quin County Board of Health, the net assets of the Health Service at that time shall be divided among the member counties in the same proportion as their respective financial responsibilities as determined by county population.

The Health Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties when needed. Red Lake County did not contribute for the year ended December 31, 2024. Marshall County reports the cash transactions of the Health Service as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Marshall County Auditor/Treasurer's Office or the Health Service's office, Thief River Falls, Minnesota 56701.

Red Lake River Corridor

The Red Lake River Corridor Joint Powers Board was formed in 2003 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher, and East Grand Forks; the Counties of Polk, Pennington, Red Lake; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member for each participating entity. Each participant may also have one alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net assets shall be distributed to the respective members in proportion to the contribution of each. The Red Lake River Corridor charges sufficient rates so that the participating members experience no financial benefit or burden.

Financing is provided by contributions from members. The County did not contribute to the Board in 2024. Complete financial information can be obtained from the St. Hilaire City Treasurer, 102 Broadway Avenue North, St. Hilaire, Minnesota 56754.

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Norman, Polk, and Red Lake Counties.

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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Community Corrections (Continued)

The purpose of the Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

Control of the Tri-County Community Corrections is vested in the Tri-County Community Corrections Joint Powers Board, which is composed of two county commissioners from each member county, as provided in its bylaws. In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of the Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (eight percent), Polk County (87 percent), and Red Lake County (five percent).

The Tri-County Community Corrections has no long-term debt. Financing is provided by State, Federal, and local grants, charges for services, and appropriations from member counties. Red Lake County contributed \$258,998 to Community Corrections for the year ended December 31, 2024. Polk County reports the cash transactions of Community Corrections as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Polk County Administrator's Office or at the Northwest Regional Correction Center, 600 Bruce Street, Crookston, Minnesota 56716.

E. Related Organization

Northwest Minnesota Council of Collaboratives

The Northwest Minnesota Council of Collaboratives is comprised of a variety of organizations from individual county collaboratives in northwest Minnesota representing Kittson, Marshall, Mahnomen, Norman, Polk and Red Lake Counties. Its 54 members include school districts and special education districts, and agencies in the areas of social services, public health, mental health and corrections. The primary goal of the Council is to promote the welfare of youth and families in the six-county area by coordinating human and financial resources to maximize the efficiency of services offered by its members. The Council also works to expand the resource base available to meet the growing needs of its population.

The members of the Northwest Minnesota Council of Collaboratives Governing Board will set policy, vision and mission. Each County's collaborative partner has two voting representatives at Governing Board meetings. Representatives must be at the CEO/Superintendent level.

Financing is provided by the collection of membership dues from the participating collaboratives and agency partners. Tri-County Community Corrections acts as fiscal agent for the Northwest Minnesota Council of Collaboratives and reports the cash transactions of the Council of Collaboratives as a fiduciary fund in its financial statements. During 2024, Red Lake County contributed \$1,350 to the Council of Collaboratives.

Separate financial information can be obtained from Tri-County Community Corrections, 816 Marin Avenue, Suite 110, Crookston, Minnesota 56716.

**RED LAKE COUNTY
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VII. Summary of Significant Contingencies and Other Items (Continued)

F. Jointly-Governed Organizations

Children's Initiative/Family Service Collaborative

Children's Initiative/Family Service Collaborative was formed pursuant to Minnesota Statutes, §§ 121.8355 and 245.491, effective May 1, 2002, and includes Red Lake County Social Services, Red Lake Falls School District, Oklee School District, Plummer School District, CAP Agency/Inter-County Community Council, Inter-County Nursing Services, Northwestern Mental Health Center, Red Lake County's Sheriff's Department, and Tri-County Community Corrections.

The purpose of the Collaborative is to provide improved social, emotional, educational, health, and economic outcomes for all Red Lake County children, adolescents, and their families by integrating services and enhancing protective factors by creating an integrated service delivery system for children, adolescents, and their families with multiple and special needs.

Control of the Children's Initiative/Family Service Collaborative is vested in the Collaborative Governing Board which is composed of one member appointed by each of the members, as provided in the governance agreement. Red Lake County Social Services reports the cash transactions of the Collaborative as a fiduciary fund on the County's financial statements. During 2024, the County made \$500 in contributions to the Collaborative.

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law. Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minnesota Statute, § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Red Lake County reported no contributions to the MCCC.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the

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VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Minnesota Rural Counties Caucus (Continued)

Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County's responsibility does not extend beyond making this appointment. Red Lake County contributed \$2,200 to the Minnesota Rural Counties Caucus for the year ended December 31, 2024.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minnesota Statute, § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. Control of the HRA is vested in the HRA Board composed of six members with indefinite terms made up of one member appointed by each Board of County Commissioners. Red Lake County reports tax collections for the HRA as a fiduciary fund on the County's financial statements. Red Lake County appropriated \$18,454 to the Northwest Minnesota Multi-County Housing and Redevelopment Authority for the year ended December 31, 2024.

Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minnesota Statutes, §§ 134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the Library is vested in the Northwest Regional Library Board composed of 16 members with staggered terms. Red Lake County appropriated \$37,564 to the library for the year ended December 31, 2024.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase each participant's employment, retention, earnings, and occupational skill attainment, and improve the workforce quality, reduce welfare dependency, and enhance productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council composed of 18 members with one representative from each of the seven counties, three members at large, and eight members representing local agencies. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota, 56701.

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VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statutes, §§ 103D.201-.231, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Red Lake Watershed District Board of Managers composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the county boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Red Lake County reports tax collections for the Red Lake Watershed as a fiduciary fund on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
Revenues					
Taxes	\$ 2,563,118	\$ 2,563,118	\$ 2,438,035	\$ (125,083)	
Intergovernmental	1,197,493	1,197,493	1,312,947	115,454	
Charges for services	247,944	247,944	263,643	15,699	
Fines and forfeitures	-	-	3,808	3,808	
Investment earnings	180,000	180,000	340,136	160,136	
Miscellaneous	161,376	161,376	253,789	92,413	
Total Revenues	\$ 4,349,931	\$ 4,349,931	\$ 4,612,358	\$ 262,427	
Expenditures					
Current					
General government					
Commissioners	\$ 237,044	\$ 237,044	\$ 229,716	\$ 7,328	
District court	14,100	14,100	13,199	901	
Law library	725	725	670	55	
County auditor	191,188	191,188	187,017	4,171	
County treasurer	194,520	194,520	197,170	(2,650)	
County assessor	128,377	128,377	127,879	498	
Elections	20,427	20,427	27,588	(7,161)	
Personnel	99,967	99,967	96,363	3,604	
Attorney	225,239	225,239	217,744	7,495	
Recorder	123,534	123,534	125,757	(2,223)	
Geographic Information System	8,000	8,000	4,480	3,520	
Buildings and plant	150,989	150,989	140,315	10,674	
Veterans service officer	27,300	27,300	25,102	2,198	
Other general government	180,300	180,300	170,083	10,217	
Total general government	\$ 1,601,710	\$ 1,601,710	\$ 1,563,083	\$ 38,627	
Public safety					
Sheriff	\$ 1,382,768	\$ 1,382,768	\$ 1,496,430	\$ (113,662)	
Community corrections	261,164	261,164	258,998	2,166	
Coroner	11,600	11,600	11,303	297	
Crime victim assistance	73,235	73,235	74,946	(1,711)	
Enhanced 911	146,062	146,062	114,629	31,433	
Emergency services	30,873	30,873	30,592	281	
Total public safety	\$ 1,905,702	\$ 1,905,702	\$ 1,986,898	\$ (81,196)	

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
Expenditures					
Current (Continued)					
Sanitation					
Solid waste	\$ 15,400	\$ 15,400	\$ 13,661	\$ 1,739	
Recycling	84,470	84,470	120,542	(36,072)	
Individual Septic Treatment System	57,000	57,000	30,408	26,592	
Total sanitation	\$ 156,870	\$ 156,870	\$ 164,611	\$ (7,741)	
Human services					
Committee on aging	\$ 4,000	\$ 4,000	\$ 4,000	\$ -	
Buildings and grounds	- -	- -	70	(70)	
Total human services	\$ 4,000	\$ 4,000	\$ 4,070	\$ (70)	
Health					
Nursing service	\$ 25,938	\$ 25,938	\$ 25,938	\$ -	
Ambulance	66,000	66,000	66,000	- -	
Total health	\$ 91,938	\$ 91,938	\$ 91,938	\$ -	
Culture and recreation					
Parks	\$ 6,152	\$ 6,152	\$ 5,145	\$ 1,007	
Regional library	37,564	37,564	37,564	- -	
Snowmobile and ski trails	55,000	55,000	36,125	18,875	
Celebrations	255	255	255	- -	
Other culture and recreation	500	500	500	- -	
Total culture and recreation	\$ 99,471	\$ 99,471	\$ 79,589	\$ 19,882	
Conservation of natural resources					
Agricultural society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	
Cooperative extension	91,217	91,217	89,143	2,074	
Environmental services	178,541	178,541	234,380	(55,839)	
Agricultural inspection	- -	- -	1,674	(1,674)	
Red River Basin	- -	- -	100	(100)	
Soil and water conservation	114,437	114,437	77,547	36,890	
Other conservation of natural resources	9,145	9,145	25,776	(16,631)	
Total conservation of natural resources	\$ 403,340	\$ 403,340	\$ 438,620	\$ (35,280)	
Economic development					
Red River Valley Development	\$ 900	\$ 900	\$ 900	\$ -	

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
Expenditures (Continued)					
Capital outlay					
General government	\$ 24,000	\$ 24,000	\$ 89,683	\$ (65,683)	
Public safety	62,000	62,000	89,293	(27,293)	
Total capital outlay	\$ 86,000	\$ 86,000	\$ 178,976	\$ (92,976)	
Total Expenditures	\$ 4,349,931	\$ 4,349,931	\$ 4,508,685	\$ (158,754)	
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 103,673	\$ 103,673	
Other Financing Sources (Uses)					
Transfers in	-	-	22,639	22,639	
Net Change in Fund Balance	\$ -	\$ -	\$ 126,312	\$ 126,312	
Fund Balance - January 1	\$ 2,409,643	\$ 2,409,643	\$ 2,409,643	\$ -	
Fund Balance - December 31	\$ 2,409,643	\$ 2,409,643	\$ 2,535,955	\$ 126,312	

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 907,228	\$ 907,228	\$ 880,213	\$ (27,015)
Intergovernmental	6,129,457	6,129,457	6,594,886	465,429
Charges for services	195,000	195,000	404,782	209,782
Investment earnings	7,500	7,500	1,822	(5,678)
Miscellaneous	35,000	35,000	57,579	22,579
Total Revenues	\$ 7,274,185	\$ 7,274,185	\$ 7,939,282	\$ 665,097
Expenditures				
Current				
Highways and streets				
Administration	\$ 569,201	\$ 569,201	\$ 559,090	\$ 10,111
Maintenance	1,314,069	1,314,069	1,398,093	(84,024)
Construction	4,426,000	4,426,000	6,152,439	(1,726,439)
Equipment maintenance and shop	600,238	600,238	315,809	284,429
Township roads	205,000	205,000	230,306	(25,306)
Other highways and streets	59,677	59,677	60,336	(659)
Total highways and streets	\$ 7,174,185	\$ 7,174,185	\$ 8,716,073	\$ (1,541,888)
Capital outlay				
Highways and streets	100,000	100,000	591,602	(491,602)
Total Expenditures	\$ 7,274,185	\$ 7,274,185	\$ 9,307,675	\$ (2,033,490)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,368,393)	\$ (1,368,393)
Fund Balance - January 1	1,449,511	1,449,511	1,449,511	-
Increase (decrease) in inventories	-	-	137,581	137,581
Fund Balance - December 31	\$ 1,449,511	\$ 1,449,511	\$ 218,699	\$ (1,230,812)

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 412,030	\$ 412,030	\$ 340,708	\$ (71,322)
Intergovernmental	985,945	985,945	1,076,037	90,092
Charges for services	171,140	171,140	209,761	38,621
Miscellaneous	135,873	135,873	78,210	(57,663)
Total Revenues	\$ 1,704,988	\$ 1,704,988	\$ 1,704,716	\$ (272)
Expenditures				
Current				
Human Services				
Income maintenance	\$ 1,103,099	\$ 1,103,099	\$ 1,044,387	\$ 58,712
Social services	640,085	640,085	767,389	(127,304)
Total Expenditures	\$ 1,743,184	\$ 1,743,184	\$ 1,811,776	\$ (68,592)
Excess of Revenues Over (Under) Expenditures	\$ (38,196)	\$ (38,196)	\$ (107,060)	\$ (68,864)
Other Financing Sources (Uses)				
Transfers out	-	-	(22,639)	(22,639)
Net Change in Fund Balance	\$ (38,196)	\$ (38,196)	\$ (129,699)	\$ (91,503)
Fund Balance - January 1	-	-	2,030,441	2,030,441
Fund Balance - December 31	\$ (38,196)	\$ (38,196)	\$ 1,900,742	\$ 1,938,938

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 4

GOVERNMENTAL ACTIVITIES

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution			Contribution Deficiency (Excess)		Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 207,015	\$ 207,015	\$ 207,015	\$ -	-	\$ 2,760,194		7.5%
December 31, 2023	\$ 209,223	\$ 209,223	\$ 209,223	\$ -	-	\$ 2,789,640		7.5%
December 31, 2022	\$ 201,276	\$ 201,276	\$ 201,276	\$ -	-	\$ 2,683,671		7.5%
December 31, 2021	\$ 196,532	\$ 196,532	\$ 196,532	\$ -	-	\$ 2,620,429		7.5%
December 31, 2020	\$ 189,034	\$ 189,034	\$ 189,034	\$ -	-	\$ 2,520,433		7.5%
December 31, 2019	\$ 180,862	\$ 180,862	\$ 180,862	\$ -	-	\$ 2,415,073		7.5%
December 31, 2018	\$ 169,203	\$ 169,203	\$ 169,203	\$ -	-	\$ 2,256,034		7.5%
December 31, 2017	\$ 168,019	\$ 168,019	\$ 168,019	\$ -	-	\$ 2,240,239		7.5%
December 31, 2016	\$ 160,293	\$ 160,293	\$ 160,293	\$ -	-	\$ 2,137,234		7.5%
December 31, 2015	\$ 155,614	\$ 155,614	\$ 155,614	\$ -	-	\$ 2,066,864		7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution			Contribution Deficiency (Excess)		Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 120,013	\$ 120,013	\$ 120,013	\$ -	-	\$ 678,038		17.7%
December 31, 2023	\$ 125,312	\$ 125,312	\$ 125,312	\$ -	-	\$ 707,979		17.7%
December 31, 2022	\$ 118,588	\$ 118,588	\$ 118,588	\$ -	-	\$ 669,990		17.7%
December 31, 2021	\$ 113,634	\$ 113,634	\$ 113,634	\$ -	-	\$ 642,000		17.7%
December 31, 2020	\$ 103,586	\$ 103,586	\$ 103,586	\$ -	-	\$ 585,230		17.7%
December 31, 2019	\$ 91,883	\$ 91,883	\$ 91,883	\$ -	-	\$ 542,083		16.9%
December 31, 2018	\$ 87,696	\$ 87,696	\$ 87,696	\$ -	-	\$ 541,334		16.2%
December 31, 2017	\$ 84,017	\$ 84,017	\$ 84,017	\$ -	-	\$ 518,623		16.2%
December 31, 2016	\$ 78,448	\$ 78,448	\$ 78,448	\$ -	-	\$ 484,248		16.2%
December 31, 2015	\$ 67,202	\$ 67,202	\$ 67,202	\$ -	-	\$ 414,824		16.2%

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 5

GOVERNMENTAL ACTIVITIES

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability		Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability		Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability		Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability			
	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability			
June 30, 2024	0.0346%	\$ 1,278,740	\$ 33,066	\$ 1,311,806	\$ 2,813,443	74.62%			89.08%
June 30, 2023	0.0355%	\$ 1,985,120	\$ 54,755	\$ 2,039,875	\$ 2,822,332	74.62%			83.10%
June 30, 2022	0.0349%	\$ 2,764,092	\$ 81,208	\$ 2,845,300	\$ 2,616,675	112.47%			76.67%
June 30, 2021	0.0347%	\$ 1,481,845	\$ 45,177	\$ 1,527,022	\$ 2,493,428	59.43%			87.00%
June 30, 2020	0.0350%	\$ 2,098,410	\$ 64,745	\$ 2,163,155	\$ 2,495,016	84.10%			79.06%
June 30, 2019	0.0327%	\$ 1,807,910	\$ 56,164	\$ 1,864,074	\$ 2,310,856	78.24%			80.23%
June 30, 2018	0.0335%	\$ 1,858,443	\$ 60,962	\$ 1,919,405	\$ 2,252,414	82.51%			79.53%
June 30, 2017	0.0342%	\$ 2,183,305	\$ 27,456	\$ 2,210,761	\$ 2,193,283	99.55%			75.90%
June 30, 2016	0.0340%	\$ 2,760,631	\$ 36,009	\$ 2,796,640	\$ 2,137,234	129.17%			68.90%
June 30, 2015	0.0333%	\$ 1,725,779	\$ -	\$ 1,725,779	\$ 1,992,123	86.63%			78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability		Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability		Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability		Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability			
	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability			
June 30, 2024	0.0522%	\$ 686,894	\$ 26,184	\$ 713,078	\$ 690,834	141.05%			90.17%
June 30, 2023	0.0555%	\$ 958,413	\$ 38,649	\$ 997,062	\$ 729,218	141.05%			86.47%
June 30, 2022	0.0523%	\$ 2,275,889	\$ 99,451	\$ 2,375,340	\$ 635,852	386.02%			70.53%
June 30, 2021	0.0507%	\$ 391,350	\$ 17,601	\$ 408,951	\$ 599,051	65.33%			93.66%
June 30, 2020	0.0496%	\$ 653,781	\$ -	\$ 653,781	\$ 559,399	116.87%			87.19%
June 30, 2019	0.0515%	\$ 548,270	\$ -	\$ 548,270	\$ 542,846	101.00%			89.26%
June 30, 2018	0.0510%	\$ 540,410	\$ -	\$ 540,410	\$ 534,044	101.19%			88.84%
June 30, 2017	0.0342%	\$ 661,558	\$ -	\$ 661,558	\$ 504,788	131.06%			85.40%
June 30, 2016	0.0460%	\$ 1,846,060	\$ -	\$ 1,846,060	\$ 484,248	381.22%			63.90%
June 30, 2015	0.0460%	\$ 522,668	\$ -	\$ 522,668	\$ 417,734	125.12%			86.60%

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

I. Budgetary Information

A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

On or before the second week of August of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

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

B. Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
General Fund			
General government			
County treasurer	\$ 197,170	\$ 194,250	\$ (2,650)
Elections	27,588	20,427	(7,161)
Recorder	125,757	123,534	(2,223)
Public safety			
Sheriff	1,496,430	1,382,768	(113,662)
Crime victim assistance	74,946	73,235	(1,711)
Sanitation			
Recycling	120,542	84,470	(36,072)
Human services			
Buildings and grounds	70	-	(70)
Conservation of natural resources			
Environmental services	234,380	178,541	(55,839)
Agricultural inspection	1,674	-	(1,674)
Other conservation of natural resources	25,776	9,145	(16,631)
Capital outlay			
General government	89,683	24,000	(65,683)
Public safety	89,293	62,000	(27,293)
Road and Bridge Special Revenue Fund			
Highways and streets			
Maintenance	1,398,093	1,314,069	(84,024)
Equipment maintenance and shop	6,152,439	4,426,000	(1,726,439)
Township roads	230,306	205,000	(25,306)
Other highways and streets	60,336	59,677	(659)
Capital outlay			
Highways and streets	591,602	100,000	(491,602)
Social Services Special Revenue Fund			
Human services			
Social services	767,389	640,085	(127,304)

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the County Board. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

- Rates of merit and seniority was adjusted in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule 90 retirement rates, and a slight adjustments to early retirement rates of Tier 1 and Tier 2 members,
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions (Continued)

- The discount rate was changed from 3.80 percent to 2.00 percent.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% 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 2-5 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 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 annuitant 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees

2020 Changes (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- 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.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 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 Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumption.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees

2017 Changes

Changes in Actuarial Assumptions (Continued)

- for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in the calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios (Continued)

Police and Fire Fund

2024 Changes

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

Police and Fire Fund

2021 Changes

Changes in Actuarial Assumptions (Continued)

- The payroll growth assumption was changed from 3.25 percent to 3.0 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 MP-2019 to 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 disable 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 1, 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 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 changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2016 to MP-2017.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

Police and Fire Fund

2018 Changes (Continued)

Changes in Plan Provisions

- Postretirement benefit increases were 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.
- New 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 from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- 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 Changes

Changes in Actuarial Assumptions

- 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.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 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 tables assumed for healthy retirees.
- 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.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- 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 postretirement 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.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

II. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

Police and Fire Fund

2017 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

SUPPLEMENTARY INFORMATION

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

CUSTODIAL FUNDS

The Children's Initiative/Family Service Collaborative Custodial Fund is used to account for receipts and disbursements for the Collaborative.

The Flexible Spending Custodial Fund is used to account for the payroll deductions of employees enrolled in the flexible spending program.

The Forfeited Tax Custodial Fund is used to account for and report proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are restricted to various County funds and taxing districts. Titles to the tax-forfeited lands remains with the State until the lands are sold by the County.

The Insurance Custodial Fund is used to account for the employer's share of group insurance. Funds are provided for payment of the insurance from the General Fund and special revenue funds.

The State Revenue Custodial Fund is used to account for the collection and payment of funds due the State of Minnesota.

The Taxes and Penalties Custodial Fund is used to account for collection and distribution of taxes and penalties for the various taxing districts of the County.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2024**

	Family Service Collaborative	Flexible Spending	Forfeited Tax	Insurance	State Revenue	Taxes and Penalties	Total Custodial Funds
<u>Assets</u>							
Cash and pooled investments	\$ 25,742	\$ 2,119	\$ 55,416	\$ (70,824)	\$ 95,059	\$ 99,179	\$ 206,691
Accounts receivable	<u>-</u>	<u>337</u>	<u>-</u>	<u>70,824</u>	<u>-</u>	<u>144</u>	<u>71,305</u>
Total Assets	<u>\$ 25,742</u>	<u>\$ 2,456</u>	<u>\$ 55,416</u>	<u>\$ -</u>	<u>\$ 95,059</u>	<u>\$ 99,323</u>	<u>\$ 277,996</u>
<u>Liabilities</u>							
Accounts payable	\$ 250	\$ 2,456	\$ 30,100	\$ -	\$ 20,400	\$ 99,323	\$ 152,529
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,659</u>	<u>-</u>	<u>74,659</u>
Total Liabilities	<u>\$ 250</u>	<u>\$ 2,456</u>	<u>\$ 30,100</u>	<u>\$ -</u>	<u>\$ 95,059</u>	<u>\$ 99,323</u>	<u>\$ 227,188</u>
<u>Net Position</u>							
Restricted for Individuals, organizations, and other governments	<u>\$ 25,492</u>	<u>\$ -</u>	<u>\$ 25,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,808</u>

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Statement 2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Family Service Collaborative	Flexible Spending	Forfeited Tax	Insurance	State Revenue	Taxes and Penalties	Total Custodial Funds
Additions							
Contributions from individuals	\$ -	\$ 6,430	\$ 300	\$ 896,186	\$ -	\$ -	\$ 902,916
Property tax collections for other governments	-	-	-	-	1,371,587	15,743,466	17,115,053
Proceed from sale of forfeited property	-	-	70,114	-	-	-	70,114
Intergovernmental receipts for other governments	29,744	-	-	-	-	-	29,744
License and fees collected for State	-	-	-	-	98,552	-	98,552
Miscellaneous	-	-	2,228	-	-	-	2,228
Total Additions	\$ 29,744	\$ 6,430	\$ 72,642	\$ 896,186	\$ 1,470,139	\$ 15,743,466	\$ 18,218,607
Deductions							
Medical, dental, and life insurance	\$ -	\$ 6,430	\$ -	\$ 896,186	\$ -	\$ -	\$ 902,616
Payments of property tax to other governments	-	-	-	-	-	15,743,466	15,743,466
Payments to state	-	-	-	-	1,470,139	-	1,470,139
Administrative expense	-	-	1,037	-	-	-	1,037
Payments to other entities/individuals	19,760	-	113,192	-	-	-	132,952
Total Deductions	\$ 19,760	\$ 6,430	\$ 114,229	\$ 896,186	\$ 1,470,139	\$ 15,743,466	\$ 18,250,210
Change in net position	\$ 9,984	\$ -	\$ (41,587)	\$ -	\$ -	\$ -	\$ (31,603)
Net Position – January 1	15,508	-	66,903	-	-	-	82,411
Net Position – December 31	\$ 25,492	\$ -	\$ 25,316	\$ -	\$ -	\$ -	\$ 50,808

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 6

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Award Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	\$ 84,597	\$ -
U.S. Department of Justice Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2024-REDLAKEAO	\$ 51,812	\$ -
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00057	\$ 911,544	\$ 728,000
U.S. Department of the Treasury Direct Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not Provided	\$ 395,191	\$ -
U.S. Department of Health and Human Services Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-2301MNPSS	\$ 1,438	-
Temporary Assistance for Needy Families	93.558	2401MNTANF	70,793	-
Child Support Enforcement	93.563	2404MNCSEST	133,999	-
Refugee and Entrant Assistance	93.566	2401MNRCMA	640	-
CCDF Cluster Child Care and Development Block Grant	93.575	2401MNCCDF	1,548	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2401MNCWSS	307	-
Foster Care Title IV-E	93.658	2401MNFOST	38,204	-
Social Services Block Grant	93.667	G-2401MNSOSR	39,015	-
Child Abuse and Neglect State Grants	93.669	2301MNNCAN	308	-
Children's Health Insurance Program	93.767	2305MN5022	136	-
Medicaid Cluster Medical Assistance Program	93.778	2405MN5ADM	256,618	-
Total U.S. Department of Health and Human Services			\$ 543,006	\$ -
U.S. Department of Homeland Security Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2022-REDLAKECO	18,464	\$ -
Total Federal Awards			\$ 2,004,614	\$ 728,000
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 84,597	
Total expenditures for CCDF Cluster			1,548	
Total expenditures for Medicaid Cluster			256,618	

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

I. Reporting Entity

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

II. Basis of Presentation

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

III. Summary of Significant Accounting Policies

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. Red Lake County has elected to not use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

IV. Subrecipients

During 2024, the County passed through Federal Awards to a subrecipient under federal award CFDA 20.205 in the amount of \$728,000.

IV. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,609,423
<i>Plus:</i>	
Amounts expended for American Recovery Plan, previously received	<u>395,191</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,004,614</u></u>

OTHER SCHEDULES

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**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2024**

	Assets						
	Special Assessments Receivable Prior		Due from Other Governments		Total Assets	Accounts Payable	
	Cash						
County Ditches							
2	\$ 50,466	\$ -	\$ 234	\$ 50,700	\$ -		
3	30,071	-	-	30,071			
4	59,849	2	397	60,248			
9	42,690	-	-	42,690	435		
12	35,270	7	-	35,277			
17	42,415	88	-	42,503			
18-65	32,668	51	-	32,719	566		
22	8,911	-	-	8,911	22		
23	8,312	-	-	8,312			
24	44,381	-	-	44,381			
28	9,422	-	-	9,422			
57	20,271	74	-	20,345	2,126		
58	56,920	-	-	56,920			
60	39,294	-	-	39,294			
61	49,888	-	-	49,888	885		
62	48,547	-	-	48,547			
64	22,187	-	-	22,187	94		
67	26,611	-	-	26,611			
69	17,228	43	-	17,271			
70	6,795	-	-	6,795			
Joint Ditches							
1	57,815	12	577	58,404	1,065		
3	35,613	28	141	35,782	773		
11	19,296	-	140	19,436			
13	32,929	-	628	33,557			
15	38,129	2	916	39,047			
31	14,382	-	162	14,544	142		
60	76,047	-	641	76,688			
64	53,928	19	502	54,449			
66	51,611	1	5,487	57,099			
71	17,868	-	153	18,021			
Watershed Ditches							
7	-	21	-	21			
10	44,845	-	-	44,845			
Total	\$ 1,094,659	\$ 348	\$ 9,978	\$ 1,104,985	\$ 6,108		

Schedule 7

Liabilities			Total Liabilities, Deferred Inflows of Resources, and Fund Balances		
Due to Other Funds	Due to Other Governments	Total Liabilities	Deferred Inflows of Resources	Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
\$ -	\$ -	\$ -	\$ -	\$ 50,700	\$ 50,700
-	-	-	-	30,071	30,071
-	-	-	2	60,246	60,248
-	-	435	-	42,255	42,690
-	-	-	7	35,270	35,277
-	-	-	88	42,415	42,503
-	-	566	51	32,102	32,719
-	-	22	-	8,889	8,911
-	-	-	-	8,312	8,312
-	-	-	-	44,381	44,381
-	-	-	-	9,422	9,422
-	-	2,126	74	18,145	20,345
-	-	-	-	56,920	56,920
-	-	-	-	39,294	39,294
-	-	885	-	49,003	49,888
-	-	-	-	48,547	48,547
-	-	94	-	22,093	22,187
-	-	-	-	26,611	26,611
-	-	-	43	17,228	17,271
-	-	-	-	6,795	6,795
-	1,803	2,868	12	55,524	58,404
-	-	773	28	34,981	35,782
-	25	25	-	19,411	19,436
-	-	-	-	33,557	33,557
-	76	76	2	38,969	39,047
-	106	248	-	14,296	14,544
-	20	20	-	76,668	76,688
-	-	-	19	54,430	54,449
-	-	-	1	57,098	57,099
-	-	-	-	18,021	18,021
-	-	-	21	-	21
44,845	-	44,845	-	-	44,845
\$ 44,845	\$ 2,030	\$ 52,983	\$ 348	\$ 1,051,654	\$ 1,104,985

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024**

Shared Revenue

State

County program aid	\$ 615,941
County Aquatic Invasive Species Prevention Aid	6,722
Disparity reduction aid	34,162
Enhanced 911	149,713
Highway users tax	5,343,138
Local housing aid	82,145
Market value credit	110,501
Cannabis aid	2,114
Police state aid	88,283
Riparian Protection Aid	<u>75,805</u>

Total Shared Revenue

\$ 6,508,524

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 166,187
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Payments

Payments in lieu of taxes	\$ 13,704
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Grants

State

Minnesota Department/Board of

Enterprise Technology	\$ 42,785
Human Services	252,987
Natural Resources	28,107
Peace Officer Standards and Training	9,123
Pollution Control Agency	89,578
Public Safety	2,219
Secretary of State	34,167
Transportation	118,366
Veterans Affairs	7,500
Water and Soil Resources	<u>101,200</u>

Total State

\$ 686,032

Federal

Department of

Agriculture	\$ 84,597
Justice	51,812
Transportation	911,544
Health and Human Services	543,006
Homeland Security	<u>18,464</u>

Total Federal

\$ 1,609,423

Total Grants

\$ 2,295,455

Total Intergovernmental Revenue

\$ 8,983,870

MANAGEMENT AND COMPLIANCE SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

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**INDEPENDENT AUDITOR'S 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***

Board of County Commissioners
Red Lake County
Red Lake Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Red Lake County as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However,

material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red Lake County's financial statements are free of 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 determination of financial statement amounts. 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*.

Report on Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, we noted Red Lake County failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, insofar as they relate to accounting matters described in the Schedule of Findings and Questioned Costs as items 2024-002 and 2024-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Red Lake County failed to comply with the provisions of the deposits and investments, conflicts of interest, public indebtedness, contracts and bidding, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

Red Lake County's Responses to Findings

Red Lake County's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.



Hoffman, Philipp, & Martell, PLLC
November 13, 2025

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA



Hoffman, Philipp, & Martell, PLLC

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *UNIFORM GUIDANCE***

Board of County Commissioners
Red Lake County

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Programs

We have audited Red Lake County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2024. The 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, Red Lake County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Red Lake County's 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 Red Lake County's compliance with the compliance requirements referred to above.

Responsibility 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 Red Lake County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Red 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 generally accepted auditing standards, *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 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 Red Lake County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Red Lake County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Red 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 Red 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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002, that we consider to be a significant deficiency.

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

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

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell".

Hoffman, Philipp, & Martell, PLLC
November 13, 2025

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTION COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

I. SUMMARY OF AUDITOR'S RESULTS

A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

B. **Financial Statements**

Internal control over financial reporting:

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

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

D. **Federal Awards**

Internal control over major programs:

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

E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**

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

G. The major federal program was:

Highway Planning and Construction

CFDA #20.205

- H. The threshold for distinguishing between Types A and B programs was \$750,000.
- I. Red Lake County qualified as a low-risk auditee? **No**

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2024-001

Prior Year Finding Number(s): 2023-001

Repeat Finding(s) Since: 1996

Finding Title: Segregation of Duties and Internal Controls

Criteria: The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the County's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls to ensure effectiveness and efficiency of operations.

Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the Red Lake County, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

Context: The small size and staffing of Red Lake County limits the segregation of duties and internal control that management can design and implement. Although the County has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

Effect: Without documented internal controls and a process for monitoring internal controls, the County cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

Cause: The County has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

Recommendation: Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the Red Lake County formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

County's Response: *The small size of the County limits the number of personnel available to perform separate duties, however, the County Board is aware of this situation and provides oversight and review. The County does have some written policies and continues to work on improving internal control over financial reporting and compliance, and the documentation of those controls.*

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2024-002

Prior Year Finding Number: 2023-003

Repeat Finding Since: 2023

Finding Title: Reporting Requirements

Criteria: The Uniform Guidance states that an auditee must submit a data collection form and audit reporting package to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: Red Lake County did not submit the data collection form to the Federal Audit Clearinghouse within the required time frame.

Context: Red Lake County was in violation of the reporting requirements when their audit was not completed until 11 months after the end of the fiscal year.

Effect: This instance of later reporting is not expected to reoccur.

Cause: Delays in completeness of information resulted in late reporting.

Recommendation: The annual County audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

County's Response: *The late audit report was beyond the control of the County. The County Auditor will monitor the progress of the annual audit in the future so that the annual audit will be completed on a timely basis as described in our Corrective Action Plan.*

ITEM ARISING THIS YEAR

Finding Number: 2024-003

Finding Title: Subrecipient Monitoring

Criteria: Federal requirements for the 20.205 Highway Planning and Construction awards include subrecipient monitoring for the award.

Condition: The County was not in compliance with the requirements:

- Obtain an understanding of internal control, assess risk, and test internal controls.
- Identify the requirements of the pass thru money and convey the terms and conditions to the subrecipient.
- Monitor the subrecipient to verify that the award was spent in accordance with the terms and conditions set forth by the award.

Context: The Highway Department passed \$728,000 from the federal government through to the City of Red Lake Falls for the trail project. Various documentation was required to comply with the subrecipient monitoring portion of the award.

Effect: Noncompliance with federal award requirements.

**RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA**

Cause: The monitoring of pass-thru awards was missing in the documentation of the subrecipient project.

Recommendation: We recommend the County abide by their policy for subrecipient monitoring.

County's Response: *The County acknowledges the finding and will take corrective action to ensure compliance with federal subrecipient monitoring requirements. The County will review its procedures to ensure that all future subrecipient agreements include proper documentation of monitoring activities, including communication of award terms, risk assessments, and verification that funds are expended in accordance with federal requirements. The County Highway Department and Auditor's Office will work together to document all subrecipient monitoring steps for future federally funded projects.*

Red Lake County Auditor's Office

Kelsey Gervais, County Auditor

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2024-001

Finding Title: Segregation of Duties and Internal Controls

Name of Contact Person Responsible for Corrective Action: Kelsey Gervais, County Auditor

Summary of Corrective Action Previously Reported: Management is aware of the segregation of duties and internal controls issue. The County will continue its efforts to develop and update its policy to assess and monitor internal controls. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

Anticipated Completion Date: December 31, 2025.

Finding Number: 2024-002

Finding Title: Reporting Requirements

Name of Contact Person Responsible for Corrective Action: Kelsey Gervais, County Auditor

Summary of Corrective Action Previously Reported: Future annual County audits will be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

Anticipated Completion Date: December 31, 2025.

Finding Number: 2024-003

Finding Title: Subrecipient Monitoring

Name of Contact Person Responsible for Corrective Action: Kelsey Gervais, County Auditor

Summary of Corrective Action Previously Reported: The County will take corrective action to ensure compliance with federal subrecipient monitoring requirements and will review its procedures to ensure that all future subrecipient agreements include proper documentation of monitoring activities, including communication of award terms, risk assessments, and verification that funds are expended in accordance with federal requirements.

Anticipated Completion Date: December 31, 2025.

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Red Lake County Auditor's Office

Kelsey Gervais, County Auditor

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2023-001

Repeat Finding Since: 1996

Finding Title: Segregation of Duties and Internal Control

Summary of Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for monitoring to ensure the internal controls are effective.

Summary of Corrective Action: Management is continually aware that segregation of duties is not adequate from an internal control point of view. The County Board continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

Status: Not fully corrected.

Finding Number: 2023-002

Repeat Finding Since: 2015

Finding Title: Budgeting Procedures

Summary of Condition: Differences were noted between the Board approved budget and the budget entered into the County's financial system (IFS) for the General Fund. The Road and Bridge Special Revenue Fund budget was not entered into the IFS. Additionally, the Social Services Special Revenue Fund budget was entered into the IFS, but was not set as the original budget, and therefore, does not appear in general ledger downloads or financial statements generated from the system.

Summary of Corrective Action: Budgets were entered correctly into the County's financial system for the year ended December 31, 2024.

Status: Resolved.

Finding Number: 2023-003

Finding Title: Reporting Requirements

Summary of Condition: Red Lake County did not submit the data collection form to the Federal Audit Clearinghouse within the required time frame.

Summary of Corrective Action: Future annual County audits will be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

Status: Not fully corrected.