

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

YEAR ENDED DECEMBER 31, 2022



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, 2022**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1 <sup>st</sup> District	Anthony Flage	January 2027
2 <sup>nd</sup> District	Ron Weiss*	January 2025
3 <sup>rd</sup> District	Delane Dudycha <sup>1</sup>	January 2023
4 <sup>th</sup> District	Allen Remick**	January 2027
5 <sup>th</sup> District	Tony Gerardy	January 2025
<i>*Chair</i>		
<i>**Vice-Chair</i>		
<b>Officers</b>		
Elected:		
Attorney	Mike Lacoursiere <sup>2</sup>	January 2023
Recorder	Joyce Paquin	January 2027
Sheriff	Mitch Bernstein	January 2027
Treasurer	Nick Knott	January 2027
Appointed:		
Assessor	Michelle Nelson	December 2024
Auditor	Kelsey Gervais	Indefinite
Medical Examiner	Dr. Mary Ann Sens	June 2024
Highway Engineer	Erik Hove <sup>3</sup>	Indefinite
Veterans Service Officer	Kurtis Ellefson	Indefinite
Environmental Services Director	Kurt Casavan	Indefinite
Social Services Director	Kristi Nelson	Indefinite

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<sup>1</sup> Replaced by Eric Mickelson on August 8, 2023, with a term expiration of January 2027.

<sup>2</sup> Resigned as of March 22, 2023. Appointed Harbott, Knutson, Larson, & Holten law firm as interim county attorney.

<sup>3</sup> Replaced by Taylor Amiot on August 31, 2023

## **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**

##### ***Opinion***

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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 Opinion***

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 that 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, as listed in the table of contents, is presented for the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual 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 20, 2023, 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.



Hoffman, Philipp, & Martell, PLLC  
November 20, 2023

# Red Lake County Auditor's Office

**Bob Schmitz, 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, 2022. 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 \$62,963,341, of which \$53,955,711 is the net investment in capital assets, \$5,585,905 is restricted for specific purposes, and \$3,421,725 is unrestricted. The total net position of governmental activities increased by \$3,229,048 for the year ended December 31, 2022. This is attributed mainly to highway infrastructure construction funded by State Aid.

At the close of 2022, the County's governmental funds reported combined ending fund balances of \$7,333,116, a decrease of \$597,987 from the prior year. Of the total fund balance amount, \$539,694 is non-spendable, \$2,322,276 is legally or contractually restricted, \$3,821,013 is formally committed for specific purposes, and \$833,677 is assigned for specific purposes. The Ditch Fund has a deficit unassigned fund balance of \$183,544. 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 the 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 *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 \$62,963,341 at the close of 2022. The largest portion of the County's net position (approximately 86 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 five percent of the County's net position is unrestricted. The unrestricted net position amount of \$3,421,725 as of December 31, 2022, 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 \$4,041,166 from the prior year, deferred outflows of resources related to other post-employment benefits and pensions increased by \$646,371, total liabilities increased by \$3,740,624 from the prior year, and deferred inflows of resources related to other post-employment benefits and pensions decreased by \$2,282,135. This resulted in an increased net position of \$3,229,048 from the prior year.

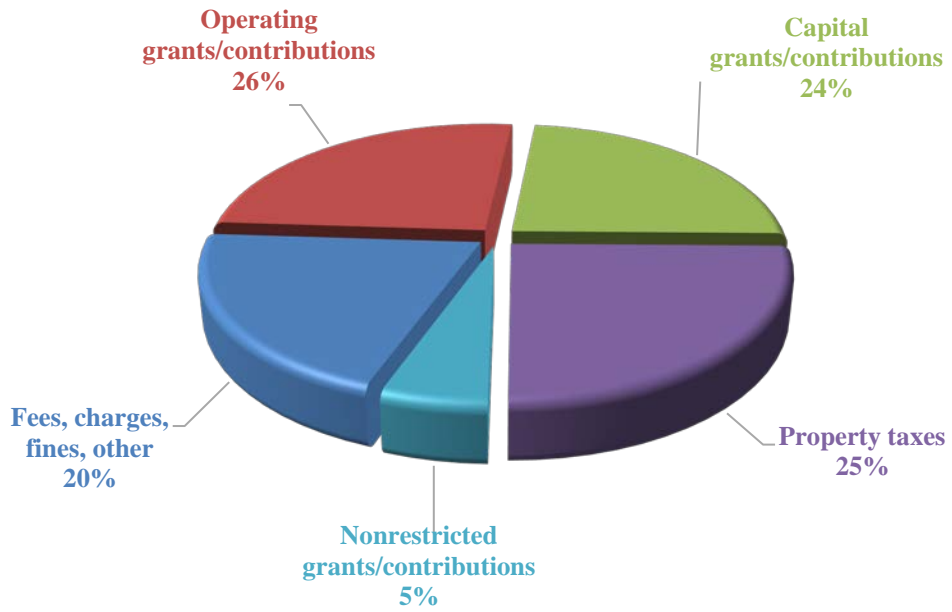
**NET POSITION**

	<b>Governmental Activities</b>	
	2022	2021
Current and other assets	\$ 12,874,114	\$ 17,220,953
Capital assets	53,966,407	45,578,402
<b>Total assets</b>	<b>\$ 66,840,521</b>	<b>\$ 62,799,355</b>
Deferred outflows of resources		
Related to other post-employment benefits	\$ 67,517	\$ 34,220
Related to pensions	2,447,694	1,834,620
<b>Total deferred outflows or resources</b>	<b>\$ 2,515,211</b>	<b>\$ 1,868,840</b>
Other liabilities	\$ 635,955	\$ 122,133
Long-term liabilities outstanding	5,680,282	2,453,480
<b>Total liabilities</b>	<b>\$ 6,316,237</b>	<b>\$ 2,575,613</b>
Deferred inflows of resources		
Related to other post-employment benefits	\$ 3,198	\$ 3,428
Related to pensions	72,956	2,354,861
<b>Total deferred inflows of resources</b>	<b>\$ 76,154</b>	<b>\$ 2,358,289</b>
Net investment in capital assets	\$ 53,955,711	\$ 45,556,532
Restricted	5,585,905	11,486,924
Unrestricted	3,421,725	2,690,837
<b>Total net position</b>	<b>\$ 62,963,341</b>	<b>\$ 59,734,293</b>

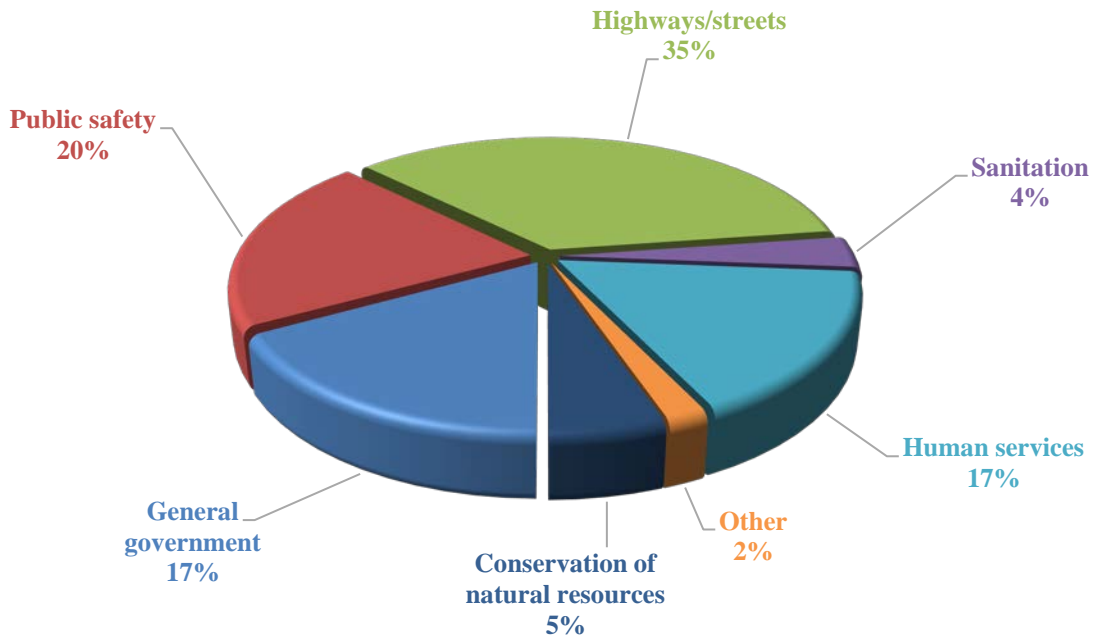
**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>	
	2022	2021
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 2,546,247	\$ 852,061
Operating grants and contributions	3,194,561	3,186,425
Capital grants and contributions	2,923,244	5,223,873
General Revenues		
Property taxes	3,108,754	3,100,405
Gravel taxes	3,554	-
Grants and contributions not restricted to specific programs	658,145	644,522
Payments in lieu of taxes	31,667	-
Investment earnings	117,476	15,229
Miscellaneous	61,959	45,846
<b>Total revenues</b>	<b>\$ 12,645,607</b>	<b>\$ 13,068,361</b>
Expenses		
General government	\$ 1,601,338	\$ 1,620,539
Public safety	1,915,987	1,604,499
Highways and streets	3,329,554	2,942,852
Sanitation	334,981	346,001
Human services	1,561,001	1,500,790
Health	75,703	83,957
Culture and recreation	100,666	96,115
Conservation of natural resources	497,248	215,429
Economic development	-	9,274
Interest	81	162
<b>Total expenses</b>	<b>\$ 9,416,559</b>	<b>\$ 8,419,618</b>
<b>Increase (decrease)</b>	<b>\$ 3,229,048</b>	<b>\$ 4,648,743</b>
Net position, January 1	59,734,293	55,085,550
<b>Net position, December 31</b>	<b>\$ 62,963,341</b>	<b>\$ 59,734,293</b>

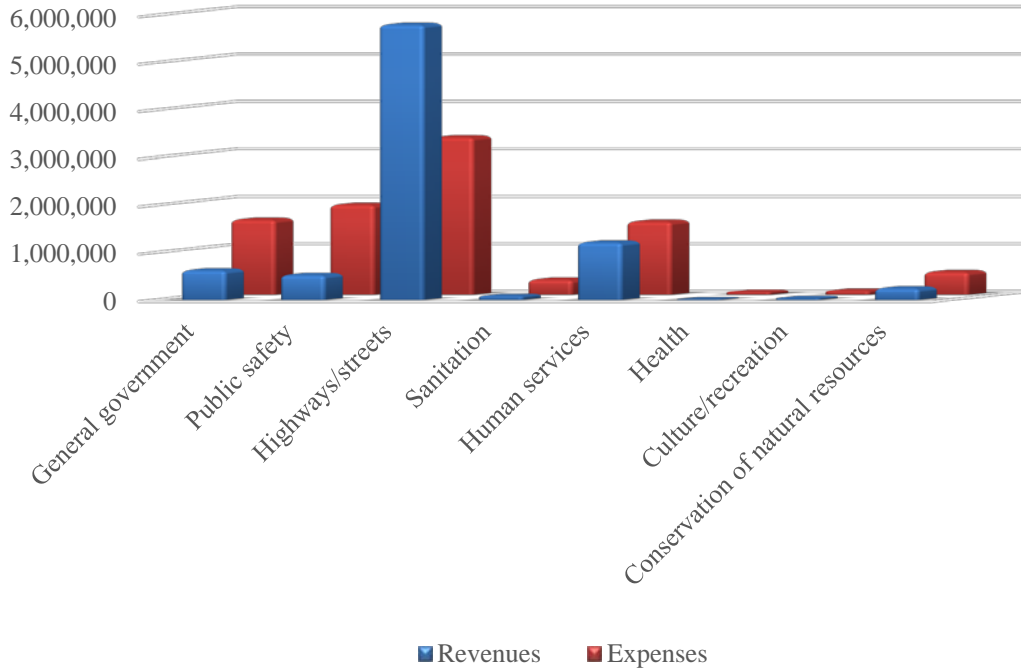
## Revenues by Source



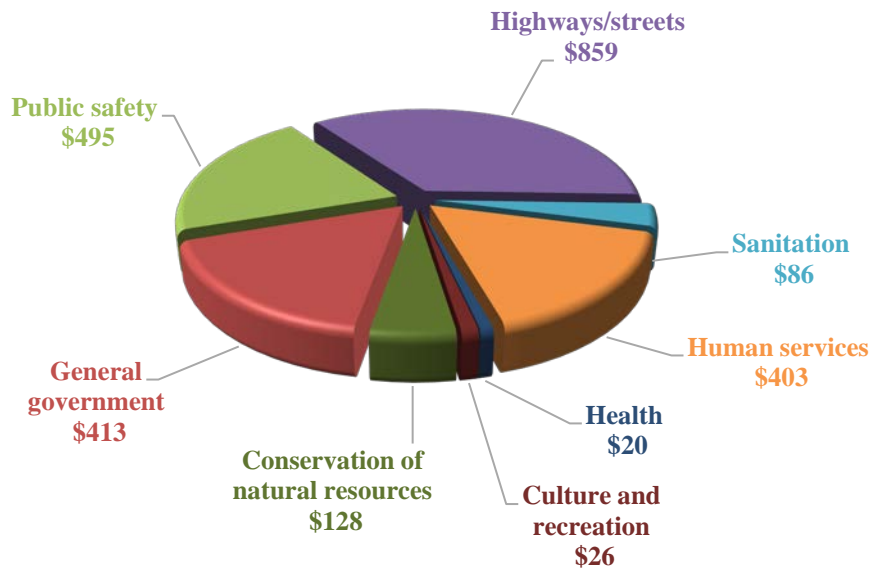
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 3,874 Population as of July 1, 2022



## **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 2022, the County's governmental funds reported combined ending fund balances of \$7,333,116. Of this amount, approximately seven percent constitutes non-spendable fund balance, 32 percent constitutes legally or contractually restricted fund balance, 52 percent constitutes formally committed fund balance, 11 percent constitutes specifically assigned fund balance, and a negative two 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 \$2,425,561. The General Fund had no non-spendable or assigned fund balance. The restricted fund balance was \$1,410,787, and the committed fund balance was \$1,014,774. 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 2022. The unrestricted fund balance represents 25 percent and total fund balance represents 61 percent of total General Fund expenditures.

In 2022, the fund balance amount in the General Fund increased by \$413,331. The primary reason for this is American Rescue Plan Funds received but not yet spent.

The fund balance of the Road and Bridge Special Revenue Fund decreased by \$903,817 in 2022. This was due to unbudgeted capital outlay expenditures and addition construction expenditures.

The fund balance of the Social Services Special Revenue Fund increased by \$75,077 from the prior year mainly due to expenditures being less than budgeted.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budget as approved for 2022.

Actual revenues were more than overall final budgeted revenues by \$2,811,161, with the largest variance in taxes due to the budget not being entered into the County's financial system. Actual expenditures were less than overall final budgeted expenditures by \$1,008,398, with the largest variance in general government due to American Rescue Plan Funds budgeted to be spent, but unspent in the current year.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounted to \$53,966,407 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 18 percent, due to construction of highway infrastructure.



	Governmental Activities	
	2022	2021
Land	\$ 997,274	\$ 997,274
Construction in progress	12,577,712	4,349,094
Infrastructure	38,973,071	38,833,427
Buildings and improvements	291,207	304,492
Machinery and equipment	1,127,143	1,094,115
Total capital assets	<u>\$ 53,966,407</u>	<u>\$ 45,578,402</u>

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 no outstanding debt.

	Governmental Activities	
	2022	2021
Capital Lease Purchase - IBM Credit I-series power system/software	<u>\$ -</u>	<u>\$ 12,018</u>

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 2022, overall debt of the County is below the three percent debt limit.

### 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 4.1 percent as of December 2022. This is higher than the statewide rate of 3.2 percent and the national average rate of 3.3 percent.
- Red Lake County’s estimated United States Census population July 1, 2022, was 3,874, a decrease of 59 since the census of 2020. This ranks Red Lake County 85<sup>th</sup> of 87 in the State of Minnesota.
- On December 15, 2022, Red Lake County set its 2023 revenue and expenditure budgets.
- On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The recovery package provides funding in several areas such as state and local aid, education, rental assistance, transit, stimulus payments for individuals, and other provisions. The local funding portion is approximately \$130 billion, equally divided between cities and counties. Red Lake County received \$393,818 in 2021 and another \$393,818 in 2022. These funds are required to be spent by December 31, 2026. The County is using the ARPA funds to respond to public health emergency needs, serve the hardest hit communities and address inequities, address negative economic impacts, and improve access to water and broadband infrastructure.

## **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, 2022**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 6,867,419
Cash with fiscal agent	102
Investments	260,945
Taxes receivable - prior	37,477
Special assessments receivable - prior	1,305
Accounts receivable	30,899
Accrued interest receivable	20,685
Due from other governments	5,115,588
Inventories	539,694
Capital assets	
Non-depreciable	13,574,986
Depreciable - net of accumulated depreciation	40,391,421
	<b>\$ 66,840,521</b>
<b><u>Deferred Outflows of Resources</u></b>	
Related to other post-employment benefits	\$ 67,517
Related to pensions	2,447,694
	<b>\$ 2,515,211</b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 301,001
Salaries payable	140,757
Contracts payable	113,628
Due to other governments	80,569
Long-term liabilities	
Due within one year	206,406
Due in more than one year	133,149
Other post-employment benefits	300,746
Net pension liability	5,039,981
	<b>\$ 6,316,237</b>
<b><u>Deferred Inflows of Resources</u></b>	
Related to other post-employment benefits	\$ 3,198
Related to pensions	72,956
	<b>\$ 76,154</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	\$ 53,955,711
Amounts restricted for	
General government	107,887
Public safety	4,054
Highways and streets	4,252,572
Conservation of natural resources	1,153,143
Economic development	68,249
Unrestricted amounts	3,421,725
	<b>\$ 62,963,341</b>

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

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions		Capital Grants and Contributions
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 1,601,338	\$ 190,232	\$ 55,959	\$ 393,818	\$ (961,329)
Public safety	1,915,987	149,532	392,751	-	(1,373,704)
Highways and streets	3,329,554	1,652,011	1,635,863	2,528,668	2,486,988
Sanitation	334,981	18,286	80,729	-	(235,966)
Human services	1,561,001	433,075	796,170	-	(331,756)
Health	75,703	23,128	-	-	(52,575)
Culture and recreation	100,666	-	52,810	-	(47,856)
Conservation of natural resources	497,248	79,881	180,279	758	(236,330)
Economic development	-	102	-	-	102
Interest	81	-	-	-	(81)
<b>Total governmental activities</b>	<b>\$ 9,416,559</b>	<b>\$ 2,546,247</b>	<b>\$ 3,194,561</b>	<b>\$ 2,923,244</b>	<b>\$ (752,507)</b>
<b>General revenues</b>					
Property taxes					\$ 3,108,754
Gravel taxes					3,554
Grants and contributions not restricted to specific programs					658,145
Payments in lieu of taxes					31,667
Investment earnings					117,476
Miscellaneous					61,959
<b>Total general revenues</b>					<b>\$ 3,981,555</b>
<b>Change in net position</b>					<b>\$ 3,229,048</b>
<b>Net position - January 1</b>					<b>59,734,293</b>
<b>Net position - December 31</b>					<b>\$ 62,963,341</b>

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

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<u>General Fund</u>	<u>Road and Bridge Special Revenue Fund</u>	<u>Social Services Special Revenue Fund</u>	<u>Nonmajor Ditch Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 2,299,235	\$ 1,654,940	\$ 1,936,983	\$ 976,261	\$ 6,867,419
Cash with fiscal agent	102	-	-	-	102
Investments	147,636	113,309	-	-	260,945
Taxes receivable - prior	26,100	7,098	4,279	-	37,477
Special assessments receivable - prior	-	-	-	1,305	1,305
Accounts receivable	1,245	8,385	21,269	-	30,899
Accrued interest receivable	20,685	-	-	-	20,685
Due from other funds	46,412	9,346	-	-	55,758
Due from other governments	26,585	4,927,589	137,220	24,194	5,115,588
Inventories	-	539,694	-	-	539,694
<b>Total Assets</b>	<b>\$ 2,568,000</b>	<b>\$ 7,260,361</b>	<b>\$ 2,099,751</b>	<b>\$ 1,001,760</b>	<b>\$ 12,929,872</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 36,991	\$ 28,544	\$ 9,368	\$ 226,098	\$ 301,001
Salaries payable	74,944	33,898	31,915	-	140,757
Due to other funds	9,346	-	-	46,412	55,758
Due to other governments	9,082	65,448	6,039	-	80,569
Contracts payable	-	113,628	-	-	113,628
<b>Total Liabilities</b>	<b>\$ 130,363</b>	<b>\$ 241,518</b>	<b>\$ 47,322</b>	<b>\$ 272,510</b>	<b>\$ 691,713</b>
<b>Deferred Inflows of Resources</b>					
<b>Unavailable revenues</b>					
Taxes	\$ 12,076	\$ 3,284	\$ 1,980	\$ -	\$ 17,340
Special assessments	-	-	-	1,305	1,305
County State Aid Highway Allotment	-	4,886,398	-	-	4,886,398
<b>Total Deferred Inflows of Resources</b>	<b>\$ 12,076</b>	<b>\$ 4,889,682</b>	<b>\$ 1,980</b>	<b>\$ 1,305</b>	<b>\$ 4,905,043</b>
<b>Fund Balances</b>					
Non-spendable	\$ -	\$ 539,694	\$ -	\$ -	\$ 539,694
Restricted	1,410,787	-	-	911,489	2,322,276
Committed	1,014,774	1,589,467	1,216,772	-	3,821,013
Assigned	-	-	833,677	-	833,677
Unassigned	-	-	-	(183,544)	(183,544)
<b>Total Fund Balances</b>	<b>\$ 2,425,561</b>	<b>\$ 2,129,161</b>	<b>\$ 2,050,449</b>	<b>\$ 727,945</b>	<b>\$ 7,333,116</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,568,000</b>	<b>\$ 7,260,361</b>	<b>\$ 2,099,751</b>	<b>\$ 1,001,760</b>	<b>\$ 12,929,872</b>

**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, 2022**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>7,333,116</b>
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.		53,966,407
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		4,905,043
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds:		
Deferred outflows of resources related to other post-employment benefits	\$ 67,517	
Deferred outflows of resources related pensions	<u>2,447,694</u>	2,515,211
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences payable	\$ (339,555)	
Other post-employment benefits	(300,746)	
Net pension liability	<u>(5,039,981)</u>	(5,680,282)
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 other post employment benefits	\$ (3,198)	
Deferred inflows of resources related to pensions	<u>(72,956)</u>	<u>(76,154)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>62,963,341</u></b>

**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, 2022**

	<u>General Fund</u>	<u>Road and Bridge Special Revenue Fund</u>	<u>Social Services Special Revenue Fund</u>	<u>Nonmajor Ditch Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 2,183,707	\$ 585,191	\$ 344,474	\$ -	\$ 3,113,372
Special assessments	-	-	-	96,546	96,546
Intergovernmental	1,556,598	8,549,141	866,942	-	10,972,681
Charges for services	265,378	1,618,616	152,149	24,194	2,060,337
Investment earnings	117,108	368	-	-	117,476
Miscellaneous	216,707	33,395	280,926	-	531,028
<b>Total Revenues</b>	<b>\$ 4,339,498</b>	<b>\$ 10,786,711</b>	<b>\$ 1,644,491</b>	<b>\$ 120,740</b>	<b>\$ 16,891,440</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,483,267	\$ -	\$ -	\$ -	\$ 1,483,267
Public safety	1,733,933	-	-	-	1,733,933
Highways and streets	-	11,298,480	-	-	11,298,480
Sanitation	327,006	-	-	-	327,006
Human services	22,410	-	1,487,313	-	1,509,723
Health	75,703	-	-	-	75,703
Culture and recreation	100,666	-	-	-	100,666
Conservation of natural resources	193,930	-	-	303,318	497,248
<b>Debt service</b>					
Principal	4,006	4,006	4,006	-	12,018
Interest	27	27	27	-	81
<b>Capital outlay</b>					
Public safety	55,223	-	-	-	55,223
Highways and streets	-	263,863	-	-	263,863
Human services	-	-	8,064	-	8,064
<b>Total Expenditures</b>	<b>\$ 3,996,171</b>	<b>\$ 11,566,376</b>	<b>\$ 1,499,410</b>	<b>\$ 303,318</b>	<b>\$ 17,365,275</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 343,327</b>	<b>\$ (779,665)</b>	<b>\$ 145,081</b>	<b>\$ (182,578)</b>	<b>\$ (473,835)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 70,004	\$ -	\$ -	\$ -	\$ 70,004
Transfers out	-	-	(70,004)	-	(70,004)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 70,004</b>	<b>\$ -</b>	<b>\$ (70,004)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 413,331</b>	<b>\$ (779,665)</b>	<b>\$ 75,077</b>	<b>\$ (182,578)</b>	<b>\$ (473,835)</b>
<b>Fund Balance - January 1</b>	<b>2,012,230</b>	<b>3,032,978</b>	<b>1,975,372</b>	<b>910,523</b>	<b>7,931,103</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(124,152)</b>	<b>-</b>	<b>-</b>	<b>(124,152)</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,425,561</b>	<b>\$ 2,129,161</b>	<b>\$ 2,050,449</b>	<b>\$ 727,945</b>	<b>\$ 7,333,116</b>



**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, 2022**

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ (473,835)**

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	\$ 9,852,353	
Current year depreciation	(1,400,736)	
Net book value of assets disposed	<u>(63,612)</u>	8,388,005

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	(4,262,674)
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The issuance of long-term debt provides current financial resources to governmental funds,  
while the repayment of the principal of long-term debt consumes the current financial resources  
of governmental funds. Neither transaction, however, has any effect on net position.

Principal repayments	12,018
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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	\$ (25,696)
Inventories	<u>(124,152)</u>
	<u>(149,848)</u>

Other post-employment benefits and net pension liability do not represent an impending  
source of 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 related to other post-employment benefits	\$ 33,297
Deferred inflows related to other post-employment benefits	230
Other post-employment benefits	(46,338)
Deferred outflows related to net pension liability	613,074
Deferred inflows related to net pension liability	2,281,905
Net pension liability	<u>(3,166,786)</u>
	<u>(284,618)</u>

**Change in net position of governmental activities (Exhibit 2)** **\$ 3,229,048**

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

**EXHIBIT 7**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2022**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds (Statement 1)</b>	<b>Total Fiduciary Funds</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 3,177	\$ 1,090,339	\$ 1,093,516
Due from other governments	-	98,883	98,883
Accounts receivable	-	56,751	56,751
<b>Total Assets</b>	<b>\$ 3,177</b>	<b>\$ 1,245,973</b>	<b>\$ 1,249,150</b>
<b><u>Liabilities</u></b>			
Due to other governments	\$ -	\$ 80,505	\$ 80,505
Due to others	-	1,084,521	1,084,521
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 1,165,026</b>	<b>\$ 1,165,026</b>
<b><u>Net Position</u></b>			
Restricted for Individuals, organizations, other governments	\$ 3,177	\$ 80,947	\$ 84,124

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

**EXHIBIT 8**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds (Statement 2)</b>	<b>Total Fiduciary Funds</b>
<b>Additions</b>			
Contributions from individuals	\$ 21,482	\$ 805,437	826,919
Property tax collections for other governments	-	12,896,038	12,896,038
Proceed from sale of forfeited property	-	3,000	3,000
Intergovernmental receipts for other governments	-	19,008	19,008
License and fees collected for State	-	86,640	86,640
Miscellaneous	-	854,983	854,983
<b>Total Additions</b>	<b>\$ 21,482</b>	<b>\$ 14,665,106</b>	<b>\$ 14,686,588</b>
<b>Deductions</b>			
Medical, dental, and life insurance	\$ -	\$ 801,158	\$ 801,158
Payments of property tax to other governments	-	12,896,687	12,896,687
Payments to state	-	88,263	88,263
Payments to other entities/individuals	21,653	1,113,501	1,135,154
<b>Total Deductions</b>	<b>\$ 21,653</b>	<b>\$ 14,899,609</b>	<b>\$ 14,921,262</b>
<b>Change in net position</b>	<b>\$ (171)</b>	<b>\$ (234,503)</b>	<b>\$ (234,674)</b>
<b>Net Position – January 1</b>	<b>3,348</b>	<b>315,450</b>	<b>318,798</b>
<b>Net Position – December 31</b>	<b>\$ 3,177</b>	<b>\$ 80,947</b>	<b>\$ 84,124</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

**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 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 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, 2022, 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 2022 were \$277,189, and net decrease in fair value of investments was (\$159,713), for investment earnings net of losses of \$117,476. Pooled earnings were \$276,821.

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 2007 through 2022 and deferred special assessments collectible in 2023 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.”

**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

2. Receivables and Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable government funds to indicate that they are not available for appropriation and are not expendable available resources.

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

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

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

**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)

that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and 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 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 other post-employment benefits and 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 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. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2022. The General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund are typically used to liquidate other postemployment benefits payable.



**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)

8. 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.

9. 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.

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.

**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

9. Net Position and Fund Balance (Continued)

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 reported no unassigned fund balances at December 31, 2022.

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, 2022.

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 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.

10. 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.

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

II. Stewardship, Compliance, and Accountability

A. Land Management

The County manages approximately 394 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. Ditch Deficit Fund Balance

One of the individual ditch systems has incurred expenditures in excess of revenues and available resources. This fund balance deficit will be eliminated with future special assessment levies against benefited properties. The following shows the fund balances as of December 31, 2022:

Restricted fund balance	\$	911,489
Unassigned fund balance deficit		<u>(183,544)</u>
Total Ditch Special Revenue Fund		
fund balance	\$	<u><u>727,945</u></u>

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, 2022, are as follows:

<b>Governmental Funds</b>		
Cash and pooled investments	\$	6,867,419
Cash with fiscal agent		102
Investments		260,945
<b>Fiduciary Funds</b>		
Cash and pooled investments		<u>1,093,516</u>
Total cash and investments	\$	<u><u>8,221,982</u></u>
Cash on hand		
Cash on hand	\$	695
Checking accounts		166,459
Cash with fiscal agent		102
Money markets		4,159,309
Savings accounts		147,635
Certificates of deposit		240,000
Investments		<u>3,507,782</u>
Total deposits and investments	\$	<u><u>8,221,982</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 (Continued)

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, 2022, no County deposits were exposed to custodial credit risk.

Investments

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

- (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;

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

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Investments (Continued)

(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, 2022, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years
Federal Home Loan Bank	\$ 3,018,096	\$ 500,240	\$ 2,517,856
Negotiable Certificates of Deposit	476,728	243,057	233,671
Minnesota Municipal Money Market Funds	12,958	12,958	-
Total Investments	\$ 3,507,782	\$ 756,255	\$ 2,751,527
	100%	22%	78%

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, 2022, is as follows:

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

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Credit Risk (Continued)

	S & P Rating	Fair Value
Government Bonds	AAA	\$ 3,018,096
Negotiable Certificates of Deposit	N/A	476,728
Minnesota Municipal Money Market Funds	N/A	12,958
		\$ 3,507,782
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, 2022, the County had no investments subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County’s investment in a single issuer, 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, 2022, 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, 2022, the County had the following recurring fair value measurements:

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

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Fair Value Measurement (Continued)

	December 31, 2022	Fair Value Measurements Using	
		Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by fair value level</b>			
Money Markets	\$ 12,958	\$ 12,958	-
Debt securities	3,018,096	3,018,096	-
Negotiable certificates of deposit	476,728	-	476,728
Total Investments	\$ 3,507,782	\$ 3,031,054	\$ 476,728

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.

2. Receivables

Receivables as of December 31, 2022, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables
Taxes receivable	\$ 37,477
Special assessments	1,305
Accounts receivable	30,899
Accrued interest	20,685
Due from other governments	5,115,588
Total	\$ 5,205,954

All amounts are scheduled for collection during the subsequent year.

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

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 997,274	\$ -	\$ -	\$ 997,274
Construction in progress	4,349,094	9,010,809	782,191	12,577,712
 Total capital assets not depreciated	 \$ 5,346,368	 \$ 9,010,809	 \$ 782,191	 \$ 13,574,986
Capital assets being depreciated				
Infrastructure	\$ 60,012,647	\$ 1,296,585	\$ -	\$ 61,309,232
Buildings and improvements	1,515,250	-	-	1,515,250
Machinery and equipment	3,592,366	327,150	201,500	3,718,016
 Total capital assets being depreciated	 \$ 65,120,263	 \$ 1,623,735	 \$ 201,500	 \$ 66,542,498
Less: accumulated depreciation for				
Infrastructure	\$ 21,179,220	\$ 1,156,941	\$ -	\$ 22,336,161
Buildings and improvements	1,210,758	13,285	-	1,224,043
Machinery and equipment	2,498,251	230,510	137,888	2,590,873
 Total accumulated depreciation	 \$ 24,888,229	 \$ 1,400,736	 \$ 137,888	 \$ 26,151,077
 Total capital assets, depreciated, net	 \$ 40,232,034	 \$ 222,999	 \$ 63,612	 \$ 40,391,421
 Governmental Activities				
Capital Assets, Net	\$ 45,578,402	\$ 9,233,808	\$ 845,803	\$ 53,966,407

Depreciation Expense

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

General government	\$ 11,489
Public safety	70,632
Highways and streets, including depreciation of infrastructure assets	1,312,161
Human services	5,256
Sanitation	1,198
 Total Depreciation Expense	 \$ 1,400,736



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

III. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Ditch Special Revenue Fund	\$ 46,412	Ditch 10 collections
Road & Bridge Special Revenue Fund	General Fund	<u>9,346</u>	Interest receipted to wrong fund
Total Due To/From Other Funds		<u><u>\$ 55,758</u></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.

Operating Transfer To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Social Services Special Revenue Fund	<u>\$ 70,004</u>	Rent

C. Liabilities and Deferred Inflows of Resources

1. Payables

Current payables at December 31, 2022 were as follows:

Accounts	\$ 301,001
Salaries	140,757
Contracts	113,628
Due to other governments	<u>80,569</u>
Total Payables	<u><u>\$ 635,955</u></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 in varying amounts based on their length of service and hours worked. Maximum vacation earnings are 192 hours for 0-4 year anniversary dates, 288 hours for 5-9 year anniversary dates, and 384 hours after the 9<sup>th</sup> anniversary date. Maximum sick leave earnings are 720 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.

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

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Compensated Absence (Continued)

At severance, employees may receive half of their sick leave accumulation with a maximum pay out of 360 hours. Employees are also able to accrue a sick bank which is their accrual or 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. After 15 years of continuous service with the County, eligible employees will receive a percentage of their accumulated sick leave of up to a maximum of 95.63 days upon resignation or retirement in good standing as severance pay. Unvested sick leave, approximately \$120,334 at December 31, 2022, is available to employees in the event of illness-related absences and is not paid to them at termination.

3. Capital Lease Purchase

The County had a capital lease purchase agreement with IBM for an I-Series power system dated July 20, 2020. This note had an original issue amount of \$36,055, carried a net interest rate of .68 percent, and was due in annual installments of \$12,100. This note has been paid off as of December 31, 2022.

4. Changes in Long-Term Debt and Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease	\$ 12,018	\$ -	\$ 12,018	\$ -	\$ -
Compensated Absences	313,859	360,824	335,128	339,555	206,406
OPEB Liability	254,408	46,338	-	300,746	-
Net Pension Liability	1,873,195	3,166,786	-	5,039,981	-
	<u>\$ 2,453,480</u>	<u>\$ 3,573,948</u>	<u>\$ 347,146</u>	<u>\$ 5,680,282</u>	<u>\$ 206,406</u>

D. Fund Balances

1. 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, 2022, are summarized below by fund:

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

III. Detailed Notes on All Funds

D. Fund Balances

1. Deferred Inflows of Resources (Continued)

	Taxes	Special Assessments	CSAH	Total
Governmental funds				
General	\$ 12,076	\$ -	\$ -	\$ 12,076
Road & Bridge	3,284	-	4,886,398	4,889,682
Social Services	1,980	-	-	1,980
Ditch	-	1,305	-	1,305
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 17,340</u>	<u>\$ 1,305</u>	<u>\$ 4,886,398</u>	<u>\$ 4,905,043</u>

Fund balances at year-end December 31, 2022, were as follows:

	General Fund	Special Revenue Funds Road and Bridge	Social Services	Nonmajor Ditch Special Revenue Fund	Total Governmental Funds
<b>Nonspendable</b>					
Inventories	\$ -	\$ 539,694	\$ -	\$ -	\$ 539,694
<b>Restricted by enabling legislation</b>					
Attorney's forfeiture	\$ 1,384	\$ -	\$ -	\$ -	\$ 1,384
American Rescue Plan	749,705	-	-	-	749,705
Gravel pit restoration	71,481	-	-	-	71,481
Landslide acquisition	68,249	-	-	-	68,249
Conservation	-	-	-	911,489	911,489
Law library	13,246	-	-	-	13,246
Opioid Settlement	23,128	-	-	-	23,128
Recorder's equipment	70,129	-	-	-	70,129
Recorder's technology	55,694	-	-	-	55,694
Riparian Protection Aid	353,717	-	-	-	353,717
Sheriff's contingent fund	3,919	-	-	-	3,919
Sheriff's forfeited property	135	-	-	-	135
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total restricted	<u>\$ 1,410,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 911,489</u>	<u>\$ 2,322,276</u>
<b>Committed to</b>					
Future expenditures	\$ 702,774	\$ 1,063,241	\$ 716,772	\$ -	\$ 2,482,787
Ambulance	54,000	-	-	-	54,000
Equipment	-	526,226	-	-	526,226
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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total committed	<u>\$ 1,014,774</u>	<u>\$ 1,589,467</u>	<u>\$ 1,216,772</u>	<u>\$ -</u>	<u>\$ 3,821,013</u>
<b>Assigned to</b>					
Social services	\$ -	\$ -	\$ 833,677	\$ -	\$ 833,677
<b>Unassigned</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (183,544)</u>	<u>\$ (183,544)</u>
<b>Total Fund Balances</b>	<u>\$ 2,425,561</u>	<u>\$ 2,129,161</u>	<u>\$ 2,050,449</u>	<u>\$ 727,945</u>	<u>\$ 7,333,116</u>

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

IV. Other Post-Employment Benefits (OPEB)

A. Plan Description

Red Lake County provides a single employer defined benefit healthcare plan to eligible retirees and their dependents. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The contribution requirements of the plan and the County are established and may be amended by the Red Lake County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. For 2022, there were approximately 43 participants in the plan, with 3 retirees and one spouse receiving payments.

B. Total OPEB Liability

The County's total OPEB liability of \$300,746 was determined by an actuarial valuation date of January 1, 2022, and measurement date of January 1, 2022.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial methods and assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	January 1, 2022
Measurement Date:	January 1, 2022
Reporting Date:	December 31, 2022
Actuarial Cost Method:	Entry Age, level percentage of pay.
Amortization of Deferred Resource Flows:	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Discount Rate:	2.00%
20-Year Municipal Bond Yield:	2.00%
Inflation Rate:	2.50%
Salary Increases:	2.00%
Medical Trend Rate:	6.25% in 2022, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.

The current year's discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate assumption of 2.00 percent was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

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

IV. Other Post-Employment Benefits (OPEB)

B. Total OPEB Liability (Continued)

Mortality rates are based on Pub-2010 (Blue Collar for Public Safety, White Collar for others) with MP-2020 Generational Improvement Scale.

The actuarial assumptions are based on input from a variety of published sources of historical and projected future financial data, and the most recent actuarial valuation for OPEB dated January 1, 2022.

C. Changes in Total OPEB Liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ 254,408
Changes for the year:	
Service cost	20,110
Interest cost	5,352
Assumption changes	(1,066)
Differences between expected and actual experience	35,841
Benefit payments	(13,899)
Net change in Total OPEB Liability	\$ 46,338
Total OPEB Liability at January 1, 2022	\$ 300,746

D. OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate healthcare cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate and healthcare cost trend rate:

OPEB Liability (Asset) Sensitivity Analysis			OPEB Liability (Asset) Sensitivity Analysis		
<b>OPEB Liability (Asset) at Different Discount Rates</b>			<b>OPEB Liability (Asset) at Different Healthcare Cost Trend Rates</b>		
1% Lower	2.00%	\$ 323,902	1% Lower	5.50%	\$ 267,273
Current Discount Rate	3.00%	\$ 300,746	Current Discount Rate	6.50%	\$ 300,746
1% Higher	4.00%	\$ 278,973	1% Higher	7.50%	\$ 341,089

E. Fund Status and Funding Progress

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations

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

IV. Other Post-Employment Benefits (OPEB)

E. Fund Status and Funding Progress (Continued)

and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the County recognized OPEB expense of \$25,462.

At December 31, 2022, Red Lake County reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ 33,638	\$ -
Assumption changes	13,720	3,198
Estimated employer contributions	20,159	-
Total	\$ 67,517	\$ 3,198

The \$20,159 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

IV. Other Post-Employment Benefits (OPEB)

G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

Year ended December 31:	Future Recognition
2023	\$ 7,508
2024	\$ 7,509
2025	\$ 8,651
2026	\$ 8,641
2027	\$ 6,884
2028	\$ 4,967

H. Changes in Actuarial Assumptions and Plan Provisions

There were no changes in actuarial assumptions in 2022.

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). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of Red Lake County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

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.

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

V. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when the age plus years of service equals 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of the average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equals at least 90.

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 reduced prorated increase.

C. Contributions

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



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

V. Defined Benefit Pension Plans

C. Contributions (Continued)

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and Red Lake County was required to contribute 7.50 percent for Coordinated Plan members. Red Lake County's contributions to the General Employees Fund for the year ended December 31, 2022, were \$201,276. 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 members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 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, 2022, were \$118,588. 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, 2022, Red Lake County reported a liability of \$2,764,092 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 \$81,208.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Red Lake County's proportionate share was .0349 percent at the end of the measurement period and .0347 percent for the beginning of the period.

Red Lake County's	
Proportionate share of the net pension liability	\$ 2,764,092
State of Minnesota's proportionate share of	
the net pension liability associated with	
Red Lake County	<u>81,208</u>
Total	<u>\$ 2,845,300</u>

There were no provision changes during the measurement period.

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

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2022, Red Lake County recognized pension expense of \$430,211 for its proportionate share of the General Employees Plan's pension expense. In addition, Red Lake County recognized an additional \$12,134 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.

At December 31, 2022, Red Lake County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 23,088	\$ 29,381
Changes in actuarial assumptions	622,087	11,275
Net collective difference between projected and actual investment earnings investment earnings	54,091	-
Changes in proportion	38,197	8,993
Contributions paid to PERA subsequent to the measurement date	<u>108,847</u>	<u>-</u>
Total	<u>\$ 846,310</u>	<u>\$ 49,649</u>

The \$108,847 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount:</u>
2023	\$ 271,279
2024	\$ 250,497
2025	\$ (83,932)
2026	\$ 249,970

2. Police and Fire Fund Pension Costs

At December 31, 2022, Red Lake County reported a liability of \$2,275,889 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension

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

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Red Lake County's proportionate share was .0523 percent at the end of the measurement period and .0507 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. 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 is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, Red Lake County recognized pension expense of \$21,892 for its proportionate share of the Police and Fire Plan's pension expense. Red Lake County recognized \$3,205 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

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 \$9 million in supplemental state aid. Red Lake County recognized \$99,451 for the year ended December 31, 2022, 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 Police and Fire Fund.

At December 31, 2022, Red Lake County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 137,128	\$ -
Changes in actuarial assumptions	1,325,190	13,180
Net collective difference between projected and actual investment earnings investment earnings	46,681	-
Changes in proportion	26,628	10,127
Contributions paid to PERA subsequent to the measurement date	65,757	-
Total	\$ 1,601,384	\$ 23,307

The \$65,757 reported as deferred outflows of resources related to pensions resulting from Red Lake County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	December 31:	Amount:
2023	\$	296,091
2024	\$	292,236
2025	\$	262,967
2026	\$	469,608
2027	\$	191,418

3. Total Pension Expense

The total pension expense for all plans recognized by Red Lake County for the year ended December 31, 2022, was \$468,800.

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

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

V. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment (Continued)

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 in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054, and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent 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 and 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 most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

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

V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

**General Employees Fund**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

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

**Police and Fire Fund**

*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.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2021 was 6.5 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 positions of the General Employees Fund was 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.

In the Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Fund and June 30, 2062, for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund and 5.42 percent for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

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:

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

V. Defined Benefit Pension Plans

H. Pension Liability Sensitivity (Continued)

Sensitivity Analysis			Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates			Net Pension Liability (Asset) at Different Discount Rates		
<b>General Employees Fund</b>			<b>Police and Fire Fund</b>		
1% Lower	5.50%	\$ 4,366,027	1% Lower	4.40%	\$ 3,444,267
Current Discount Rate	6.50%	\$ 2,764,092	Current Discount Rate	5.40%	\$ 2,275,889
1% Higher	7.50%	\$ 1,450,257	1% Higher	6.40%	\$ 1,331,326

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](http://www.mnpera.org).

VI. Defined Contribution Plan

Four 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 2022 were:

Contribution Amount		Percentage of Cover Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 4,368	\$ 4,368	5%	5%	5%

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

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

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

The 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, Mahnommen, 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, 2022. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9<sup>th</sup> Avenue North, Moorhead, Minnesota 56560.

Inter-County Nursing Service

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 Nursing Service 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 Nursing Service is vested in the Inter-County Nursing Service 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 Inter-County Nursing Service Board, the net assets of the Nursing Service at that time shall be divided among the member counties in proportion to the contribution of each.

The Nursing Service 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 \$24,703 to the Nursing Service for the year ended December 31, 2022. Pennington County reports the cash transactions of the Nursing Service as fiduciary fund on its financial statements. Complete financial information can be obtained from the Pennington County Auditor/Treasurer's Office or at the Nursing Service's office, P. O. Box 616, Thief River Falls, Minnesota, 56701.

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

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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 \$5,063 to the Waste Management Group for the year ended December 31, 2022. 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 Lake 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, Mahnommen, Marshall, Norman, Red Lake, Polk, Pennington, and Roseau counties and the County 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.

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 reported \$3,500 in contributions to the NMRRB for the year ended December 31, 2022. Complete financial information can be obtained from the NMRRB, C/O Greater Northwest EMS, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota, 56601.

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

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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, 2022. 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.

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 contributed \$90 to the NWSC for the year ended December 31, 2022. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

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

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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, 2022. Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota, 56716.

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.

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

D. Joint Ventures

Quin County Community Health Service (Continued)

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, 2022. 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 2022. 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. 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 \$241,141 to Community Corrections for the year ended December 31,

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

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Tri-County Community Corrections (Continued)

2022. 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 2022, 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.

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.

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VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Children's Initiative/Family Service Collaborative (Continued)

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 2022, 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 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 reported \$2,200 in contributions to the Caucus for the year ended December 31, 2022.

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

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

VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Northwest Minnesota Multi-County Housing and Redevelopment Authority (Continued)

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. During 2022, the County reports no contributions to the HRA.

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 \$34,357 to the library for the year ended December 31, 2022.

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.

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*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 69,900	\$ 69,900	\$ 2,183,707	\$ 2,113,807
Licenses and permits	40	40	-	(40)
Intergovernmental	990,493	990,493	1,556,598	566,105
Charges for services	255,209	255,209	265,378	10,169
Investment earnings	90,000	90,000	117,108	27,108
Miscellaneous	122,695	122,695	216,707	94,012
<b>Total Revenues</b>	<b>\$ 1,528,337</b>	<b>\$ 1,528,337</b>	<b>\$ 4,339,498</b>	<b>\$ 2,811,161</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 215,190	\$ 215,190	\$ 181,892	\$ 33,298
District court	11,000	11,000	5,549	5,451
Law library	1,050	1,050	611	439
County auditor	227,145	227,145	226,523	622
County treasurer	172,147	172,147	165,192	6,955
County assessor	119,167	119,167	115,861	3,306
Elections	10,700	10,700	47,323	(36,623)
Personnel	92,643	92,643	93,054	(411)
Attorney	248,921	248,921	215,616	33,305
Recorder	116,751	116,751	105,149	11,602
Buildings and plant	126,561	126,561	112,809	13,752
Veterans service officer	26,434	26,434	24,225	2,209
Insurance	24,700	24,700	23,034	1,666
Other general government	922,900	922,900	166,429	756,471
<b>Total general government</b>	<b>\$ 2,315,309</b>	<b>\$ 2,315,309</b>	<b>\$ 1,483,267</b>	<b>\$ 832,042</b>
<b>Public safety</b>				
Sheriff	\$ 1,289,533	\$ 1,289,533	\$ 1,295,761	\$ (6,228)
Community corrections	251,119	251,119	241,141	9,978
Coroner	12,270	12,270	10,635	1,635
Crime victim assistance	67,491	67,491	63,390	4,101
Enhanced 911	146,062	146,062	95,998	50,064
Emergency services	28,195	28,195	27,008	1,187
<b>Total public safety</b>	<b>\$ 1,794,670</b>	<b>\$ 1,794,670</b>	<b>\$ 1,733,933</b>	<b>\$ 60,737</b>

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

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 286,287	\$ 286,287	\$ 175,641	\$ 110,646
Recycling	81,520	81,520	98,561	(17,041)
Individual Septic Treatment System	56,900	56,900	52,804	4,096
<b>Total sanitation</b>	<b>\$ 424,707</b>	<b>\$ 424,707</b>	<b>\$ 327,006</b>	<b>\$ 97,701</b>
<b>Human services</b>				
Committee on aging	\$ 4,000	\$ 4,000	\$ 6,300	\$ (2,300)
Buildings and grounds	16,050	16,050	16,110	(60)
<b>Total human services</b>	<b>\$ 20,050</b>	<b>\$ 20,050</b>	<b>\$ 22,410</b>	<b>\$ (2,360)</b>
<b>Health</b>				
Nursing service	\$ 24,703	\$ 24,703	\$ 24,703	\$ -
Ambulance	66,000	66,000	50,500	15,500
Other	500	500	500	-
<b>Total health</b>	<b>\$ 91,203</b>	<b>\$ 91,203</b>	<b>\$ 75,703</b>	<b>\$ 15,500</b>
<b>Culture and recreation</b>				
Parks	\$ 6,500	\$ 6,500	\$ 5,631	\$ 869
Regional library	28,366	28,366	34,357	(5,991)
Snowmobile and ski trails	55,000	55,000	52,810	2,190
Other culture and recreation	8,104	8,104	7,868	236
<b>Total culture and recreation</b>	<b>\$ 97,970</b>	<b>\$ 97,970</b>	<b>\$ 100,666</b>	<b>\$ (2,696)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 91,775	\$ 91,775	\$ 78,493	\$ 13,282
Environmental services	31,715	31,715	32,336	(621)
Red River Basin	107	107	107	-
Red Lake Watershed District	-	-	1,094	(1,094)
Soil and water conservation	77,748	77,748	80,585	(2,837)
Other conservation of natural resources	1,315	1,315	1,315	-
<b>Total conservation of natural resources</b>	<b>\$ 202,660</b>	<b>\$ 202,660</b>	<b>\$ 193,930</b>	<b>\$ 8,730</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 4,006	\$ (4,006)
Interest	-	-	27	(27)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,033</b>	<b>\$ (4,033)</b>

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

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Capital outlay</b>				
Public safety	\$ 58,000	\$ 58,000	\$ 55,223	\$ 2,777
<b>Total Expenditures</b>	<b>\$ 5,004,569</b>	<b>\$ 5,004,569</b>	<b>\$ 3,996,171</b>	<b>\$ 1,008,398</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (3,476,232)</b>	<b>\$ (3,476,232)</b>	<b>\$ 343,327</b>	<b>\$ 3,819,559</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	72,000	72,000	70,004	(1,996)
<b>Net Change in Fund Balance</b>	<b>\$ (3,404,232)</b>	<b>\$ (3,404,232)</b>	<b>\$ 413,331</b>	<b>\$ 3,817,563</b>
<b>Fund Balance - January 1</b>	<b>2,012,230</b>	<b>2,012,230</b>	<b>2,012,230</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (1,392,002)</b>	<b>\$ (1,392,002)</b>	<b>\$ 2,425,561</b>	<b>\$ 3,817,563</b>

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

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 609,529	\$ 609,529	\$ 585,191	\$ (24,338)
Intergovernmental	9,160,671	9,160,671	8,549,141	(611,530)
Charges for services	190,000	190,000	1,618,616	1,428,616
Investment earnings	7,500	7,500	368	(7,132)
Miscellaneous	39,000	39,000	33,395	(5,605)
<b>Total Revenues</b>	<b>\$ 10,006,700</b>	<b>\$ 10,006,700</b>	<b>\$ 10,786,711</b>	<b>\$ 780,011</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 515,400	\$ 515,400	\$ 501,891	\$ 13,509
Maintenance	1,187,500	1,187,500	1,269,292	(81,792)
Construction	7,516,000	7,516,000	8,554,742	(1,038,742)
Equipment maintenance and shop	512,300	512,300	622,239	(109,939)
Township roads	200,000	200,000	284,633	(84,633)
Other highways and streets	66,500	66,500	65,683	817
<b>Total highways and streets</b>	<b>\$ 9,997,700</b>	<b>\$ 9,997,700</b>	<b>\$ 11,298,480</b>	<b>\$ (1,300,780)</b>
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 4,006	\$ (4,006)
Interest	-	-	27	(27)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,033</b>	<b>\$ (4,033)</b>
<b>Capital outlay</b>				
Highways and streets	\$ 9,000	\$ 9,000	\$ 263,863	\$ (254,863)
<b>Total Expenditures</b>	<b>\$ 10,006,700</b>	<b>\$ 10,006,700</b>	<b>\$ 11,566,376</b>	<b>\$ (1,559,676)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (779,665)</b>	<b>\$ (779,665)</b>
<b>Fund Balance - January 1</b>	<b>3,032,978</b>	<b>3,032,978</b>	<b>3,032,978</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(124,152)</b>	<b>(124,152)</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,032,978</b>	<b>\$ 3,032,978</b>	<b>\$ 2,129,161</b>	<b>\$ (903,817)</b>

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

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 412,030	\$ 412,030	\$ 344,474	\$ (67,556)
Intergovernmental	1,004,611	1,004,611	866,942	(137,669)
Charges for services	-	-	152,149	152,149
Miscellaneous	207,250	207,250	280,926	73,676
<b>Total Revenues</b>	<b>\$ 1,623,891</b>	<b>\$ 1,623,891</b>	<b>\$ 1,644,491</b>	<b>\$ 20,600</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human Services</b>				
Income maintenance	\$ 995,343	\$ 995,343	\$ 972,419	\$ 22,924
Social services	628,548	628,548	514,894	113,654
<b>Debt service</b>				
Principal	-	-	4,006	(4,006)
Interest	-	-	27	(27)
<b>Capital outlay</b>				
Human services	-	-	8,064	(8,064)
<b>Total Expenditures</b>	<b>\$ 1,623,891</b>	<b>\$ 1,623,891</b>	<b>\$ 1,499,410</b>	<b>\$ 124,481</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 145,081</b>	<b>\$ 145,081</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(70,004)	(70,004)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,077</b>	<b>\$ 75,077</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>1,975,372</b>	<b>1,975,372</b>
<b>Fund Balance - December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,050,449</b>	<b>\$ 2,050,449</b>

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

*Schedule 4*

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 20,110	\$ 19,015	\$ 15,879	\$ 13,996	\$ 14,752
Interest cost	5,352	6,966	8,050	6,856	6,759
Differences between expected and actual experience	35,841	-	5,111	-	-
Changes of assumption or other inputs	(1,066)	13,424	7,234	(6,857)	(143,052)
Benefit payments	<u>(13,899)</u>	<u>(12,324)</u>	<u>(9,729)</u>	<u>(13,832)</u>	<u>(21,727)</u>
<b>Net change in total OPEB liability</b>	\$ 46,338	\$ 27,081	\$ 26,545	\$ 163	\$ (143,268)
<b>Total OPEB Liability - Beginning</b>	<u>254,408</u>	<u>227,327</u>	<u>200,782</u>	<u>200,619</u>	<u>343,887</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 300,746</u></u>	<u><u>\$ 254,408</u></u>	<u><u>\$ 227,327</u></u>	<u><u>\$ 200,782</u></u>	<u><u>\$ 200,619</u></u>
Covered-employee payroll	\$ 2,357,229	\$ 2,387,963	\$ 2,312,797	\$ 2,068,592	\$ 2,008,342
Total OPEB liability (asset) as a percentage of covered-employee payroll	12.76%	10.65%	9.83%	9.71%	9.99%

*This schedule is intended to present 10 years and will be updated as information becomes available.*

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

Schedule 5

**GOVERNMENTAL ACTIVITIES**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

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

**PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN**

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

*Note: This schedule is intended to present 10 years and will be updated as information becomes available.*



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

Schedule 6

**GOVERNMENTAL ACTIVITIES**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</u>	<u>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</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</u>	<u>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</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%

*Note: This schedule is intended to present 10 years and will be updated as information becomes available.*

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

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 of 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, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<b>General government</b>			
Elections	\$ 47,323	\$ 10,700	\$ (36,623)
Personnel	93,054	92,643	(411)
<b>Public safety</b>			
Sheriff	1,295,761	1,289,533	(6,228)
<b>Sanitation</b>			
Recycling	98,561	81,520	(17,041)
<b>Human services</b>			
Committee on aging	6,300	4,000	(2,300)
Buildings and grounds	16,110	16,050	(60)
<b>Culture and recreation</b>			
Regional library	34,357	28,366	(5,991)
<b>Conservation of natural resources</b>			
Environmental services	32,336	31,715	(621)
Red Lake Watershed District	1,094	-	(1,094)
Soil and water conservation	80,585	77,748	(2,837)
<b>Debt service</b>			
Interest	4,006	-	(4,006)
Principal	27	-	(27)

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

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>Road and Bridge Special Revenue Fund</b>			
<b>Highways and streets</b>			
Maintenance	\$ 1,269,292	\$ 1,187,500	\$ (81,792)
Construction	8,554,742	7,516,000	(1,038,742)
Equipment maintenance and shop	622,239	512,300	(109,939)
Township roads	284,633	200,000	(84,633)
<b>Debt service</b>			
Interest	4,006	-	(4,006)
Principal retirement	27	-	(27)
<b>Capital outlay</b>			
Highways and streets	263,863	9,000	(254,863)
<b>Social Services Special Revenue Fund</b>			
<b>Debt service</b>			
Interest	4006	-	(4,006)
Principal	27	-	(27)
<b>Capital outlay</b>			
Human services	8,064	-	(8,064)

II. Other Post-Employment Benefits (OPEB)

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits. For more information, refer to Schedule 4 of this section and the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

2022 Changes

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

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

2021 Changes

*Changes in Actuarial Assumptions*

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

2020 Changes

*Changes in Actuarial Assumptions*

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety and white collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general and safety) with MP-2019 Generational Improvement Scale.

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

II. Other Post-Employment Benefits (OPEB)

2020 Changes

*Changes in Actuarial Assumptions (Continued)*

- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

2019 Changes

*Changes in Actuarial Assumptions*

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

2018 Changes

*Changes in Actuarial Assumptions*

The most recent actuarial valuation date is January 1, 2017. Since the last actuarial valuation as of January 1, 2014, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 Combined healthy Table projected to 2014 with Scale BB to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The withdrawal and retirement tables for all employees were updated.
- The discount rate was changed from 4.50% to 3.30%.

*Changes in Plan Provisions*

Since the last actuarial valuation as of January 1, 2014, the following plan provisions have changed:

- The years of service required to be eligible for a benefit (implicit rate subsidy) was increased from three to five years.

III. 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**

2022 Changes

*Changes in Actuarial Assumptions*

- The health care trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated.
- The discount rate was changed from 3.80 percent to 2.00 percent.

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

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

**General Employees Fund**

2022 Changes (Continued)

*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**

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

**General Employees Fund**

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 morality 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 morality 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

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

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

**General Employees**

2017 Changes

*Changes in Actuarial Assumptions (Continued)*

- percent 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**

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

**Police and Fire Fund**

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.
- 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.



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

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

**Police and Fire Fund** (Continued)

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.

*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.

2018 Changes

*Changes in Plan Provisions* (Continued)

- 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.

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

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

**Police and Fire Fund**

2017 Changes

*Changes in Actuarial Assumptions (Continued)*

- 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.

*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 postretirement 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, 2022**

	<b>Family Service Collaborative</b>	<b>Flexible Spending</b>	<b>Forfeited Tax</b>	<b>Insurance</b>	<b>State Revenue</b>	<b>Taxes and Penalties</b>	<b>Total Custodial Funds</b>
<b><u>Assets</u></b>							
Cash and pooled investments	\$ 10,424	\$ (769)	\$ 67,014	\$ (55,375)	\$ 1,055,384	\$ 13,661	\$ 1,090,339
Due from other governments	3,759	-	-	-	29,137	65,987	98,883
Accounts receivable	-	769	-	55,982	-	-	56,751
<b>Total Assets</b>	<b>\$ 14,183</b>	<b>\$ -</b>	<b>\$ 67,014</b>	<b>\$ 607</b>	<b>\$ 1,084,521</b>	<b>\$ 79,648</b>	<b>\$ 1,245,973</b>
<b><u>Liabilities</u></b>							
Due to other governments	\$ 250	\$ -	\$ -	\$ 607	\$ -	\$ 79,648	\$ 80,505
Due to others	-	-	-	-	1,084,521	-	1,084,521
<b>Total Liabilities</b>	<b>\$ 250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 607</b>	<b>\$ 1,084,521</b>	<b>\$ 79,648</b>	<b>\$ 1,165,026</b>
<b><u>Net Position</u></b>							
Restricted for Individuals, organizations, and other governments	\$ 13,933	\$ -	\$ 67,014	\$ -	\$ -	\$ -	\$ 80,947

**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, 2022**

	<u>Family Service Collaborative</u>	<u>Flexible Spending</u>	<u>Forfeited Tax</u>	<u>Insurance</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Total Custodial Funds</u>
<b>Additions</b>							
Contributions from individuals	\$ -	\$ 4,279	\$ -	\$ 801,158	\$ -	\$ -	\$ 805,437
Property tax collections for other governments	-	-	-	-	-	12,896,038	12,896,038
Proceed from sale of forfeited property	-	-	3,000	-	-	-	3,000
Intergovernmental receipts for other governments	19,008	-	-	-	-	-	19,008
License and fees collected for State	-	-	-	-	86,640	-	86,640
Miscellaneous	-	-	835	-	854,148	-	854,983
<b>Total Additions</b>	<b>\$ 19,008</b>	<b>\$ 4,279</b>	<b>\$ 3,835</b>	<b>\$ 801,158</b>	<b>\$ 940,788</b>	<b>\$ 12,896,038</b>	<b>\$ 14,665,106</b>
<b>Deductions</b>							
Medical, dental, and life insurance	\$ -	\$ -	\$ -	\$ 801,158	\$ -	\$ -	\$ 801,158
Payments of property tax to other governments	-	-	649	-	-	12,896,038	12,896,687
Payments to state	-	-	-	-	88,263	-	88,263
Payments to other entities/individuals	24,701	4,279	-	-	1,084,521	-	1,113,501
<b>Total Deductions</b>	<b>\$ 24,701</b>	<b>\$ 4,279</b>	<b>\$ 649</b>	<b>\$ 801,158</b>	<b>\$ 1,172,784</b>	<b>\$ 12,896,038</b>	<b>\$ 14,899,609</b>
<b>Change in net position</b>	<b>\$ (5,693)</b>	<b>\$ -</b>	<b>\$ 3,186</b>	<b>\$ -</b>	<b>\$ (231,996)</b>	<b>\$ -</b>	<b>\$ (234,503)</b>
<b>Net Position – January 1</b>	<b>19,626</b>	<b>-</b>	<b>63,828</b>	<b>-</b>	<b>231,996</b>	<b>-</b>	<b>315,450</b>
<b>Net Position – December 31</b>	<b>\$ 13,933</b>	<b>\$ -</b>	<b>\$ 67,014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 80,947</b>

## **OTHER SCHEDULES**

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

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2022**

	Assets			Liabilities	
	Cash	Special Assessments Receivable Prior	Due from Other Governments	Total Assets	Accounts Payable
<b>County Ditches</b>					
2	\$ 44,229	\$ -	\$ 112	\$ 44,341	\$ -
3	31,288	-	-	31,288	750
4	52,743	8	179	52,930	-
9	38,343	6	-	38,349	-
12	30,480	-	-	30,480	-
17	37,879	143	-	38,022	-
18-65	29,360	155	-	29,515	-
22	7,597	-	-	7,597	-
23	8,001	-	-	8,001	-
24	40,348	-	-	40,348	-
28	7,789	-	-	7,789	-
57	24,352	212	-	24,564	-
58	50,463	-	-	50,463	-
60	33,829	-	-	33,829	-
61	41,276	-	-	41,276	-
62	41,264	-	-	41,264	224,808
64	18,873	-	-	18,873	-
67	24,285	-	-	24,285	-
69	14,192	44	-	14,236	-
70	6,218	-	-	6,218	-
<b>Joint Ditches</b>					
1	67,196	-	1,639	68,835	-
3	33,212	29	383	33,624	-
11	16,696	-	-	16,696	-
13	28,493	-	-	28,493	-
15	32,989	-	-	32,989	540
31	16,842	-	-	16,842	-
60	65,760	21	395	66,176	-
64	45,833	-	1,386	47,219	-
66	46,269	91	3,110	49,470	-
71	(6,599)	-	16,990	10,391	-
<b>Watershed Ditches</b>					
7	-	490	-	490	-
10	46,761	106	-	46,867	-
<b>Total</b>	<b>\$ 976,261</b>	<b>\$ 1,305</b>	<b>\$ 24,194</b>	<b>\$ 1,001,760</b>	<b>\$ 226,098</b>

Schedule 7

<u>Liabilities</u>				<u>Total Liabilities, Deferred Inflows, and Fund Balances</u>
<u>Due to Other Funds</u>	<u>Total Liabilities</u>	<u>Deferred Inflows of Resources</u>	<u>Fund Balances</u>	
\$ -	\$ -	\$ -	\$ 44,341	\$ 44,341
-	750	-	30,538	31,288
-	-	8	52,922	52,930
-	-	6	38,343	38,349
-	-	-	30,480	30,480
-	-	143	37,879	38,022
-	-	155	29,360	29,515
-	-	-	7,597	7,597
-	-	-	8,001	8,001
-	-	-	40,348	40,348
-	-	-	7,789	7,789
-	-	212	24,352	24,564
-	-	-	50,463	50,463
-	-	-	33,829	33,829
-	-	-	41,276	41,276
-	224,808	-	(183,544)	41,264
-	-	-	18,873	18,873
-	-	-	24,285	24,285
-	-	44	14,192	14,236
-	-	-	6,218	6,218
-	-	-	68,835	68,835
-	-	29	33,595	33,624
-	-	-	16,696	16,696
-	-	-	28,493	28,493
-	540	-	32,449	32,989
-	-	-	16,842	16,842
-	-	21	66,155	66,176
-	-	-	47,219	47,219
-	-	91	49,379	49,470
-	-	-	10,391	10,391
-	-	490	-	490
46,412	46,412	106	349	46,867
<u>\$ 46,412</u>	<u>\$ 272,510</u>	<u>\$ 1,305</u>	<u>\$ 727,945</u>	<u>\$ 1,001,760</u>
		<b>Restricted</b>	911,489	
		<b>Unrestricted</b>	(183,544)	
			<u>\$ 727,945</u>	

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

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Shared Revenue**

**State**

County program aid	\$ 474,585
County Aquatic Invasive Species Prevention Aid	6,759
Disparity reduction aid	65,457
Enhanced 911	147,887
Highway users tax	8,426,899
Market value credit	103,344
Police state aid	87,644
Riparian Protection Aid	76,113
	76,113

**Total Shared Revenue** **\$ 9,388,688**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 84,131
	84,131

**Payments**

Payments in lieu of taxes	\$ 31,667
Local	8,000
	8,000

**Total Payments** **\$ 39,667**

**Grants**

**State**

**Minnesota Department/Board of**

Human Services	\$ 205,631
Natural Resources	52,810
Pollution Control Agency	80,729
Public Safety	970
Trial Courts	389
Veterans Affairs	7,500
Water and Soil Resources	83,733
	83,733

**Total State** **\$ 431,762**

**Federal**

**Department of**

Agriculture	\$ 101,281
Justice	42,873
Treasury	393,818 *
Election Assistance Commission	25,144
Health and Human Services	453,197
Homeland Security	12,120
	12,120

**Total Federal** **\$ 1,028,433**

**Total Grants** **\$ 1,460,195**

**Total Intergovernmental Revenue** **\$ 10,972,681**

\* Only \$36,556 of this amount was expended in 2022, therefore, a Single Audit was not required for the year ended December 31, 2022

**MANAGEMENT AND COMPLIANCE SECTION**

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



## Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@hpmaudit.com

### **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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2023.

#### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany Schedule of Findings and Responses as items 2022-001, 2022-003, and 2022-004.

### **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, nothing came to our attention that caused us to believe that Red Lake County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures other matters may have come to our attention regarding the County’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **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 20, 2023

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

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**Finding Number: 2022-001**

**Prior Year Finding Number(s): 2021-001**

**Repeat Finding(s) Since: 1996 and 2007**

**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 of 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.*

**Finding Number: 2022-002**  
**Prior Year Finding Number: 2021-002**  
**Repeat Finding Since: 2015-001**  
**Finding Title: Audit Adjustments**

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

**Context:** The inability to make all necessary accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** Audit adjustments were reviewed and approved by management and are reflected in the financial statements.

**Cause:** Procedures were not in place to consider the full extent of all entries needed for financial reporting.

**Recommendation:** We recommend County staff improve their financial statement closing procedures to include review of balances, disclosures, and supporting documentation by a qualified individual to ensure that all significant adjustments have been made and they have accurate and complete information necessary to fairly present the County's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**County's Response:** *Audit adjustments are reviewed and approved by the County Auditor and when necessary authorized by the County Board of Commissioners. All departments are being informed to document year-end accounts receivable and payable transactions and notify accounting staff so these transactions can be coded as such in IFS.*

**Finding Number: 2022-003**  
**Prior Year Finding Number: 2021-003**  
**Repeat Finding Since: 2015-010**  
**Finding Title: Budgeting Procedures**

**Criteria:** GAAP and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between actual amounts and budget amounts. Any amendments to the budget should be approved and documented in the official minutes.



**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 “Original Budget” and, therefore, does not appear in general ledger downloads or financial statements generated from the system.

**Context:** The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board.

**Effect:** General Fund budgeted expenditures were less in the financial system than the Board-approved budget. The Road and Bridge and the Social Services Special Revenue Funds’ budgets were not readily available within the general ledger for comparison or other monitoring activities that are expected to be performed by management and the Board of County Commissioners.

**Cause:** Errors were made in posting the original Board-approved budget to the General Fund in the IFS financial system, and the original budget was not reviewed for accuracy after it was entered. Additionally, the County does not have a formal process to ensure all funds have an original budget entered fully in IFS.

**Recommendation:** We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budgets entered in the IFS and comparing them to the Board-approved budget for accuracy.

**County’s Response:** *The Revenue Fund and Social Service Fund budgets amounts have been entered into IFS in the past and will continue to do so. The County Auditor’s office staff enters the Revenue Fund departmental budget amounts into IFS and will include the annual levy amount in the future. Social Services enters their specific budget amounts into IFS. However, the Highway Department is responsible for entering their respective budget amounts into IFS on an annual basis.*

**Finding Number: 2022-004**

**Prior Year Finding Number: 2021-004**

**Repeat Finding Since: 2019-008**

**Finding Title: Highway Department Accounts Receivable Records**

**Criteria:** Receivable amounts reported in the Highway Department Annual Report should reflect the actual amounts due to Red Lake County from individuals and other governments. During the fiscal period, the receivables records should be regularly updated for additions and withdrawals to maintain accuracy. Additionally, controls should be in place to ensure that information provided by the cost accounting system is accurately reported and that county assets are adequately safeguarded.

**Condition:** The receivables subsidiary report and the report of receivables at year end as listed in the highway cost accounting system were not accurate. For the year ended December 31, 2022, receivables listed in the Annual Report did not match the subsidiary records from the Highway Cost Accounting System. Neither of those records matched the actual amounts actually billed and collected in the subsequent period.

**Context:** The Highway Department uses its cost accounting system to manage and track receivables. Typically, additions to the system are posted based on invoices prepared for services provided, and deletions are based on receipt of the payments.

**Effect:** Without adequate controls over receivables, County assets are exposed to potential misuse and theft. Also, there is an increased risk of material misstatement in the County’s financial statements.

**Cause:** Procedures for the additions and deletions of amounts reported for receivables have not been followed accurately.

**Recommendation:** The County should develop procedures related to receivables that include reconciliation to invoices for charges for services, and oversight to ensure regular balancing. The receivables records should be balanced at least monthly, and all support for year-end balances should be approved and maintained.

**County's Response:** *The Highway Department will make sure the receivables are correctly entered in the costing system and will continue to do monthly balances as soon as the auditor's office provides their month end.*

**II. ITEMS RESOLVED THIS YEAR**

- 2021-005      Publishing Requirements
- 2021-006      Electronic Funds Transfer (EFT) Policies and Procedures

# Red Lake County Auditors Office

Bob Schmitz, County  
Auditor

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2022-001**

**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, 2023.

**Finding Number: 2022-002**

**Finding Title: Audit Adjustments**

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

**Summary of Corrective Action Previously Reported:** The County will provide increased review of the unaudited financial information to reduce the number of audit adjustments before releasing the information used in completing the annual financial audit.

**Anticipated Completion Date:** December 31, 2023.

**Finding Number: 2022-003**

**Finding Title: Budgeting Procedures**

**Name of Contact Person Responsible for Corrective Action:** Kelsey Gervais, County Auditor; Taylor Amiot, County Highway Engineer; Penny Grove, Social Services Fiscal Supervisor; Kristi Nelson, Social Services Director

**Summary of Corrective Action Previously Reported:** Responsible supervisory staff in the three main fund departments will monitor the process to ensure proper completion.

**Anticipated Completion Date:** December 31, 2023.

**Finding Number: 2022-004**

**Finding Title: Highway Department Receivables Records**

**Name of Contact Person Responsible for Corrective Action:** Kari Moyer, County Highway Department Accountant, Nick Knott, County Treasurer; Kelsey Gervais, County Auditor.

**Summary of Corrective Action:** The County will develop procedures related to receivables that

include reconciliation to invoices for charges for services, and oversight to ensure regular balancing. The receivables records will be balanced at least monthly, and all support for year-end balances will be approved and maintained.

**Anticipated Completion Date:** December 31, 2023.

# Red Lake County Auditors Office

Bob Schmitz, County  
Auditor

## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2021-001**  
**Repeat Finding Since: 2016**  
**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: 2021-002**  
**Repeat Finding Since: 2015**  
**Finding Title: Audit Adjustments**

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

**Summary of Corrective Action:** The County will provide increased review of the unaudited financial information to reduce the number of audit adjustments before releasing the information used in completing the annual financial audit.

**Status:** Not fully corrected.

**Finding Number: 2021-003**  
**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:** Responsible supervisory staff in the three main fund departments will monitor the process to ensure proper completion.

**Status:** Not fully corrected.

**Finding Number: 2021-004**  
**Repeat Finding Since: 2019**  
**Finding Title: Highway Department Receivables Records**

**Summary of Condition:** The receivables subsidiary report and the report of receivables at year end as listed in the highway cost accounting system were not accurate.

**Summary of Corrective Action:** The Highway Department will make sure the receivables are correctly entered in the costing system and will continue to do monthly balances as soon as the Auditor's office provides their month end.

**Status:** Not fully corrected.

**Finding Number: 2021-005**  
**Repeat Finding Since: 2015**  
**Finding Title: Publishing Requirements**

**Summary of Condition:** The County was not in compliance with the following State of Minnesota legal requirements:

- Minn. Stat. § 375.12: The affidavits of publication related to the publishing of a summary of the 2015 County Board Minutes were reviewed. The summaries were not published in the County's official newspaper within the 30-day requirement.
- Minn. Stat. § 375.169: The County did not publish the board approved budgets.

**Summary of Corrective Action:** The County published the budget summaries and minutes according to MN Statute requirements.

**Status:** Corrected.

**Finding Number: 2021-006**  
**Repeat Finding Since: 2015**  
**Finding Title: Electronic Funds Transfer (EFT) Policies and Procedures**

**Summary of Condition:** The County is making various investment and expenditure transactions via EFT without a Board-approved policy related to the electronic transactions and ensuring the validity of electronic approvals.

**Summary of Corrective Action:** The County has established a written policy for electronic fund transfer procedures to pay claims and make investments.

**Status:** Corrected.