

AITKIN COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**AITKIN COUNTY, MINNESOTA
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YEAR ENDED DECEMBER 31, 2019**

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INTRODUCTORY SECTION

**AITKIN COUNTY, MINNESOTA
ORGANIZATION OFFICIALS
AS OF DECEMBER 31, 2019**

		<u>Term Expires</u>
Elected:		
Commissioners:		
District 1	J. Mark Wedel	December 2022
District 2	Laurie Westerlund**	December 2020
District 3	Donald Niemi	December 2022
District 4	Bill Pratt	December 2020
District 5	Anne Marcotte*	December 2022
Attorney	Jim Ratz	December 2022
Auditor	Kirk Peysar	December 2022
Recorder	Michael Moriarty	December 2022
Sheriff	Dan Guida	December 2022
Treasurer	Lori Grams	December 2022
Appointed:		
Administrator	Jessica Seibert	Indefinite
Assessor	Mike Dangers	December 2020
Engineer	John Welle	December 2020
Coroner	Ramsey County Medical Examiner	Indefinite
Health and Human Services Director	Cynthia Bennett	Indefinite
Land Commissioner	Rich Courtemanche	Indefinite
Veterans Service Officer	Penny Harms	Indefinite

* Chair

** Vice Chair

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Aitkin County
Aitkin, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Aitkin Airport Commission (Airport), included in the City of Aitkin, Minnesota, financial statements as a discrete component unit, for the year ended December 31, 2019. The Airport, in which Aitkin County has an equity interest, is a joint venture between Aitkin County and the City of Aitkin, as discussed in Note 8.B. to the financial statements. The County's investment in the Airport, \$1,337,980, represents 0.9% and 1.1%, respectively, of the assets and net position of the governmental activities. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County as of December 31, 2019, 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.

Emphasis of a Matter

For the year ended December 31, 2019, the County restated beginning fund balance in the Health and Human Services fund and net position of Governmental Activities to correct an error in the previously issued financial statements (see Note 11). Our auditors' opinion was not modified with respect to the restatements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability, related ratios, and notes, schedule of the proportionate share of the net pension liability, schedule of contributions, and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Aitkin County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of Aitkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Aitkin County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aitkin County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2020

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**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Aitkin County's (the County) Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities have a total net position of \$125,522,578, of which \$105,132,033 is the investment in capital assets, and \$8,300,483 is restricted to specific purposes, and the remaining balance of \$12,090,062 is unrestricted.
- Business-type activities have a total net position of \$2,648,587, of which, investment in capital assets represents \$3,078,101 of the total, \$2,036 is restricted for specific uses, and the remaining deficit of \$431,550 is unrestricted.
- Aitkin County's net position from current year activity increased by \$3,290,354 for the year ended December 31, 2019. Of the increase, \$3,479,740 was in governmental activities, and there was a decrease of \$189,386 in business-type activities.
- The cost of governmental activities increased by \$677,687 to \$33,146,188 for the current fiscal year. Program revenues of \$15,183,742 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$21,517,186.
- Governmental funds' fund balances decreased by \$4,306,856 from current year activity before the adjustment for the increase in inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Aitkin County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, and certain information related to the County's net pension liability are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements--Statement of Net Position and Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

Business-type activities--The County charges a fee to customers to help it cover all or most of the costs of these services it provides. The Long Lake Conservation Center's activities are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds, governmental and proprietary, use different accounting methods.

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

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds--When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over certain assets. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities for the year ended December 31, 2019, with comparative amounts for 2018.

**Table 1
Net Position**

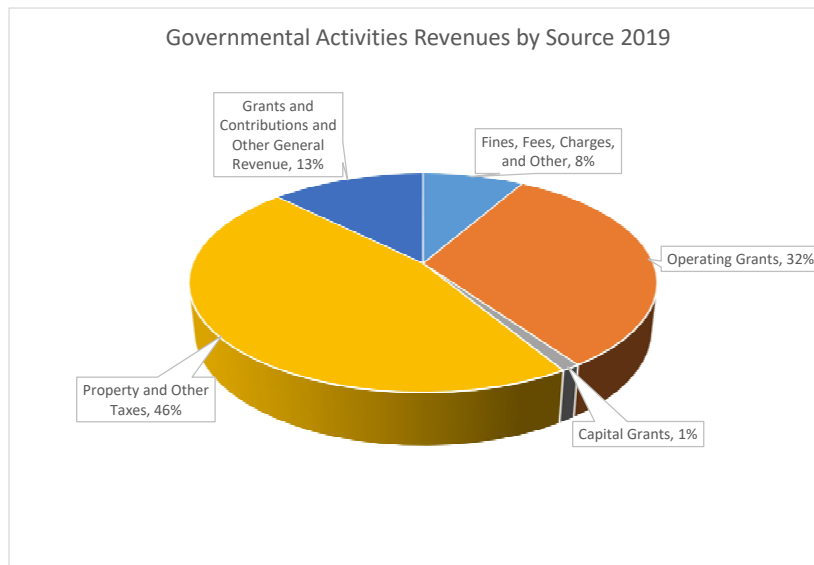
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 37,165,697	\$ 41,030,841	\$ (76,107)	\$ (51,101)	\$ 37,089,590	\$ 40,979,740
Capital Assets	116,055,026	108,275,210	3,078,101	3,226,767	119,133,127	111,501,977
Total Assets	<u>153,220,723</u>	<u>149,306,051</u>	<u>3,001,994</u>	<u>3,175,666</u>	<u>156,222,717</u>	<u>152,481,717</u>
Deferred Outflows of Resources	<u>1,988,195</u>	<u>3,866,773</u>	<u>20,268</u>	<u>43,583</u>	<u>2,008,463</u>	<u>3,910,356</u>
Liabilities						
Current Liabilities	5,168,916	4,326,768	71,364	60,413	5,240,280	4,387,181
Long-Term Liabilities	19,941,233	20,675,632	252,542	260,169	20,193,775	20,935,801
Total Liabilities	<u>25,110,149</u>	<u>25,002,400</u>	<u>323,906</u>	<u>320,582</u>	<u>25,434,055</u>	<u>25,322,982</u>
Deferred Inflows of Resources	<u>4,576,191</u>	<u>6,005,103</u>	<u>49,769</u>	<u>60,694</u>	<u>4,625,960</u>	<u>6,065,797</u>
Net Position						
Investment in Capital Assets	105,132,033	100,034,244	3,078,101	3,226,767	108,210,134	103,261,011
Restricted	8,300,483	8,273,614	2,036	2,036	8,302,519	8,275,650
Unrestricted	12,090,062	13,857,463	(431,550)	(390,830)	11,658,512	13,466,633
Total Net Position	<u>\$ 125,522,578</u>	<u>\$ 122,165,321</u>	<u>\$ 2,648,587</u>	<u>\$ 2,837,973</u>	<u>\$ 128,171,165</u>	<u>\$ 125,003,294</u>

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

THE COUNTY AS A WHOLE (CONTINUED)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Fines, Fees, Charges, and Other	\$ 3,040,566	\$ 3,167,213	\$ 652,294	\$ 606,857	\$ 3,692,860	\$ 3,774,070
Operating Grants	11,736,261	12,327,752	5,619	6,487	11,741,880	12,334,239
Capital Grants	406,915	911,177	-	98,616	406,915	1,009,793
General Revenues						
Property Taxes	14,848,877	12,974,521	-	-	14,848,877	12,974,521
Other Taxes	2,048,551	2,008,736	-	-	2,048,551	2,008,736
Grants and Contributions	1,676,958	1,709,032	-	-	1,676,958	1,709,032
Other General Revenues	2,942,800	3,126,283	4,943	5,424	2,947,743	3,131,707
Total Revenues	36,700,928	36,224,714	662,856	717,384	37,363,784	36,942,098
Expenses						
General Government	6,673,566	7,043,926	-	-	6,673,566	7,043,926
Public Safety	6,425,410	6,418,765	-	-	6,425,410	6,418,765
Highways and Streets	8,555,781	7,750,102	-	-	8,555,781	7,750,102
Sanitation	425,222	388,575	-	-	425,222	388,575
Human Services	6,008,266	5,934,654	-	-	6,008,266	5,934,654
Health	875,228	806,325	-	-	875,228	806,325
Culture and Recreation	821,627	855,447	-	-	821,627	855,447
Conservation of Natural Resources	3,111,507	3,107,699	927,242	818,662	4,038,749	3,926,361
Economic Development	249,581	163,008	-	-	249,581	163,008
Total Expenses	33,146,188	32,468,501	927,242	818,662	34,073,430	33,287,163
Increase (Decrease) in Net Position Before Transfers	3,554,740	3,756,213	(264,386)	(101,278)	3,290,354	3,654,935
Transfers	(75,000)	(60,500)	75,000	60,500	-	-
Change in Net Position	3,479,740	3,695,713	(189,386)	(40,778)	3,290,354	3,654,935
Net Position, January 1	122,165,321	119,038,814	2,837,973	2,893,175	125,003,294	121,931,989
Restatement (See Note 10)	(122,483)	(569,206)	-	(14,424)	(122,483)	(583,630)
Net Position, January 1, as Restated	122,042,838	118,469,608	2,837,973	2,878,751	124,880,811	121,348,359
Net Position, December 31	\$ 125,522,578	\$ 122,165,321	\$ 2,648,587	\$ 2,837,973	\$ 128,171,165	\$ 125,003,294



**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities

The cost of all activities this year was \$33,146,188. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County property taxes was \$14,848,877, because some of the cost was paid by those who directly benefited from the programs (\$3,040,566) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12,143,176).

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

**Table 3
Governmental Activities**

Activity	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General Government	\$ 6,673,566	\$ 7,043,926	\$ 4,868,681	\$ 5,316,146
Public Safety	6,425,410	6,418,765	5,018,162	4,663,799
Highways and Streets	8,555,781	7,750,102	1,300,417	53,248
Human Services	6,008,266	5,934,654	2,783,566	2,640,953
Conservation of Natural Resources	3,111,507	3,107,699	2,233,808	1,837,564
Other	2,371,658	2,213,355	1,757,812	1,550,649
Totals	<u>\$ 33,146,188</u>	<u>\$ 32,468,501</u>	<u>\$ 17,962,446</u>	<u>\$ 16,062,359</u>

Business-Type Activities

The revenues of the County's business-type activities decreased by 7.6 percent, income from fees increased 7.4 percent, and expenses increased by 13.3 percent.

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$26,872,855, which is below last year's total of \$31,175,255. The Capital Projects Special Revenue Fund, which decreased \$5,879,192, represented the largest decrease in governmental fund balances. The Road and Bridge Fund increased \$179,698 prior to the inventory adjustment. The Forfeited Tax Sale Special Revenue Fund balance decreased \$113,699. The General Fund saw an increase in fund balance of \$1,105,320. The Health and Human Services Special Revenue Fund increased \$124,955.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

THE COUNTY AS A WHOLE (CONTINUED)

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$453,093 under the final budget amounts. Revenues were over budget by \$796,530 with the significant positive variances including intergovernmental revenues, investment earnings, and miscellaneous revenues. Taxes were under budget by \$473,118.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the County had \$119,133,127 invested in a broad range of capital assets, including land, construction in progress, buildings, machinery, furniture, equipment, and infrastructure, net of depreciation (see Table 4). This amount represents a net increase of \$7,631,150, or 6.84 percent, over the last year.

**Table 4
Capital Assets at Year-End
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,554,551	\$ 3,554,551	\$ 15,400	\$ 15,400	\$ 3,569,951	\$ 3,569,951
Construction in Progress	10,518,870	3,369,187	-	-	10,518,870	3,369,187
Buildings	6,234,347	6,593,504	3,036,015	3,185,445	9,270,362	9,778,949
Machinery, Furniture, and Equipment	4,167,172	4,152,237	26,686	25,922	4,193,858	4,178,159
Land Improvements	23,918	26,908	-	-	23,918	26,908
Infrastructure	91,556,168	90,578,823	-	-	91,556,168	90,578,823
Totals	<u>\$ 116,055,026</u>	<u>\$ 108,275,210</u>	<u>\$ 3,078,101</u>	<u>\$ 3,226,767</u>	<u>\$ 119,133,127</u>	<u>\$ 111,501,977</u>

This year's major additions include:

SAP 001-616-007	\$ 1,455,363
Government Center (CIP)	7,156,406

Additional information on capital assets is found in Note 3.A.3 of the financial statements.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt

At year-end, the County had \$10,711,720 in debt outstanding, versus \$10,745,632 last year, an decrease of 0.32 percent, as shown in Table 5 due to the payment of AgBMP Septic Loans.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 10,547,228	\$ 10,555,431
AgBMP Septic Loans	164,492	190,201
Total Outstanding Debt	<u>\$ 10,711,720</u>	<u>\$ 10,745,632</u>

The County's general obligation bond rating is "A1," a rating assigned by national rating agencies to the County's debt. The state limits the amount of net debt the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is well below the three percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees that will be charged for the business-type activities.

- Further increases in the unemployment rate in 2020 could impact the level of services requested by County residents.
- Aitkin County's demographic population has a high median age, creating increased demands for services across several service areas.
- The general stabilization in real market values could result in a more moderate tax tare increase.
- The need to address future capital and infrastructure funding.
- The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again. In addition, in early 2020, Aitkin County was dealing with many challenges relating to the COVID-19 pandemic. Many staff began working from home and the full impact of the pandemic has not yet been determined.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional information, contact Kirk Peysar, Aitkin County Auditor, Aitkin County Courthouse, 307 Second Street N.W., Room 121, Aitkin, Minnesota 56431.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Pooled Investments	\$ 28,463,924	\$ -	\$ 28,463,924
Petty Cash and Change Funds	6,000	1,350	7,350
Cash with Fiscal Agent	67,737	-	67,737
Taxes Receivable:			
Delinquent	543,466	-	543,466
Special Assessments Receivable:			
Delinquent	12,439	-	12,439
Accounts Receivable - Net	2,064,735	-	2,064,735
Accrued Interest Receivable	55,148	-	55,148
Loan Receivable	96,755	-	96,755
Internal Balances	86,193	(86,193)	-
Due from Other Governments	3,870,922	-	3,870,922
Prepaid Items	1,291	-	1,291
Inventories	559,107	6,700	565,807
Investment in Joint Venture	1,337,980	-	1,337,980
Restricted Assets:			
Cash and Pooled Investments	-	2,036	2,036
Capital Assets:			
Nondepreciable	14,073,421	15,400	14,088,821
Depreciable - Net of Accumulated Depreciation	101,981,605	3,062,701	105,044,306
Total Assets	<u>153,220,723</u>	<u>3,001,994</u>	<u>156,222,717</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	1,951,064	19,119	1,970,183
Deferred OPEB Outflows	37,131	1,149	38,280
Total Deferred Outflows of Resources	<u>1,988,195</u>	<u>20,268</u>	<u>2,008,463</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 370,730	\$ 17,568	\$ 388,298
Salaries Payable	991,144	28,386	1,019,530
Contracts Payable	1,180,304	-	1,180,304
Due to Other Governments	841,014	-	841,014
Timber Permit Bonds	79,289	-	79,289
Long-Term Liabilities:			
Due Within One Year	1,639,929	23,352	1,663,281
Due in More Than One Year	10,293,883	-	10,293,883
Other Postemployment Benefits Payable - Due Within One Year	66,506	2,058	68,564
Other Postemployment Benefits Payable - Due in More Than One Year	668,507	17,182	685,689
Net Pension Liability	8,978,843	235,360	9,214,203
Total Liabilities	<u>25,110,149</u>	<u>323,906</u>	<u>25,434,055</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	14,569	-	14,569
Deferred Pension Inflows	4,543,798	49,217	4,593,015
Deferred OPEB Inflows	17,824	552	18,376
Total Deferred Inflows of Resources	<u>4,576,191</u>	<u>49,769</u>	<u>4,625,960</u>
NET POSITION			
Investment in Capital Assets	105,132,033	3,078,101	108,210,134
Restricted for:			
General Government	886,402	-	886,402
Public Safety	329,724	-	329,724
Highways and Streets	2,884,909	-	2,884,909
Health and Human Services	191,166	-	191,166
Sanitation	574,503	-	574,503
Culture and Recreation	404,609	-	404,609
Conservation of Natural Resources	1,061,153	-	1,061,153
Economic Development	939,874	-	939,874
Unorganized Road, Bridge, and Fire	617,992	-	617,992
Debt Service	410,151	-	410,151
Other Purposes	-	2,036	2,036
Unrestricted	12,090,062	(431,550)	11,658,512
Total Net Position	<u>\$ 125,522,578</u>	<u>\$ 2,648,587</u>	<u>\$ 128,171,165</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General Government	\$ 6,673,566	\$ 1,269,627	\$ 510,258	\$ 25,000
Public Safety	6,425,410	625,106	782,142	-
Highways and Streets	8,555,781	626,201	6,247,248	381,915
Sanitation	425,222	16,098	-	-
Human Services	6,008,266	322,314	2,902,386	-
Health	875,228	83,631	376,528	-
Culture and Recreation	821,627	47,589	40,000	-
Conservation of Natural Resources	3,111,507	-	877,699	-
Economic Development	249,581	50,000	-	-
Total Governmental Activities	<u>33,146,188</u>	<u>3,040,566</u>	<u>11,736,261</u>	<u>406,915</u>
Business-Type Activities:				
Long Lake Conservation Center	<u>927,242</u>	<u>652,294</u>	<u>5,619</u>	<u>-</u>
Total Primary Government	<u>\$ 34,073,430</u>	<u>\$ 3,692,860</u>	<u>\$ 11,741,880</u>	<u>\$ 406,915</u>

General Revenues

Property Taxes
Mortgage Registry and Deed Tax
Other Taxes
Payments in Lieu of Tax
Grants and Contributions not Restricted to
Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year
Restatement (See Note 11)
Net Position - as Restated

Net Position - End of Year

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,868,681)	\$ -	\$ (4,868,681)
(5,018,162)	-	(5,018,162)
(1,300,417)	-	(1,300,417)
(409,124)	-	(409,124)
(2,783,566)	-	(2,783,566)
(415,069)	-	(415,069)
(734,038)	-	(734,038)
(2,233,808)	-	(2,233,808)
(199,581)	-	(199,581)
<u>(17,962,446)</u>	<u>-</u>	<u>(17,962,446)</u>
-	(269,329)	(269,329)
(17,962,446)	(269,329)	(18,231,775)
14,848,877	-	14,848,877
21,379	-	21,379
131,178	-	131,178
1,895,994	-	1,895,994
1,676,958	-	1,676,958
600,520	-	600,520
2,342,280	4,943	2,347,223
(75,000)	75,000	-
<u>21,442,186</u>	<u>79,943</u>	<u>21,522,129</u>
3,479,740	(189,386)	3,290,354
122,165,321	2,837,973	125,003,294
(122,483)	-	(122,483)
<u>122,042,838</u>	<u>2,837,973</u>	<u>124,880,811</u>
<u>\$ 125,522,578</u>	<u>\$ 2,648,587</u>	<u>\$ 128,171,165</u>

See accompanying Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET
DECEMBER 31, 2019**

	General	Road and Bridge	Health and Human Services	Forfeited Tax Sale	Capital Projects	Nonmajor Funds	Total
ASSETS							
Cash and Pooled Investments	\$ 12,796,072	\$ 3,782,733	\$ 4,334,401	\$ 3,037,789	\$ 2,214,380	\$ 2,298,549	\$ 28,463,924
Petty Cash and Change Funds	3,000	-	3,000	-	-	-	6,000
Cash with Fiscal Agent	67,737	-	-	-	-	-	67,737
Taxes Receivable:							
Delinquent	324,357	97,231	106,100	-	-	15,778	543,466
Special Assessments:							
Delinquent	-	-	-	-	-	12,439	12,439
Accounts Receivable - Net	7,442	275	80,732	1,976,286	-	-	2,064,735
Accrued Interest Receivable	55,148	-	-	-	-	-	55,148
Loans Receivable	96,755	-	-	-	-	-	96,755
Due from Other Funds	323,452	9,719	-	-	-	266,718	599,889
Due from Other Governments	90,498	3,296,170	481,950	2,304	-	-	3,870,922
Prepaid Items	-	-	1,291	-	-	-	1,291
Inventories	-	559,107	-	-	-	-	559,107
Total Assets	\$ 13,764,461	\$ 7,745,235	\$ 5,007,474	\$ 5,016,379	\$ 2,214,380	\$ 2,593,484	\$ 36,341,413
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 136,325	\$ 135,695	\$ 84,355	\$ 7,937	\$ -	\$ 6,418	\$ 370,730
Salaries Payable	543,449	133,699	247,723	39,514	-	26,759	991,144
Contracts Payable	-	201,830	-	-	978,474	-	1,180,304
Due to Other Funds	-	-	-	503,977	-	9,719	513,696
Due to Other Governments	136,042	116,930	340,263	247,779	-	-	841,014
Timber Permit Bonds	-	-	-	79,289	-	-	79,289
Total Liabilities	815,816	588,154	672,341	878,496	978,474	42,896	3,976,177
DEFERRED INFLOWS OF RESOURCES							
Taxes Received for Future Years	8,645	2,413	2,771	-	-	740	14,569
Unavailable Revenue	332,686	2,982,140	311,170	1,823,599	-	28,217	5,477,812
Total Deferred Inflows of Resources	341,331	2,984,553	313,941	1,823,599	-	28,957	5,492,381

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)	General	Road and Bridge	Health and Human Services	Forfeited Tax Sale	Capital Projects	Nonmajor Funds	Total
FUND BALANCES							
Nonspendable:							
Inventories	\$ -	\$ 559,107	\$ -	\$ -	\$ -	\$ -	\$ 559,107
Prepaid Items	-	-	1,291	-	-	-	1,291
Missing Heirs	-	-	-	20,637	-	-	20,637
Restricted for:							
Debt Service	67,737	-	-	-	-	326,636	394,373
Recorder's Technology	472,228	-	-	-	-	-	472,228
Prosecutorial Purposes	5,000	-	-	-	-	-	5,000
Enhanced 911	209,913	-	-	-	-	-	209,913
Law Enforcement	5,000	-	-	-	-	-	5,000
Administering the							
Carrying of Weapons	114,811	-	-	-	-	-	114,811
Conservation of Natural Resources	107,649	-	-	-	-	-	107,649
Loans Receivable Payments	96,755	-	-	-	-	-	96,755
Solid Waste	574,503	-	-	-	-	-	574,503
Recorder's Equipment Purchases	305,347	-	-	-	-	-	305,347
Parks	404,609	-	-	-	-	-	404,609
County Development	-	-	-	939,874	-	-	939,874
Law Library	-	-	-	96,499	-	-	96,499
Unclaimed Property	-	-	-	1,815	-	-	1,815
Administering Forfeited Tax Sale	-	-	-	352,725	-	-	352,725
Unorganized Road, Bridge, and Fire	-	-	-	-	-	617,992	617,992
Ditch Maintenance and Repairs	-	-	-	-	-	46,202	46,202
Environmental Uses	-	-	-	-	-	457,822	457,822
Committed for:							
Administration - Training & Education	9,000	-	-	-	-	-	9,000
Community Corrections	1,770	-	-	-	-	-	1,770
Court Administration - Attorney Services	20,000	-	-	-	-	-	20,000
Elections	41,297	-	-	-	-	-	41,297
Elections - Voting Equipment	50,000	-	-	-	-	-	50,000
Sheriff - Radios	18,000	-	-	-	-	-	18,000
Sheriff - STS	10,000	-	-	-	-	-	10,000
Sheriff - Forfeiture	22,128	-	-	-	-	-	22,128
Sheriff - Enforcement	115,000	-	-	-	-	-	115,000
Sheriff - Buildings and Structures	30,000	-	-	-	-	-	30,000
Treasurer - Equipment	2,200	-	-	-	-	-	2,200
Tourism Fund	1,000	-	-	-	-	-	1,000
Buildings - Capital	72,000	-	-	-	-	-	72,000
Maintenance - Equipment	4,900	-	-	-	-	-	4,900
Maintenance - Service/Labor/Contracts	10,000	-	-	-	-	-	10,000
IT - Staff Training	5,000	-	-	-	-	-	5,000
IT - Networking Equipment	40,000	-	-	-	-	-	40,000
HR - Staff Training	5,000	-	-	-	-	-	5,000
Court Administration - Office Equipment	5,000	-	-	-	-	-	5,000
Assigned for:							
General Government	-	-	-	902,734	-	-	902,734
Highways and Streets	-	3,613,421	-	-	-	-	3,613,421
Health and Human Services	-	-	4,019,901	-	-	-	4,019,901
Forest Development	-	-	-	-	-	1,074,906	1,074,906
Capital Projects	-	-	-	-	1,235,906	-	1,235,906
Unassigned	9,781,467	-	-	-	-	(1,927)	9,779,540
Total Fund Balances	12,607,314	4,172,528	4,021,192	2,314,284	1,235,906	2,521,631	26,872,855
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 13,764,461	 \$ 7,745,235	 \$ 5,007,474	 \$ 5,016,379	 \$ 2,214,380	 \$ 2,593,484	 \$ 36,341,413

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION-
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund Balances - Total Governmental Funds		\$ 26,872,855
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.		116,055,026
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Deferred inflows of resources - unavailable revenue		5,477,812
Investment in joint venture is not available to pay for current-period expenditures and, therefore, is not reported in the governmental funds.		1,337,980
The County's Other Postemployment Benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Liability	\$ (735,013)	
Deferred Inflows of Resources - OPEB Related	(17,824)	
Deferred Outflows of Resources - OPEB Related	<u>37,131</u>	(715,706)
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		1,951,064
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds	(10,547,228)	
Loans Payable	(164,492)	
Net Pension Liability	(8,978,843)	
Compensated Absences	<u>(1,222,092)</u>	(20,912,655)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(4,543,798)</u>
Net Position of Governmental Activities		<u><u>\$ 125,522,578</u></u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019**

	General	Road and Bridge	Health and Human Services	Forfeited Tax Sale	Capital Projects	Nonmajor Funds	Total
REVENUES							
Taxes	\$ 8,408,286	\$ 2,307,276	\$ 2,630,263	\$ -	\$ -	\$ 779,002	\$14,124,827
Licenses and Permits	413,519	-	-	-	-	185	413,704
Intergovernmental	4,373,456	6,844,520	3,402,633	324,974	-	327,117	15,272,700
Charges for Services	1,007,776	522,008	349,941	31,630	-	-	1,911,355
Gifts and Contributions	11,075	-	-	-	-	-	11,075
Investment Earnings	459,887	-	-	-	125,704	14,929	600,520
Miscellaneous	776,982	103,694	508,776	1,506,424	141,075	293,138	3,330,089
Total Revenues	15,450,981	9,777,498	6,891,613	1,863,028	266,779	1,414,371	35,664,270
EXPENDITURES							
CURRENT							
General Government	5,713,330	-	-	43,138	6,304,355	5,626	12,066,449
Public Safety	6,381,704	-	-	-	-	36,684	6,418,388
Highways and Streets	-	9,174,139	-	-	-	139,566	9,313,705
Sanitation	432,749	-	-	-	-	-	432,749
Human Services	-	-	5,899,657	-	-	-	5,899,657
Health	3,166	-	867,001	-	-	-	870,167
Culture and Recreation	811,246	-	-	-	-	-	811,246
Conservation of Natural Resources	620,115	-	-	1,780,776	-	688,717	3,089,608
Economic Development	171,994	-	-	-	-	-	171,994
INTERGOVERNMENTAL							
Highways and Streets	-	437,020	-	-	-	-	437,020
DEBT SERVICE							
Principal	37,234	-	-	-	-	-	37,234
Interest	-	-	-	-	-	413,824	413,824
Total Expenditures	14,171,538	9,611,159	6,766,658	1,823,914	6,304,355	1,284,417	39,962,041
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,279,443	166,339	124,955	39,114	(6,037,576)	129,954	(4,297,771)
OTHER FINANCING SOURCES (USES)							
Insurance Proceeds	54,390	-	-	-	-	-	54,390
Loans Issued	11,525	-	-	-	-	-	11,525
Transfers In	60,505	13,359	-	-	158,384	162,555	394,803
Transfers Out	(300,543)	-	-	(152,813)	-	(16,447)	(469,803)
Total Other Financing Sources (Uses)	(174,123)	13,359	-	(152,813)	158,384	146,108	(9,085)
NET CHANGE IN FUND BALANCE	1,105,320	179,698	124,955	(113,699)	(5,879,192)	276,062	(4,306,856)
Fund Balance - January 1	11,501,994	3,865,891	4,018,720	2,427,983	7,115,098	2,245,569	31,175,255
Prior Period Adjustment, See Note 11	-	-	(122,483)	-	-	-	(122,483)
Fund Balances - January 1, as Restated	11,501,994	3,865,891	3,896,237	2,427,983	7,115,098	2,245,569	31,052,772
Increase (Decrease) in Inventories	-	126,939	-	-	-	-	126,939
FUND BALANCE - DECEMBER 31	\$12,607,314	\$ 4,172,528	\$ 4,021,192	\$ 2,314,284	\$ 1,235,906	\$ 2,521,631	\$26,872,855

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Net change in fund balances - total governmental funds \$ (4,306,856)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable Revenue - December 31	\$ 5,477,812	
Unavailable Revenue - January 1	(5,291,749)	186,063

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Adjustments

Asset Adjustments	11,376,220	
Current Year Depreciation	(3,596,404)	7,779,816

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Debt Issued

AgBMP Septic Loans	(11,525)	
Principal Repayments		
AgBMP Septic Loans	37,234	25,709

Decrease in joint venture does not provide current financial resources and is not reported as revenue or expenses in the funds. (87,482)

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

Change in Compensated Absences	(49,286)	
Amortization of Premium	8,203	
Change in Inventories	126,939	
Change in Deferred Outflows of Resources - Pensions	(1,907,559)	
Change in Other Postemployment Benefits	(109,440)	
Change in Deferred Outflows of Resources - Other Postemployment Benefits	28,981	
Change in Net Pension Liability	362,818	
Change in Deferred Inflows of Resources - Pensions	1,439,658	
Change in Deferred Inflows of Resources - Other Postemployment Benefits	(17,824)	(117,510)

Change in Net Position of Governmental Activities **\$ 3,479,740**

See accompanying Notes to Financial Statements.

PROPRIETARY FUND

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Petty Cash and Change Funds	\$	1,350
Inventories		6,700
Total Current Assets		8,050

RESTRICTED ASSETS

Cash and Pooled Investments		2,036
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NONCURRENT ASSETS

Capital Assets:

Nondepreciable		15,400
Depreciable - Net		3,062,701
Total Noncurrent Assets		3,078,101

Total Assets		3,088,187
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows		19,119
Deferred OPEB Outflows		1,149
Total Deferred Outflows of Resources		20,268

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		17,568
Salaries Payable		28,386
Compensated Absences Payable - Current		23,352
Due to Other Funds		86,193
Total Current Liabilities		155,499

NONCURRENT LIABILITIES

Net Pension Liability		235,360
Other Postemployment Benefits Liability - Due in More than One Year		19,240
Total Noncurrent Liabilities		254,600

Total Liabilities		410,099
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DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows		49,217
Deferred OPEB Inflows		552
Total Deferred Inflows of Resources		49,769

NET POSITION

Investment in Capital Assets		3,078,101
Restricted for:		
Publications		2,036
Unrestricted		(431,550)
Total Net Position		\$ 2,648,587

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
FUND NET POSITION
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2019**

OPERATING REVENUES

Tenant Rent	\$ 9,000
Program Packages	568,320
Resale	45,124
Miscellaneous	29,850
Total Operating Revenues	652,294

OPERATING EXPENSES

Personal Services	400,691
Employee Benefits and Payroll Taxes	118,721
Other Services and Charges	55,335
Supplies	99,426
Utilities	44,054
Advertising	3,500
Insurance	17,553
Staff Training	834
Postage	829
Depreciation	161,888
Resale	24,411
Total Operating Expenses	927,242

OPERATING LOSS

(274,948)

NONOPERATING REVENUES (EXPENSES)

Intergovernmental	4,519
Gifts and Contributions	1,100
Insurance Proceeds	4,943
Total Nonoperating Revenues	10,562

LOSS BEFORE TRANSFERS

(264,386)

Transfers In

75,000

CHANGE IN NET POSITION

(189,386)

Net Position - January 1

2,837,973

NET POSITION - DECEMBER 31

\$ 2,648,587

**AITKIN COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 654,439
Payments to Suppliers	(241,972)
Payments to Employees	(505,905)
Net Cash Used by Operating Activities	(93,438)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund Borrowing	96,098
Intergovernmental	4,519
Contributions	1,100
Insurance Proceeds	4,943
Net Cash Provided by Noncapital Financing Activities	106,660

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(13,222)
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NET DECREASE IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents - Beginning of Year	3,386
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CASH AND CASH EQUIVALENTS - END OF YEAR

	\$ 3,386
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**RECONCILIATION OF OPERATING LOSS TO
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (274,948)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	161,888
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	2,145
Inventory	1,763
Deferred OPEB Outflows	(762)
Deferred Pension Outflows	24,077
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	2,207
Salaries Payable	7,997
Compensated Absences Payable	(1,311)
Net Pension Liability	(8,956)
Deferred Pension Inflows	(11,477)
Other Postemployment Benefits Payable	3,387
Deferred OPEB Inflows	552
Net Cash Used by Operating Activities	\$ (93,438)

**RECONCILIATION OF CASH AND EQUIVALENTS
TO THE BALANCE SHEET**

Petty Cash and Change Funds	\$ 1,350
Restricted Cash and Pooled Investments	2,036
Total Cash and Cash Equivalents	\$ 3,386

See accompanying Notes to Financial Statements.

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FIDUCIARY FUNDS

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019**

ASSETS

Cash and Pooled Investments	<u>\$ 805,459</u>
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LIABILITIES

Accounts Payable	\$ 139,810
Funds Held in Trust	28,096
Due to Other Governments	<u>637,553</u>
Total Liabilities	<u>\$ 805,459</u>

See accompanying Notes to Financial Statements.

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AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aitkin County's (the County) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. 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

Aitkin County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Aitkin County. Aitkin County has no component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures, Jointly-Governed Organizations, and Related Organization

The County participates in several joint ventures described in Note 8.B. The County also participates in a jointly-governed organization described in Note 8.C. and a related organization described in Note 8.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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) investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

The Health and Human Services Special Revenue Fund is used to account for economic assistance, community social services, and public health programs.

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities. Financing is provided by bonds issued by the County.

The County reports the following major enterprise fund:

The Long Lake Conservation Center Enterprise Fund is used to account for the operation of a conservation school primarily for young adults.

Additionally, the County reports the following fund types:

The Environmental Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust, and the interest may be spent only on improvements of natural resources.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the Statement of Cash Flows reporting by the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, petty cash, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can be deposited or effectively withdrawn from cash at any time without prior notice or penalty.

2. 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 and fund investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$600,520.

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

3. Receivables and Payables

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and Payables (Continued)

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

Accounts receivable is shown net of an allowance for uncollectibles of \$209,749. No allowances for other receivables have been provided because such amounts are not expected to be material.

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

Special assessments receivable consists of delinquent special assessments payable in the years 2013 through 2019. Unpaid special assessments at December 31 are classified in the financial statements as special assessments - delinquent.

4. Inventories and Prepaid Items

All inventories are valued at cost. The Road and Bridge Special Revenue Fund uses an average cost method to value inventory, and the Long Lake Conservation Center Enterprise Fund uses the first in/first out method. Inventories in governmental funds are reported as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are reported as expenses when consumed.

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

5. Restricted Assets

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets

Capital assets, which include land, construction in progress, buildings, machinery, furniture, equipment, and infrastructure (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund, as well. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County had no capitalized interest.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 75
Machinery, Furniture, and Equipment	3 - 15
Infrastructure	15 - 75

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated 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, proprietary, and fiduciary fund financial statements. Based on a trend analysis of current usage, the County estimates the entire compensated absences balance will be used in the subsequent year. 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund, other governmental funds that have personnel services, and the Long Lake Conservation Center Enterprise Fund.

9. Other Postemployment Benefits Liability (OPEB Liability)

For purposes of measuring the OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Benefits Plan (the Plan) and additions/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit term.

10. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. More detailed information about pension related deferred outflows of resources can be found in Note 4 to the financial statements. More detailed information about OPEB related deferred outflows of resources can be found in Note 5 to the financial statements.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The County has two such items that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments receivable, and interest, and grant monies for amounts that are not considered to be available to liquidate liabilities of the current period. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

12. Long-Term Obligations

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

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Classification of Net Position

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

Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of 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 though constitutional provisions or enabling legislation.

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

14. Classification of Fund Balances

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

Nonspendable - amounts that cannot be spent because they are not in spendable form, such as fund balance associated with inventories, prepaids, or permanent funds, or are legally or contractually required to remain intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - amounts that are restricted by external parties such as creditors or imposed by grants, law, or legislation.

Committed - amounts that can be used only for the specific purposes determined by a formal action of Aitkin County's highest level of decision-making authority, which is the Aitkin County Board of Commissioners. Fund balance commitments are established, modified, or rescinded by County Board action through a Board resolution.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Classification of Fund Balances (Continued)

Assigned - amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount of fund balance that is not restricted or committed. When it is appropriate for fund balance to be assigned, the Board delegates this authority to the County Auditor.

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

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, and then assigned; unless the specific items have been identified in another classification.

The County has adopted a minimum fund balance policy for the General Fund. The County Board has determined it needs to maintain a minimum level of unassigned fund balance in the General Fund of 35 to 50% of the prior year's General Fund total operating expenditures. At December 31, 2019, the unassigned fund balance for the General Fund was above the minimum fund balance level.

15. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

Ditch Special Revenue Fund

Five of 13 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2019:

Account Balances	\$ 46,202
Account Deficits	(1,927)
Fund Balance	<u>\$ 44,275</u>

B. Expenditures in Excess of Budget

The following governmental funds had expenditures in excess of budget for the year ended December 31, 2019:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds:			
Road and Bridge	\$ 9,611,159	\$ 9,085,855	\$ 525,304
Forfeited Tax Sale	1,823,914	1,243,228	580,686
Forest Development	688,717	659,636	29,081
Unorganized Road, Bridge, and Fire	181,876	90,750	91,126
Debt Service Fund	413,824	168,908	244,916

The additional expenditures were financed by greater than anticipated revenue and existing fund balance.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-Wide Statement of Net Position

Governmental Activities:	
Cash and Pooled Investments	\$ 28,463,924
Petty Cash and Change Funds	6,000
Cash with Fiscal Agent	67,737
Business-Type Activities:	
Petty Cash and Change Funds	1,350
Cash and Pooled Investments - Restricted Assets	2,036
Statement of Fiduciary Net Position:	
Cash and Pooled Investments	805,459
Total Cash and Investments	\$ 29,346,506

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy that collateral or bonds will be required for all uninsured amounts on deposit, and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is that brokers may hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available, with the exception of investments held within the MAGIC Fund. As of December 31, 2019, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that investments in the MAGIC Fund, U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit, and corporate securities may be held up to \$2,000,000 per issuer.

Concentration of Credit Risk

The following table presents the County's deposit and investment balances at December 31, 2019, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Rating	Agency			
U.S. Government Agency Securities					
Federal Farm Credit Bank Bonds	AA+	S&P		10/30/2023	\$ 998,030
Federal Home Loan Mortgage Corporation Pool	AA+	S&P		10/27/2023	1,499,700
Federal Home Loan Mortgage Corporation Pool	AA+	S&P		8/23/2023	1,995,000
Total Federal Home Loan Mortgage Corporation Pool			33.38%		<u>3,494,700</u>
Federal Home Loan Bank Bonds	AA+	S&P		8/26/2022	2,000,080
Federal Home Loan Bank Bonds	AA+	S&P		10/27/2023	1,997,580
Total Federal Home Loan Bank Bonds			38.18%		<u>3,997,660</u>
Total U.S. Government Agency Securities					8,490,390
Investment Pools/Mutual Funds					
Negotiable Certificates of Deposit	N/R	N/A		N/A	1,927,133
MAGIC Fund	N/R	N/A		N/A	52,632
Total Investment Pools/Mutual Funds					<u>1,979,765</u>
Total Investments					10,470,155
Deposits					18,801,264
Petty Cash and Change Funds					7,350
Cash with Fiscal Agent					67,737
Total Cash and Investments					<u>\$ 29,346,506</u>

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measure

The County uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial asset and liabilities are valued using inputs that are adjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measure (Continued)

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Federal Home Loan Mortgage Corporation	\$ -	\$ 3,494,700	\$ -	\$ 3,494,700
Federal National Mortgage Association	-	998,030	-	998,030
Federal Home Loan Bank	-	3,997,660	-	3,997,660
Negotiable CD's	-	1,927,133	-	1,927,133
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 10,417,523</u>	<u>\$ -</u>	<u>10,417,523</u>
Investments Measured at Amortized Cost				
MAGIC Portfolio				<u>52,632</u>
Total Investments				10,470,155
Deposits				18,801,264
Petty Cash				7,350
Cash with Fiscal Agent				67,737
Total Deposits and Investments				<u>\$ 29,346,506</u>

All Level 2 debt securities are valued using a market approach by utilizing quoted prices for identical securities in markets that are not active.

MAGIC is a local government investment pool. The County invests in this pool for the purpose of the joint investment of the County's money with those other counties to enhance the investment earnings accruing to each member.

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

The County invests in a money market fund for the generation of income. Shares of the fund are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has sufficient shares to meet their redemption request.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables, net of uncollectible amounts, as of December 31, 2019, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 543,466	\$ -
Special Assessments	12,439	-
Accounts	2,064,735	-
Accrued Interest	55,148	-
Loans	96,755	62,121
Due from Other Governments	3,870,922	-
Total Governmental Activities	<u>\$ 6,643,465</u>	<u>\$ 62,121</u>

An allowance for uncollectible accounts receivable related to timber sales is included in the above figures. The allowance at December 31, 2019, is \$209,749.

Loans Receivable

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. The County is responsible for collecting any delinquent loans transferred back to the County.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Depreciated				
Land	\$ 3,554,551	\$ -	\$ -	\$ 3,554,551
Construction in Progress	3,369,187	7,156,406	6,723	10,518,870
Total Capital Assets Not Depreciated	6,923,738	7,156,406	6,723	14,073,421
Capital Assets Depreciated				
Buildings	15,312,036	8,216	-	15,320,252
Machinery, Furniture, and Equipment	12,767,500	899,390	502,966	13,163,924
Land Improvements	29,898	-	-	29,898
Infrastructure	122,864,086	3,448,593	-	126,312,679
Total Capital Assets Depreciated	150,973,520	4,356,199	502,966	154,826,753
Less: Accumulated Depreciation for				
Buildings	8,718,532	367,373	-	9,085,905
Machinery, Furniture, and Equipment	8,615,263	754,793	373,304	8,996,752
Land Improvements	2,990	2,990	-	5,980
Infrastructure	32,285,263	2,471,248	-	34,756,511
Total Accumulated Depreciation	49,622,048	3,596,404	373,304	52,845,148
Total Capital Assets Depreciated, Net	101,351,472	759,795	129,662	101,981,605
Governmental Activities Capital Assets, Net	<u>\$ 108,275,210</u>	<u>\$ 7,916,201</u>	<u>\$ 136,385</u>	<u>\$ 116,055,026</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Depreciated				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Capital Assets Depreciated				
Buildings	\$ 6,436,306	\$ 5,875	\$ -	\$ 6,442,181
Machinery, Furniture, and Equipment	170,481	7,347	-	177,828
Total Capital Assets Depreciated	\$ 6,606,787	\$ 13,222	\$ -	\$ 6,620,009
Less: Accumulated Depreciation for				
Buildings	\$ 3,250,861	\$ 155,305	\$ -	\$ 3,406,166
Machinery, Furniture, and Equipment	144,559	6,583	-	151,142
Total Accumulated Depreciation	\$ 3,395,420	\$ 161,888	\$ -	\$ 3,557,308
Total Capital Assets Depreciated, Net	\$ 3,211,367	\$ (148,666)	\$ -	\$ 3,062,701
Governmental Activities Capital Assets, Net	<u>\$ 3,226,767</u>	<u>\$ (148,666)</u>	<u>\$ -</u>	<u>\$ 3,078,101</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:			
General Government	\$	406,285	
Public Safety		195,010	
Highways and Streets, Including Depreciation of Infrastructure Assets		2,899,066	
Sanitation		4,418	
Human Services		39,394	
Culture and Recreation		9,280	
Conservation of Natural Resources		<u>42,951</u>	
Total Depreciation Expense - Governmental Activities	\$	<u><u>3,596,404</u></u>	
Business-Type Activities:			
Long Lake Conservation Center	\$	<u><u>161,888</u></u>	

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Forfeited Tax Sale	\$ 237,259	Forfeited Tax Sale Apportionment
	Long Lake Conservation Center	<u>86,193</u>	Fund Deficit Cash Balance
Total Due To General Fund		323,452	
Road and Bridge Fund	Nonmajor Governmental Funds	9,719	Services Provided
Nonmajor Governmental Funds	Forfeited Tax Sale	<u>266,718</u>	Forfeited Tax Sale Apportionment
Total Due To/From Other Funds		<u><u>\$ 599,889</u></u>	

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer to General Fund from Forfeited Tax Sale Fund	\$ 60,505	Support surveyor staff costs
Transfer to Road and Bridge Fund from Forfeited Tax Sale Fund	10,993	Assessment and maintenance of ditches
Nonmajor governmental funds	<u>2,366</u>	Assessment and maintenance of ditches
Total transferred to Road and Bridge Fund	13,359	
Transfer to Capital Projects Fund from General Fund	158,384	Support technology costs
Transfer to nonmajor governmental funds from General Fund	81,240	Support surveyor staff costs
Forfeited Tax Sale Fund	<u>81,315</u>	Support operating and
Total transferred to nonmajor governmental funds	162,555	
Transfers to Long Lake Conservation Center Enterprise Fund from:		
General Fund	60,919	Support maintenance costs
Nonmajor governmental funds	<u>14,081</u>	Support maintenance costs
Total transferred to Long Lake Conservation Center Enterprise Fund	<u>75,000</u>	
Total Interfund Transfers	<u>\$ 469,803</u>	

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources

1. Due To Other Governments

Aitkin County was deemed responsible for repaying Anoka Metro Regional Treatment Center for a balance of \$297,367. The County Board approved monthly payments of \$500 to pay off the outstanding balance until paid in full. The outstanding balance as of December 31, 2019 is \$280,159.

2. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2019</u>
General Obligation Bonds					
2018 G.O. Capital Improvement Bonds Plus: Unamortized Bond Premium	2039	\$ 75,000 - 690,000	2.5-5.0	\$ 10,390,000	\$ 10,390,000 157,228
Total General Obligation Bonds, Net					<u>\$ 10,547,228</u>
Septic Loans Payable					
AgBMP Septic Loans	2030	\$ 2,275 - 19,105	0.00	\$ 401,602	<u>\$ 164,492</u>

3. Debt Service Requirements

Governmental Activities

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>AgBMP Septic Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 375,000	\$ 332,190	\$ 34,634	\$ -
2021	385,000	320,790	33,311	-
2022	395,000	309,090	21,897	-
2023	405,000	297,090	22,099	-
2024	420,000	280,515	17,750	-
2025 - 2029	2,395,000	1,113,878	34,042	-
2030 - 2034	2,780,000	729,558	759	-
2035 - 2039	3,235,000	265,744	-	-
Totals	<u>\$ 10,390,000</u>	<u>\$ 3,648,855</u>	<u>\$ 164,492</u>	<u>\$ -</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 10,390,000	\$ -	\$ -	\$ 10,390,000	\$ 375,000
Issuance Premiums	165,431	-	8,203	157,228	8,203
AgBMP Septic Loans	190,201	11,525	37,234	164,492	34,634
Compensated Absences	1,172,805	1,383,212	1,333,925	1,222,092	1,222,092
Governmental Activities Long-Term Liabilities	<u>\$ 11,918,437</u>	<u>\$ 1,394,737</u>	<u>\$ 1,379,362</u>	<u>\$ 11,933,812</u>	<u>\$ 1,639,929</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 24,663</u>	<u>\$ 32,855</u>	<u>\$ 34,166</u>	<u>\$ 23,352</u>	<u>\$ 23,352</u>

The AgBMP septic loans are paid from the General Fund. Compensated absences are paid from the General Fund; the Road and Bridge, Health and Human Services, and Forest Development Special Revenue Funds; and Long Lake Conservation Center Enterprise Fund.

5. Construction Commitments

The County has active construction projects as of December 31, 2019. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	\$ 7,002,003	\$ 444,257
Government Center Remodel	7,281,876	1,583,695
Total	<u>\$ 14,283,879</u>	<u>\$ 2,027,952</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, interest, and state and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2019 are summarized below by fund:

	Taxes	Grants	Forfeiture Tax	Other	Sub-Total	Property Taxes Received for Future	Grand Total
Major Governmental Funds:							
General	\$ 324,357	\$ 5,513	\$ -	\$ 2,816	\$ 332,686	\$ 9,385	\$ 342,071
Road and Bridge	97,231	2,884,909	-	-	2,982,140	2,413	2,984,553
Health and Human Services	106,100	191,166	-	13,904	311,170	2,771	313,941
Forfeited Tax Sale	-	-	1,823,599	-	1,823,599	-	1,823,599
Nonmajor Governmental Funds:							
Ditch	12,439	-	-	-	12,439	-	12,439
Debt Service	15,778	-	-	-	15,778	-	15,778
Total	<u>\$ 555,905</u>	<u>\$ 3,081,588</u>	<u>\$ 1,823,599</u>	<u>\$ 16,720</u>	<u>\$ 5,477,812</u>	<u>\$ 14,569</u>	<u>\$ 5,492,381</u>

NOTE 4 PENSION PLANS

A. Plan Description

The 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 (IRC).

1. General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the County are covered by defined pension plans administered by PERA. GERF members belong to the Coordinated Plan, and are covered by Social Security.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Public Employees Police and Fire Plan (PEFPF)

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.

3. Local Government Correctional Plan (PECF)

The Local Government Correctional Plan, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

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.

1. GERP 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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERP Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. For 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. PEPFP 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% after five years up to 100% 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% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. 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. For 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. PECF Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. 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. For 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.

C. Contributions

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

1. GERP Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The county's contributions to the General Employees Fund for the year ended December 31, 2019 were \$753,405. The county's contributions were equal to the required contributions as set by state statute.

2. PEPFP Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The county's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$209,978. The county's contributions were equal to the required contributions as set by state statute.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

3. PECF Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2019. The county's contributions to the Correctional Fund for the year ended December 31, 2019 were \$121,714. The county's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERS Pension Costs

At December 31, 2019, the County reported a liability of \$7,845,334 for its proportionate share of the General Employees Fund's net pension liability. The county's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. The state of Minnesota is considered a nonemployer 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 the County totaled \$243,989. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportionate share of the net pension liability was based on the county's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the county's proportionate share was 0.1419% which was a decrease of 0.0049% from its proportionate share measured as of June 30, 2018.

County's proportionate share of the net pension liability	\$ 7,845,334
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>243,989</u>
Total	<u><u>\$ 8,089,323</u></u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

For the year ended December 31, 2019, the County recognized pension expense of \$875,810 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$18,273 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, 2019, the County reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 217,425	\$ -
Changes in Actuarial Assumptions	-	616,650
Net Difference Between Projected and Actual Investment Earnings	-	795,217
Changes in Proportion	43,561	228,689
Contributions Paid to PERA Subsequent to the Measurement Date	376,301	-
Total	<u>\$ 637,287</u>	<u>\$ 1,640,556</u>

\$376,301 reported as deferred outflows of resources related to pensions resulting from County contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	Pension Expense Amount
2020	\$ (468,029)
2021	(690,895)
2022	(233,288)
2023	12,642

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFP Pension Costs

At December 31, 2019, the County reported a liability of \$1,278,586 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.120% which was a decrease of 0.005% from its proportionate share measured as of June 30, 2018. The County also recognized \$16,213 for the year ended December 31, 2019, 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$164,468 for its proportionate share of the PEPFP's pension expense.

At December 31, 2019, the County reported its proportionate share of the PEPFP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 54,287	\$ 194,614
Changes in Actuarial Assumptions	1,061,023	1,435,459
Net Difference Between Projected and Actual		
Investment Earnings	-	266,299
Changes in Proportion	45,843	116,383
Contributions Paid to PERA Subsequent to the Measurement Date	104,694	-
Total	<u>\$ 1,265,847</u>	<u>\$ 2,012,755</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFP Pension Costs (Continued)

\$104,694 reported as deferred outflows of resources related to pensions resulting from County contributions to the PEPFP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the PEPFP will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (104,987)
2021	(207,233)
2022	(517,098)
2023	(6,313)
2024	(15,971)

3. PECF Pension Costs

At December 31, 2019, the County reported a liability of \$90,283 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.652% which was a decrease of 0.002% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$168,055 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2019, the County reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to PECF from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 3,318	\$ 14,760
Changes in Actuarial Assumptions	-	801,561
Net Difference Between Projected and Actual Investment Earnings	-	116,173
Changes in Proportion	3,993	7,210
Contributions Paid to PERA Subsequent to the Measurement Date	59,738	-
Total	<u>\$ 67,049</u>	<u>\$ 939,704</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. PECF Pension Costs (Continued)

\$59,738 reported as deferred outflows of resources related to pensions resulting from County contributions to PECF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to PECF will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (485,719)
2021	(418,549)
2022	(29,002)
2023	877

E. Pension Costs

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$1,226,606.

F. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>GERF</u>	<u>PEPFP</u>	<u>PECF</u>
Inflation	2.50 Percent per Year	2.50 Percent per Year	2.00 Percent per Year
Active Member Payroll Growth	3.25 Percent per Year	3.25 Percent per Year	3.50 Percent per Year
Investment Rate of Return	7.50 Percent	7.50 Percent	7.50 Percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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 weighting 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36 %	5.10 %
International Stocks	17	5.90
Private Markets	25	5.90
Fixed Income	20	0.75
Cash	2	0.00
Totals	100 %	

G. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the 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 the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
County's Proportionate Share of the GERF Net Pension Liability	\$ 12,897,305	\$ 7,845,334	\$ 3,673,926
County's Proportionate Share of the PEPFP Net Pension Liability	2,794,751	1,278,586	25
County's Proportionate Share of the PECF Net Pension Liability	962,232	90,283	607,418

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 PENSION PLANS (CONTINUED)

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.

NOTE 5 DEFINED CONTRIBUTION PLAN

Five board members of Aitkin County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the IRC 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 contributions must be a fixed 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 not 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 two percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 7,680	\$ 7,680	5%	5%	5%

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. County policy determines the County's contributions to the plan. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100% of the total premium cost, unless they qualified for the early retirement incentive that will be offered from 2019 through 2021. If a retiree elected the early retirement incentive, the County will be 100% of the premium. As of December 31, 2019, there were 2 retirees and 183 active participants receiving health benefits from the County's health plan. The County has no inactive plan members entitled to but not receiving benefits.

B. Funding Policy

The County's OPEB plan is financed on a pay-as-you-go basis and currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero. Separate stand-alone financial statements are not issued for the plan.

C. Actuarial Methods and Assumptions

The County's OPEB liability was measured as of January 1, 2018, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	3.0%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the RP-2014 white collar mortality tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the General Employees Plan from 2015 and the Police and Fire Plan from 2016.

The discount rate used to measure the total OPEB liability was 3.8%. The discount rate is equal to the 20-Year Municipal Bond Yield.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

The following assumption changes have been made as of the January 1, 2019 measurement date:

- The discount rate was changed from 3.30% to 3.80%.
- An Early Retirement Incentive was offered for employees who retire during 2019, 2020 and 2021 who have attained age 62 with at least 15 years of service. Eligible retirees receive \$512.08 per month paid to a health care savings plan from retirement to age 65.

There were six active employees that were added to the valuation. They were previously excluded because they are not on the County's medical plan (participate in a union plan), so they would not have a GASB 75 liability. However, they would be eligible for the Early Retirement Incentive if they retired in 2019, 2020 or 2021, so they have been included since they are potentially eligible for a post-retirement benefit.

D. Changes in total OPEB Liability

	<u>Total OPEB liability</u>
Balance as of January 1, 2019	\$ 641,426
Changes for the Year:	
Service Cost	37,088
Interest	22,251
Assumption Changes	(22,052)
Plan Changes	84,077
Benefit Payments	(8,537)
Net Change in Total OPEB Liability	112,827
Balance as of December 31, 2019	\$ 754,253

The following presents the total OPEB liability of the County, as well as what the County's total OPEB 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:

	Discount Rate Sensitivity	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$	802,783	\$	754,253
			\$	709,054

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Changes in total OPEB Liability (Continued)

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over 6 years) or 1% higher (7.25% decreasing to 6.00% over 6 years) than the current healthcare cost trend rates:

Medical Trend Rate Sensitivity	1% Decrease (5.25% Decreasing to 4.00%)	Current Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB Liability	\$ 691,756	\$ 754,253	\$ 826,284

For the year ended December 31, 2019, the County recognized OPEB expense of \$139,740. At December 31, 2019, the County reported of deferred inflows of resources, and deferred outflows of resources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 18,376
Contributions Subsequent to the Measurement Date	38,280	-
Total	<u>\$ 38,280</u>	<u>\$ 18,376</u>

\$38,280 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be amortized over 5 years as follow:

<u>Year Ending December 31,</u>	Pension Expense Amount
2020	\$ (3,676)
2021	(3,676)
2022	(3,676)
2023	(3,676)
2024	(3,672)

AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 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 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 2019. 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.

NOTE 8 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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect.

During 2019, counties were notified by the Minnesota Department of Human Service (DHS) that DHS made errors in the calculation of Substance Use Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, DHS is requesting Minnesota counties repay \$8.8 million back to DHS. Aitkin County's share of \$8.8 million is \$22,543. Minnesota counties have raised concerns over how the amount was calculated, the accuracy of the calculations and whether DHS has the legal/statutory authority to require the counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended counties to not repay this amount until these concerns have been addressed in hopes this matter is resolved by other means. Therefore, this amount has not been booked as a payable.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures

Northwest Minnesota Office of Job Training

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

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

Aitkin County provided no funding to this organization during 2019.

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North 9th Street, Suite 210
Virginia, Minnesota 55792

Northern Counties Land Use Coordinating Board

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

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

Aitkin County provided \$2,000 to this organization during 2019.

Separate financial information can be obtained from:

Northern Counties Land Use Coordinating Board
St. Louis County Courthouse
100 North 5th Avenue West, #214
Duluth, Minnesota 55802

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Joint Counties Natural Resources Board

The Joint Counties Natural Resources Board was formed in 1985 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Aitkin, Beltrami, Clearwater, Koochiching, Lake of the Woods, Mahnomon, Marshall, and Roseau Counties. The purpose of the Joint Counties Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in this area of Minnesota and to ensure that there is an interrelated plan for the use and protection of both public and private resources.

The Joint Counties Natural Resources Board is composed of at least one resident of each county appointed by its respective County Board, as provided in the Joint Counties Natural Resources Board's bylaws.

In the event of dissolution of the Joint Counties Natural Resources Board, the net position of the Joint Counties Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Aitkin County provided \$1,000 to this organization during 2019.

The Joint Counties Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties.

Complete financial information can be obtained from:

Mr. Wayne Bendickson
Treasurer
Joint County Natural Resources Board
Box 808
Baudette, Minnesota 56623

Aitkin-Itasca Koochiching Community Health Services Board

Aitkin, Itasca, and Koochiching Counties entered into a joint powers agreement, creating and operating the Aitkin-Itasca-Koochiching Community Health Services Board, effective January 1, 1977. This agreement is entered into under the authority of the Community Health Services Act of 1976 and is pursuant to the provisions of Minn. Stat. § 471.59 for the development and maintenance of an integrated system of community health services.

The Community Health Services Board is composed of two members from Aitkin and Koochiching Counties and three members from Itasca County, each appointed by the participating counties. Itasca County maintains the accounting records of the Community Health Services Board. Funding is obtained through federal, state, local, and private sources. Aitkin County provided no funding to this organization during 2019.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Aitkin-Itasca Koochiching Community Health Services Board (Continued)

Complete financial information can be obtained from:

Aitkin-Itasca-Koochiching Community Health Services Board
Community Health Board Administrator
1209 S.E. 2nd Avenue
Grand Rapids, Minnesota 55744

Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related shoreland areas within the counties.

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Crow Wing County maintains the accounting records of the Board. Funding is obtained through federal, state, local, and private sources. Aitkin County provided \$1,500 to this organization during 2019.

Complete financial information can be obtained from:

Mississippi Headwaters Board
Land Services Building
322 Laurel Street
Brainerd, Minnesota 56401
Email: mhb@co.crow-wing.mn.us

Snake River Watershed Management Board

The Snake River Watershed Management Board was established in April 1983 by Aitkin, Kanabec, Mille Lacs, and Pine Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to coordinate the member counties' water plans and to develop objectives to promote sound hydrologic management of water and related land resources.

The four-member Board consists of one County Commissioner from each of the participating counties. The Kanabec County Auditor is the fiscal agent for the Board. The Board is funded through an annual budget and participation in the administrative cost in the following percentages:

Aitkin County	20.8 %
Kanabec County	49.5
Mille Lacs County	9.2
Pine County	20.2

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Snake River Watershed Management Board (Continued)

Aitkin County provided \$10,079 to this organization during 2019. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial information can be obtained from:

Snake River Watershed Management Board
Kanabec County Courthouse
18 North Vine Street
Mora, Minnesota 55051

Minnesota Counties Information System (MCIS)

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

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved. Aitkin County provided \$127,586 to this organization during 2019.

Separate financial information can be obtained from:

Minnesota Counties Information System
413 Southeast 7th Avenue
Grand Rapids, Minnesota 55744

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library Board comprises 18 members--one County Board member and two appointees from each member county. Aitkin County's contribution for 2019 was \$233,220.

Complete financial statements of the East Central Regional Library can be obtained from:

East Central Regional Library
244 South Birch
Cambridge, Minnesota 55008

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

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

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Council member from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Aitkin County contributed no funding in 2019.

Separate financial information can be obtained from:

Itasca County
123 NE 4th Street
Grand Rapids, Minnesota 55744-2847

Aitkin Municipal Airport Commission

The Aitkin Municipal Airport Commission is authorized by Minn. Stat. ch. 360. The Airport Commission is governed by a five-member Board of Directors--three members are appointed by the Aitkin County Board and two are appointed by the City of Aitkin. The proprietary interest in the Airport Commission's assets is divided two-thirds to Aitkin County and one-third to the City of Aitkin as per the contractual agreement. All cash of the Airport Commission is on deposit with the City of Aitkin at December 31, 2019. The City of Aitkin has opted to report the activities of the Aitkin Municipal Airport Commission as a discrete component unit in its annual financial report.

Investment in the joint venture on the statement of net position is 66.67% of the County's undivided interest of the Airport Commission. The investment in the Airport Commission was valued at \$1,337,980 on December 31, 2019, and is reported as an investment in joint venture on the government-wide statement of net position and appropriations in 2019 were \$14,107.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Aitkin Municipal Airport Commission (Continued)

Complete financial statements of the City of Aitkin can be obtained from:

City of Aitkin
109 First Avenue NW
Aitkin, Minnesota 56431

C. Jointly-Governed Organization

Aitkin County Family Services Collaborative

The Aitkin County Family Services Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Aitkin County has no operational or financial control over the Collaborative. Aitkin County is the fiscal agent for the Collaborative and accounts for it in an agency fund.

D. Related Organizations

Aitkin County Housing and Redevelopment Authority

The Aitkin County Housing and Redevelopment Authority (HRA) is a separate legal entity as authorized under Minn. Stat. ch. 469. The HRA operates a low-income housing program and elderly housing in the County. The HRA Board is appointed by the County Board. Aitkin County does not provide funding, has no obligation for the debt of the HRA, and cannot impose its will on the HRA.

E. Tax-Forfeited Land

The County manages approximately 221,200 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 TAX ABATEMENTS

Pursuant to Minn. Stat. § 469, the County is subject to tax abatements granted by cities within the County which meet the certain disclosure under GASB Statement No. 77, Tax Abatement Disclosures. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation, renewal, growth in low-to-moderate-income housing, and economic development within a city. TIF captures the increase in tax capacity and property taxes (of all taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

In the case of the County, TIF agreements of other local governments have resulted in reductions of the County property tax revenues for the year ended December 31, 2019, as show:

<u>City</u>	<u>Captured Net Tax Capacity</u>	<u>County Tax Rate</u>	<u>Abated County Tax</u>
City of Aitkin	\$ 70,637	49.771%	\$ 17,584
City of McGregor	12,521	47.507%	1,515

NOTE 10 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 PRIOR PERIOD ADJUSTMENT

Beginning net position and fund balances for Governmental Activities and the Health and Human Services Special Revenue Fund, respectively, were restated for an amount that should not have been in Due from Other Governments in the previously year.

	Governmental Activities
Net Position as Previously Stated	\$ 122,165,321
Prior Period Adjustment	(122,483)
Net Position - as Restated	\$ 122,042,838
	Health and Human Services
Fund Balance - January 1	\$ 4,018,720
Prior Period Adjustment	(122,483)
Fund Balance - January 1, as Restated	\$ 3,896,237

REQUIRED SUPPLEMENTARY INFORMATION

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**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,881,404	\$ 8,881,404	\$ 8,408,286	\$ (473,118)
Licenses and Permits	368,330	368,330	413,519	45,189
Intergovernmental	3,322,166	3,322,166	4,373,456	1,051,290
Charges for Services	1,166,644	1,166,644	1,007,776	(158,868)
Gifts and Contributions	100	100	11,075	10,975
Investment Earnings	300,000	300,000	459,887	159,887
Miscellaneous	615,807	615,807	776,982	161,175
Total Revenues	<u>14,654,451</u>	<u>14,654,451</u>	<u>15,450,981</u>	<u>796,530</u>
EXPENDITURES				
CURRENT				
General Government:				
Commissioners	249,875	249,875	241,434	8,441
Courts	91,500	91,500	65,979	25,521
County Administration	208,050	208,050	209,002	(952)
Human Resources	256,462	256,462	249,877	6,585
County Auditor	523,755	523,755	501,930	21,825
Motor Vehicle	197,651	197,651	200,065	(2,414)
County Treasurer	282,638	282,638	284,380	(1,742)
County Assessor	852,912	852,912	814,421	38,491
Elections	119,081	119,081	27,727	91,354
Data Processing	717,091	717,091	618,430	98,661
Central Services	163,283	163,283	72,928	90,355
County Attorney	1,050,104	1,050,104	1,046,771	3,333
County Recorder	350,964	350,964	294,719	56,245
Planning and Zoning	456,983	456,983	445,782	11,201
Buildings and Plant	75,000	75,000	2,361	72,639
Maintenance	422,426	422,426	447,435	(25,009)
Veterans Service Officer	152,678	152,678	144,960	7,718
Motor Pool	58,197	58,197	43,064	15,133
Housing and Development	1,800	1,800	2,065	(265)
Total General Government	<u>6,230,450</u>	<u>6,230,450</u>	<u>5,713,330</u>	<u>517,120</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Public Safety:				
County Sheriff	\$ 2,483,455	\$ 2,483,455	\$ 2,197,974	\$ 285,481
Boat and Water Safety	93,124	93,124	81,871	11,253
Snowmobile	41,737	41,737	19,509	22,228
Coroner	73,800	73,800	75,919	(2,119)
E-911 System	86,000	86,000	102,805	(16,805)
Corrections (Jail)	3,022,604	3,022,604	2,864,158	158,446
Community Corrections (Sheriff)	947,153	947,153	864,246	82,907
Crime Victim	82,492	82,492	77,664	4,828
Civil Defense	49,965	49,965	49,028	937
Other Public Safety	32,334	32,334	48,530	(16,196)
Total Public Safety	<u>6,912,664</u>	<u>6,912,664</u>	<u>6,381,704</u>	<u>530,960</u>
Sanitation:				
Solid Waste	329,743	329,743	360,543	(30,800)
Environmental Health	79,061	79,061	72,206	6,855
Total Sanitation	<u>408,804</u>	<u>408,804</u>	<u>432,749</u>	<u>(23,945)</u>
Health:				
Water Wells	6,500	6,500	3,166	3,334
Culture and Recreation:				
Parks	420,310	420,310	507,585	(87,275)
Regional Library	290,670	290,670	291,616	(946)
Tourism	10,000	10,000	12,045	(2,045)
Total Culture and Recreation	<u>720,980</u>	<u>720,980</u>	<u>811,246</u>	<u>(90,266)</u>
Conservation of Natural Resources:				
Cooperative Extension	80,955	80,955	77,755	3,200
Soil and Water Conservation	109,753	109,753	518,010	(408,257)
Agricultural Society/County Fair	24,050	24,050	24,350	(300)
Total Conservation of Natural Resources	<u>214,758</u>	<u>214,758</u>	<u>620,115</u>	<u>(405,357)</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Economic Development:				
Airports	\$ 28,007	\$ 28,007	\$ 28,007	\$ -
Other	102,468	102,468	143,987	(41,519)
Total Economic Development	<u>130,475</u>	<u>130,475</u>	<u>171,994</u>	<u>(41,519)</u>
Debt Service:				
Principal	-	-	37,234	(37,234)
Total Debt Service	<u>-</u>	<u>-</u>	<u>37,234</u>	<u>(37,234)</u>
Total Expenditures	<u>14,624,631</u>	<u>14,624,631</u>	<u>14,171,538</u>	<u>453,093</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,820	29,820	1,279,443	1,249,623
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	10,000	10,000	54,390	44,390
Loans Issued	-	-	11,525	11,525
Transfers In	60,593	60,593	60,505	(88)
Transfers Out	(143,399)	(143,399)	(300,543)	(157,144)
Total Other Financing Sources (Uses)	<u>(72,806)</u>	<u>(72,806)</u>	<u>(174,123)</u>	<u>(101,317)</u>
NET CHANGE IN FUND BALANCE	(42,986)	(42,986)	1,105,320	1,148,306
Fund Balance - January 1	<u>11,501,994</u>	<u>11,501,994</u>	<u>11,501,994</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 11,459,008</u>	<u>\$ 11,459,008</u>	<u>\$ 12,607,314</u>	<u>\$ 1,148,306</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,441,169	\$ 2,441,169	\$ 2,307,276	\$ (133,893)
Intergovernmental	6,377,000	6,377,000	6,844,520	467,520
Charges for Services	309,500	309,500	522,008	212,508
Miscellaneous	85,430	85,430	103,694	18,264
Total Revenues	<u>9,213,099</u>	<u>9,213,099</u>	<u>9,777,498</u>	<u>564,399</u>
EXPENDITURES				
CURRENT				
Highways and Streets:				
Administration	535,462	535,462	543,693	(8,231)
Engineering	520,141	520,141	476,321	43,820
Maintenance	3,058,252	3,058,252	3,509,873	(451,621)
Construction	3,915,000	3,915,000	3,881,868	33,132
Equipment and Maintenance Shops	605,000	605,000	762,384	(157,384)
Total Highways and Streets	<u>8,633,855</u>	<u>8,633,855</u>	<u>9,174,139</u>	<u>(540,284)</u>
INTERGOVERNMENTAL				
Highways and streets	452,000	452,000	437,020	14,980
Total Expenditures	<u>9,085,855</u>	<u>9,085,855</u>	<u>9,611,159</u>	<u>(525,304)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	127,244	127,244	166,339	39,095
OTHER FINANCING SOURCES (USES)				
Transfers In	350,000	350,000	13,359	(336,641)
Transfers Out	(477,244)	(477,244)	-	477,244
Total Other Financing Sources (Uses)	<u>(127,244)</u>	<u>(127,244)</u>	<u>13,359</u>	<u>140,603</u>
NET CHANGE IN FUND BALANCE	-	-	179,698	179,698
Fund Balance - January 1	3,865,891	3,865,891	3,865,891	-
Increase (Decrease) in Inventories	-	-	126,939	126,939
FUND BALANCE - DECEMBER 31	<u>\$ 3,865,891</u>	<u>\$ 3,865,891</u>	<u>\$ 4,172,528</u>	<u>\$ 306,637</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,803,220	\$ 2,803,220	\$ 2,630,263	\$ (172,957)
Intergovernmental	3,341,551	3,341,551	3,402,633	61,082
Charges for Services	368,550	368,550	349,941	(18,609)
Miscellaneous	293,650	293,650	508,776	215,126
Total Revenues	<u>6,806,971</u>	<u>6,806,971</u>	<u>6,891,613</u>	<u>84,642</u>
EXPENDITURES				
CURRENT				
Human Services:				
Income Maintenance	1,944,437	1,944,437	1,968,698	(24,261)
Social Services	4,302,704	4,302,704	3,930,959	371,745
Total Human Services	<u>6,247,141</u>	<u>6,247,141</u>	<u>5,899,657</u>	<u>347,484</u>
Health:				
Women, Infants, and Children	6,690	6,690	3,714	2,976
Nursing Service	36,575	36,575	48,556	(11,981)
Transportation	37,000	37,000	37,665	(665)
Maternal and Child Health	13,390	13,390	11,412	1,978
Health	-	-	1,184	(1,184)
Miscellaneous	866,175	866,175	764,470	101,705
Total Health	<u>959,830</u>	<u>959,830</u>	<u>867,001</u>	<u>92,829</u>
Total Expenditures	<u>7,206,971</u>	<u>7,206,971</u>	<u>6,766,658</u>	<u>440,313</u>
NET CHANGE IN FUND BALANCE	(400,000)	(400,000)	124,955	524,955
Fund Balance - January 1	4,018,720	4,018,720	4,018,720	-
Prior Period Adjustment, See Note 11	-	-	(122,483)	(122,483)
Fund Balance - January 1, as Restated	<u>4,018,720</u>	<u>4,018,720</u>	<u>3,896,237</u>	<u>(122,483)</u>
FUND BALANCE - DECEMBER 31	<u>\$ 3,618,720</u>	<u>\$ 3,618,720</u>	<u>\$ 4,021,192</u>	<u>\$ 402,472</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 335,000	\$ 335,000	\$ 324,974	\$ (10,026)
Charges for Services	30,000	30,000	31,630	1,630
Miscellaneous	1,454,000	1,454,000	1,506,424	52,424
Total Revenues	<u>1,819,000</u>	<u>1,819,000</u>	<u>1,863,028</u>	<u>44,028</u>
EXPENDITURES				
CURRENT				
General Government:				
Law Library	30,000	30,000	29,184	816
Maintenance	-	-	13,954	(13,954)
Total General Government	<u>30,000</u>	<u>30,000</u>	<u>43,138</u>	<u>(13,138)</u>
Conservation of Natural Resources:				
County Development	178,000	178,000	112,748	65,252
Forfeited Tax	1,035,228	1,035,228	1,668,028	(632,800)
Total Conservation of Natural Resources	<u>1,213,228</u>	<u>1,213,228</u>	<u>1,780,776</u>	<u>(567,548)</u>
Total Expenditures	<u>1,243,228</u>	<u>1,243,228</u>	<u>1,823,914</u>	<u>(580,686)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	575,772	575,772	39,114	(536,658)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(195,228)	(195,228)	(152,813)	42,415
NET CHANGE IN FUND BALANCE	380,544	380,544	(113,699)	(494,243)
Fund Balance - January 1	<u>2,427,983</u>	<u>2,427,983</u>	<u>2,427,983</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 2,808,527</u></u>	<u><u>\$ 2,808,527</u></u>	<u><u>\$ 2,314,284</u></u>	<u><u>\$ (494,243)</u></u>

AITKIN COUNTY, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES
LAST TEN FISCAL YEARS

	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability		
Service Cost	\$ 37,088	\$ 37,112
Interest	22,251	20,684
Assumption Changes	(22,052)	-
Plan Changes	84,077	-
Benefit Payments	(8,537)	(12,000)
Net Change in Total OPEB Liability	112,827	45,796
Total OPEB Liability - Beginning	641,426	595,630
Total OPEB Liability - Ending	\$ 754,253	\$ 641,426
 Covered Employee Payroll	 \$ 10,706,791	 \$ 10,085,813
 County's OPEB Liability as a Percentage of Covered Employee Payroll	 7%	 6%

Note 1: The County implemented GASB Statement No. 75 in 2018, and the above table will be expanded to ten years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

GENERAL EMPLOYEES RETIREMENT PLAN

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with Aitkin County	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1419%	\$ 7,845,334	\$ 243,989	\$ 8,089,323	\$ 10,045,395	78.10%	80.20%
2018	0.1468%	8,143,862	267,106	8,410,968	9,865,057	82.55%	79.53%
2017	0.1457%	9,301,392	116,947	9,418,339	9,361,951	99.35%	75.90%
2016	0.1450%	11,773,281	153,770	11,927,051	8,997,417	130.85%	68.91%
2015	0.1481%	7,675,311	N/A	7,675,311	8,702,625	88.20%	78.19%

PUBLIC EMPLOYEES FIRE AND POLICE PLAN

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.120%	\$ 1,278,586	\$ 1,264,472	101.12%	89.30%
2018	0.125%	1,334,503	1,319,246	101.16%	88.84%
2017	0.122%	1,647,145	1,250,643	131.70%	85.43%
2016	0.123%	4,936,202	1,186,142	416.16%	63.88%
2015	0.132%	1,499,829	1,205,275	124.44%	86.61%

PUBLIC EMPLOYEES CORRECTIONAL PLAN

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.652%	\$ 90,283	\$ 1,391,017	6.49%	98.20%
2018	0.654%	107,612	1,336,331	8.05%	97.64%
2017	0.650%	1,852,507	1,298,980	142.61%	67.89%
2016	0.670%	2,447,604	1,269,269	192.84%	58.16%
2015	0.700%	108,220	1,262,333	8.57%	96.95%

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

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2019**

GENERAL EMPLOYEES RETIREMENT PLAN

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2019	\$ 753,405	\$ 753,405	\$ -	\$ 10,045,400	7.50%
2018	738,235	738,235	-	9,843,133	7.50%
2017	721,215	721,215	-	9,612,600	7.50%
2016	694,156	694,156	-	9,255,429	7.50%
2015	666,739	666,739	-	8,889,853	7.50%

PUBLIC EMPLOYEES FIRE AND POLICE PLAN

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contributions (Deficiency) Excess	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2019	\$ 209,978	\$ 209,978	\$ -	\$ 1,238,808	16.95%
2018	213,718	213,718	-	1,319,247	16.20%
2017	207,528	207,528	-	1,281,040	16.20%
2016	198,277	198,277	-	1,223,931	16.20%
2015	196,140	196,140	-	1,210,738	16.20%

PUBLIC EMPLOYEES CORRECTIONAL PLAN

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2019	\$ 121,714	\$ 121,714	\$ -	\$ 1,391,017	8.75%
2018	116,929	116,929	-	1,336,331	8.75%
2017	114,546	114,546	-	1,309,101	8.75%
2016	113,950	113,950	-	1,302,270	8.75%
2015	111,052	111,052	-	1,269,158	8.75%

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

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 1 BUDGETARY INFORMATION

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

By July of each year, all departments submit requests for appropriations to the County Administrator so that a budget can be prepared. Before September 30, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of budget for the year ended December 31, 2019. These expenditures in excess of appropriations were funded by revenues that exceeded the revenue budget.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds:			
Road and Bridge	\$ 9,611,159	\$ 9,085,855	\$ 525,304
Forfeited Tax Sale	1,823,914	1,243,228	580,686

The additional expenditures were financed by greater than anticipated revenue and existing fund balance.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 3 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended December 31, 2019.

General Employees Plan

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.
- Minneapolis Employees Retire Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

NOTE 3 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Police and Fire Plan

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100% funding or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80% to 11.30 and 11.80% of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20% to 16.95% and 17.70% of pay, respectively. Interest credited on member contributions decreased from 4.00% to 3.00% beginning July 1, 2018.
- Deferred augmentation was changed to 0.00% 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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 3 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Police and Fire Plan (Continued)

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% 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% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 3 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Correctional Plan

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50% per year to 2.00% per year.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

2016

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

Since the most recent valuation, the following assumption changes have been made:

2019

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

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**AITKIN COUNTY, MINNESOTA
DESCRIPTION OF FUNDS**

The Forest Development Special Revenue Fund is used to account for funds used in developing forests in the County. Financing is provided by forfeited tax settlements, grants, and payments in lieu of taxes.

The Unorganized Road, Bridge, and Fire Special Revenue Fund is used to account for funds used to provide road maintenance and fire protection for unorganized townships. Financing is provided by property taxes and grants.

The Ditch Special Revenue Fund is used to account for funds used for public improvements and services for the ditch system. Financing is provided by special assessments against the benefited property owners.

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

The Environmental Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust, and the interest may be spent only on improvement of natural resources.

**AITKIN COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
ASSETS				
Cash and Pooled Investments	\$ 847,547	\$ 621,529	\$ 44,275	\$ 1,513,351
Taxes Receivable:				
Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	12,439	12,439
Due from Other Funds	260,396	6,322	-	266,718
	<u>260,396</u>	<u>6,322</u>	<u>-</u>	<u>266,718</u>
Total Assets	<u>\$ 1,107,943</u>	<u>\$ 627,851</u>	<u>\$ 56,714</u>	<u>\$ 1,792,508</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,278	\$ 140	\$ -	\$ 6,418
Salaries Payable	26,759	-	-	26,759
Due to Other Funds	-	9,719	-	9,719
Total Liabilities	<u>33,037</u>	<u>9,859</u>	<u>-</u>	<u>42,896</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Received for Future Years	-	-	-	-
Unavailable Revenue	-	-	12,439	12,439
Total Deferred Inflows of Resources	-	-	12,439	12,439
FUND BALANCES				
Restricted for:				
Debt Service	-	-	-	-
Unorganized Road, Bridge, and Fire	-	617,992	-	617,992
Ditch Maintenance and Repairs	-	-	46,202	46,202
Environmental Uses	-	-	-	-
Assigned for:				
Forest Development	1,074,906	-	-	1,074,906
Unassigned	-	-	(1,927)	(1,927)
Total Fund Balances	<u>1,074,906</u>	<u>617,992</u>	<u>44,275</u>	<u>1,737,173</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,107,943</u>	<u>\$ 627,851</u>	<u>\$ 56,714</u>	<u>\$ 1,792,508</u>

<u>Debt Service Fund</u> <u>Debt Service</u>	<u>Permanent Fund</u> <u>Environmental</u>	Total Nonmajor Governmental Funds
\$ 327,376	\$ 457,822	\$ 2,298,549
15,778	-	15,778
-	-	12,439
-	-	266,718
<u>\$ 343,154</u>	<u>\$ 457,822</u>	<u>\$ 2,593,484</u>
\$ -	\$ -	\$ 6,418
-	-	26,759
-	-	9,719
<u>-</u>	<u>-</u>	<u>42,896</u>
740	-	740
<u>15,778</u>	<u>-</u>	<u>28,217</u>
16,518	-	28,957
326,636	-	326,636
-	-	617,992
-	-	46,202
-	457,822	457,822
-	-	1,074,906
-	-	(1,927)
<u>326,636</u>	<u>457,822</u>	<u>2,521,631</u>
<u>\$ 343,154</u>	<u>\$ 457,822</u>	<u>\$ 2,593,484</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
REVENUES				
Taxes	\$ -	\$ 86,567	\$ -	\$ 86,567
Licenses and Permits	185	-	-	185
Intergovernmental	219,969	59,123	-	279,092
Investment Earnings	-	-	848	848
Miscellaneous	287,126	6,012	-	293,138
Total Revenues	<u>507,280</u>	<u>151,702</u>	<u>848</u>	<u>659,830</u>
EXPENDITURES				
CURRENT				
General Government	-	5,626	-	5,626
Public Safety	-	36,684	-	36,684
Highways and Streets	-	139,566	-	139,566
Conservation of Natural Resources	688,717	-	-	688,717
Debt Service:				
Interest	-	-	-	-
Total Expenditures	<u>688,717</u>	<u>181,876</u>	<u>-</u>	<u>870,593</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(181,437)	(30,174)	848	(210,763)
OTHER FINANCING SOURCES (USES)				
Transfers In	162,555	-	-	162,555
Transfers Out	-	-	(2,366)	(2,366)
Total Other Financing Sources (Uses)	<u>162,555</u>	<u>-</u>	<u>(2,366)</u>	<u>160,189</u>
NET CHANGE IN FUND BALANCE	(18,882)	(30,174)	(1,518)	(50,574)
Fund Balance - January 1	<u>1,093,788</u>	<u>648,166</u>	<u>45,793</u>	<u>1,787,747</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,074,906</u>	<u>\$ 617,992</u>	<u>\$ 44,275</u>	<u>\$ 1,737,173</u>

<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor</u>
<u>Debt Service</u>	<u>Environmental</u>	<u>Governmental</u>
		<u>Funds</u>
\$ 692,435	\$ -	\$ 779,002
-	-	185
48,025	-	327,117
-	14,081	14,929
-	-	293,138
<u>740,460</u>	<u>14,081</u>	<u>1,414,371</u>
-	-	5,626
-	-	36,684
-	-	139,566
-	-	688,717
413,824	-	413,824
<u>413,824</u>	<u>-</u>	<u>1,284,417</u>
326,636	14,081	129,954
-	-	162,555
-	(14,081)	(16,447)
-	(14,081)	146,108
326,636	-	276,062
-	457,822	2,245,569
<u>\$ 326,636</u>	<u>\$ 457,822</u>	<u>\$ 2,521,631</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FOREST DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 81,090	\$ 81,090	\$ -	\$ (81,090)
Licenses and Permits	1,000	1,000	185	(815)
Intergovernmental	218,342	218,342	219,969	1,627
Miscellaneous	298,422	298,422	287,126	(11,296)
Total Revenues	<u>598,854</u>	<u>598,854</u>	<u>507,280</u>	<u>(91,574)</u>
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Forest Resource	473	473	3,324	(2,851)
Reforestation	376,119	376,119	237,204	138,915
Memorial Forest	-	-	1,807	(1,807)
Forest Road	81,427	81,427	90,852	(9,425)
Land Surveying	201,617	201,617	355,530	(153,913)
Total Expenditures	<u>659,636</u>	<u>659,636</u>	<u>688,717</u>	<u>(29,081)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,782)	(60,782)	(181,437)	(120,655)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	162,555	162,555
NET CHANGE IN FUND BALANCE	(60,782)	(60,782)	(18,882)	41,900
Fund Balance - January 1	<u>1,093,788</u>	<u>1,093,788</u>	<u>1,093,788</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,033,006</u>	<u>\$ 1,033,006</u>	<u>\$ 1,074,906</u>	<u>\$ 41,900</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 90,750	\$ 90,750	\$ 86,567	\$ (4,183)
Intergovernmental	-	-	59,123	59,123
Miscellaneous	-	-	6,012	6,012
Total Revenues	<u>90,750</u>	<u>90,750</u>	<u>151,702</u>	<u>60,952</u>
EXPENDITURES				
CURRENT:				
General Government:				
Other General Government	2,700	2,700	5,626	(2,926)
Public Safety:				
Emergency Services	42,050	42,050	36,684	5,366
Highways and Streets:				
Other Highways and Streets	46,000	46,000	139,566	(93,566)
Total Expenditures	<u>90,750</u>	<u>90,750</u>	<u>181,876</u>	<u>(91,126)</u>
NET CHANGE IN FUND BALANCE	-	-	(30,174)	(30,174)
Fund Balance - January 1	<u>648,166</u>	<u>648,166</u>	<u>648,166</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 648,166</u></u>	<u><u>\$ 648,166</u></u>	<u><u>\$ 617,992</u></u>	<u><u>\$ (30,174)</u></u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 848	\$ 848
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Other	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	848	848
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	848	848
Fund Balance - January 1	45,793	45,793	45,793	-
FUND BALANCE - DECEMBER 31	\$ 45,793	\$ 45,793	\$ 46,641	\$ 848

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 748,456	\$ 748,456	\$ 692,435	\$ (56,021)
Intergovernmental	-	-	48,025	48,025
Total Revenues	<u>748,456</u>	<u>748,456</u>	<u>740,460</u>	<u>(7,996)</u>
EXPENDITURES				
Debt Service:				
Interest	<u>168,908</u>	<u>168,908</u>	<u>413,824</u>	<u>(244,916)</u>
NET CHANGE IN FUND BALANCE	579,548	579,548	326,636	(252,912)
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 579,548</u></u>	<u><u>\$ 579,548</u></u>	<u><u>\$ 326,636</u></u>	<u><u>\$ (252,912)</u></u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL PERMANENT FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ 15,000	\$ 15,000	\$ 14,081	\$ (919)
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Land Use	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	15,000	15,000	14,081	(919)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(15,000)	(15,000)	(14,081)	919
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - January 1	457,822	457,822	457,822	-
FUND BALANCE - DECEMBER 31	<u>\$ 457,822</u>	<u>\$ 457,822</u>	<u>\$ 457,822</u>	<u>\$ -</u>

FIDUCIARY FUNDS

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**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
AGENCY				
ASSETS				
Cash and Pooled Investments	\$ 654,086	11,320,706	11,433,686	\$ 541,106
LIABILITIES				
Due to Other Governments	\$ 654,086	\$ 11,320,706	\$ 11,433,686	\$ 541,106
COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 95,971	\$ 89,521	\$ 55,059	\$ 130,433
LIABILITIES				
Accounts Payable	\$ 95,971	\$ 89,521	\$ 55,059	\$ 130,433
STATE				
ASSETS				
Cash and Pooled Investments	\$ 107,623	\$ 3,194,779	\$ 3,178,762	\$ 123,640
LIABILITIES				
Due to Other Governments	\$ 107,623	\$ 3,194,779	\$ 3,178,762	\$ 123,640
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 5,040	\$ 30,731,108	\$ 30,763,341	\$ (27,193)
LIABILITIES				
Due to Other Governments	\$ 5,040	\$ 30,731,108	\$ 30,763,341	\$ (27,193)

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	<u>\$ 21,586</u>	<u>\$ 359,753</u>	<u>\$ 365,215</u>	<u>\$ 16,124</u>
LIABILITIES				
Funds Held in Trust	<u>\$ 21,586</u>	<u>\$ 359,753</u>	<u>\$ 365,215</u>	<u>\$ 16,124</u>
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	<u>\$ 8,025</u>	<u>\$ 65,445</u>	<u>\$ 65,497</u>	<u>\$ 7,973</u>
LIABILITIES				
Funds Held in Trust	<u>\$ 8,025</u>	<u>\$ 65,445</u>	<u>\$ 65,497</u>	<u>\$ 7,973</u>
COUNTY TRIAD				
ASSETS				
Cash and Pooled Investments	<u>\$ 4,333</u>	<u>\$ 800</u>	<u>\$ 1,134</u>	<u>\$ 3,999</u>
LIABILITIES				
Funds Held in Trust	<u>\$ 4,333</u>	<u>\$ 800</u>	<u>\$ 1,134</u>	<u>\$ 3,999</u>

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
CHILD ABUSE PREVENTION COUNCIL				
ASSETS				
Cash and Pooled Investments	\$ 10,831	\$ 7,615	\$ 9,069	\$ 9,377
LIABILITIES				
Accounts Payable	\$ 10,831	\$ 7,615	\$ 9,069	\$ 9,377
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 907,495	\$ 45,769,727	\$ 45,871,763	\$ 805,459
LIABILITIES				
Accounts Payable	\$ 106,802	\$ 97,136	\$ 64,128	\$ 139,810
Funds Held in Trust	33,944	425,998	431,846	28,096
Due to Other Governments	766,749	45,246,593	45,375,789	637,553
Total Liabilities	\$ 907,495	\$ 45,769,727	\$ 45,871,763	\$ 805,459

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OTHER SCHEDULES

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2019**

	Governmental Funds	Enterprise Fund	Total Primary Government
APPROPRIATIONS AND SHARED REVENUE			
State:			
Highway Users Tax	\$ 6,384,203	\$ -	\$ 6,384,203
PERA Rate Reimbursement	61,544	-	61,544
Disparity Reduction Aid	5,271	-	5,271
Police Aid	161,818	-	161,818
County Program Aid	752,762	-	752,762
Market Value Credit	186,758	-	186,758
SCORE	68,710	-	68,710
Out of Home Placement	30,306	-	30,306
Riparian Aid	40,000	-	40,000
Taconite Credit	648,935	-	648,935
Enhanced 911	89,189	-	89,189
Aquatic Invasive Species	272,085	-	272,085
Total Appropriations and Shared Revenue	8,701,581	-	8,701,581
REIMBURSEMENT FOR SERVICES			
State:			
Minnesota Department of Human Services	654,999	-	654,999
PAYMENTS			
Local:			
Payments in Lieu of Taxes	1,534,314	-	1,534,314
GRANTS			
State:			
Minnesota Department/Board of:			
Corrections	336,091	-	336,091
Public Safety	98,909	-	98,909
Trial Courts	50,982	-	50,982
Health	114,401	-	114,401
Natural Resources	766,270	-	766,270
Human Services	636,245	-	636,245
Peace Officers Board	15,907	-	15,907
Veterans Affairs	10,000	-	10,000
Water and Soil Resources	85,796	-	85,796
Total State	2,114,601	-	2,114,601

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>
GRANTS (CONTINUED)			
Federal:			
U.S. Department of:			
Agriculture	\$ 270,139	\$ 4,519	\$ 274,658
Justice	56,391	-	56,391
Transportation	225,572	-	225,572
Health and Human Services	1,618,103	-	1,618,103
Homeland Security	97,000	-	97,000
Total Federal	<u>2,267,205</u>	<u>4,519</u>	<u>2,271,724</u>
 Total State and Federal Grants	 <u>4,381,806</u>	 <u>4,519</u>	 <u>4,386,325</u>
 Total Intergovernmental Revenue	 <u><u>\$ 15,272,700</u></u>	 <u><u>\$ 4,519</u></u>	 <u><u>\$ 15,277,219</u></u>

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets			Total
	Cash	Special Assessments Receivable	Due from Other Ditches	
County Ditches:				
5	\$ (363)	\$ -	\$ -	\$ (363)
23	(278)	-	-	(278)
24	-	369	-	369
28	(185)	-	-	(185)
29	80	-	-	80
30	27,883	1,294	-	29,177
34	-	978	-	978
36	2,755	1,208	-	3,963
37	(676)	8,427	-	7,751
42	(425)	-	-	(425)
63	1,221	-	-	1,221
66	1,279	-	-	1,279
Judicial Ditch:				
2	12,984	163	-	13,147
Total	\$ 44,275	\$ 12,439	\$ -	\$ 56,714

<u>Liabilities</u> <u>Due to</u> <u>Other Ditches</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u> <u>Unavailable</u> <u>Revenue</u>	<u>Fund</u> <u>Balances</u> <u>Restricted/</u> <u>(Unassigned)</u>	<u>Total</u> <u>Liabilities,</u> <u>Deferred Inflows</u> <u>of Resources,</u> <u>and Fund</u> <u>Balance</u>
\$ -	\$ -	\$ (363)	\$ (363)
-	-	(278)	(278)
-	369	-	369
-	-	(185)	(185)
-	-	80	80
-	1,294	27,883	29,177
-	978	-	978
-	1,208	2,755	3,963
-	8,427	(676)	7,751
-	-	(425)	(425)
-	-	1,221	1,221
-	-	1,279	1,279
-	163	12,984	13,147
<u>\$ -</u>	<u>\$ 12,439</u>	<u>\$ 44,275</u>	<u>\$ 56,714</u>

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AITKIN COUNTY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Education Special Milk Program for Children (Part of Child Nutrition Cluster)	10.556	Not Provided	\$ 4,519	\$ -
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	89,251	-
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	154,891	-
Total U.S. Department of Agriculture			<u>248,661</u>	<u>-</u>
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Missing Children's Assistance	16.543	Not Provided	3,850	-
Crime Victim Assistance	16.575	F-CVS-2018-AITKINAO	38,049	-
Total U.S. Department of Justice			<u>41,899</u>	<u>-</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	STPF 0118(247) HSIP 0119(251)	94,304 <u>123,841</u>	218,145 -
Passed Through Minnesota Department of Public Safety State and Community Highway Safety (Part of Highway Safety Cluster)	20.600	F-SAFE19-2019- ATKNCOTZD	7,427	-
Total U.S. Department of Transportation			<u>225,572</u>	<u>-</u>
U.S. Department of Education				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Special Education-Grants for Infants and Families	84.181	H181A140029/ H18	2,672	-
U.S. Department of Health and Human Services				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Public Health Emergency Preparedness	93.069	Not provided	24,133	-
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$204,990)	93.558	1901MNTANF	44,889	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	36,250	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1801MNFPPS	4,056	-
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$204,990)	93.558	1901MNTANF	160,101	-
Child Support Enforcement	93.563	1901MNCSES 1901MNCEST	54,312 <u>299,323</u>	353,635 -
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1901MNRDMA	174	-
Child Care and Development Cluster Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Part of CCDF Cluster)	93.596	G1901MNCCDF	2,536	-
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	2,000	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	2,850	-
Foster Care Title IV-E	93.658	1901MNFOST	167,270	-
Social Services Block Grant	93.667	G-1901MNSOSR	118,236	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	2,284	-
Children's Health Insurance Program	93.767	1905MN5021	138	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1905MN5ADM 1905MN5MAP	752,727 <u>5,816</u>	353,635 -
Total U.S. Department of Health and Human Services			<u>1,677,095</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	Not provided	11,239	-
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20190506-1185	85,761	-
Total U.S. Department of Homeland Security			<u>97,000</u>	<u>-</u>
Total Federal Awards			<u>\$ 2,292,899</u>	<u>\$ -</u>

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

AITKIN COUNTY, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1 REPORTING ENTITY

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

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Aitkin County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Aitkin County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Aitkin County.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Aitkin County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Aitkin County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**AITKIN COUNTY, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019**

NOTE 4 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,271,724
Grants received more than 60 days after year-end, unavailable in 2019		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		54,416
Maternal and Child Health Services Block Grant to the States		18,849
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Part of CCDF Cluster)		360
Public Health Emergency Preparedness		7,227
MaryLee Allen Promoting Safe and Stable Families Program		1,020
Temporary Assistance for Needy Families		44,570
Community-Based Child Abuse Prevention Grants		500
Stephanie Tubbs Jones Child Welfare Services Program		731
Special Education-Grants for Infants and Families		2,024
Foster Care Title IV-E		28,669
Grants unavailable in 2018, recognized as revenue in 2019		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		(80,413)
Maternal and Child Health Services Block Grant to the States		(5,122)
Crime Victim Assistance		(14,492)
Public Health Emergency Preparedness		(10,991)
Promoting Safe and Stable Families		(826)
Temporary Assistance for Needy Families		(21,625)
Community-Based Child Abuse Prevention Grants		(56)
Stephanie Tubbs Jones Child Welfare Services Program		(550)
Special Education-Grants for Infants and Families		(648)
John H. Chafee Foster Care Program for Successful Transition to Adulthood		(2,468)
		(2,468)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	2,292,899

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**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*
AND SINGLE AUDIT**



**INDEPENDENT AUDITORS' 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
Aitkin County
Aitkin, 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 business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Aitkin County's basic financial statements, and have issued our report thereon dated September 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aitkin County's internal control over financial reporting (internal control) 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 Aitkin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Aitkin County's internal control.

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 questioned costs, we identified 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 deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-001 and 2019-002 to be material weaknesses.

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 accompanying schedule of findings and questioned costs as items 2019-003 to 2019-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aitkin County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Aitkin County's Responses to Findings

Aitkin County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Aitkin 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2020

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners
Aitkin County
Aitkin, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Aitkin County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Aitkin County's major federal programs for the year ended December 31, 2019. Aitkin County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Aitkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aitkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Aitkin County's compliance.

Opinion on Each Major Federal Program

In our opinion, Aitkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

Aitkin County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Aitkin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Aitkin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Aitkin County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Aitkin County's internal control over compliance.

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

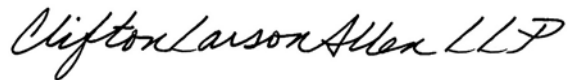
Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-006 that we consider to be a material weakness.

Aitkin County's Response to Finding

Aitkin County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Aitkin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2020

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**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X no

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Medicaid Cluster)
93.563	Child Support Enforcement

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

Auditee qualified as low-risk auditee? yes X no

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

MATERIAL WEAKNESSES- FINANCIAL REPORTING:

2019-001 AUDIT ADJUSTMENTS

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions, including account coding and reporting of accruals and net position.

Condition and Context: As part of the audit, we proposed material audit adjustments to adjust construction in progress, record the net pension liability and related deferred inflows and outflows of resources, record other postemployment benefits liability and related deferred outflows, and record accruals.

Possible Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate accrual basis financial information.

Cause: The County has a limited number of personnel.

Repeat Finding: Prior year finding identified as Finding 2018-001.

Recommendation: We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. Management will continue to work at eliminating the need for audit adjustments through learning about new GASB standards and reviewing work performed by department personnel.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

MATERIAL WEAKNESSES- FINANCIAL REPORTING (CONTINUED):

2019-002 FINANCIAL REPORTING PROCESS

Criteria: County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Condition and Context: As part of the audit, management requested us to prepare a draft of the financial statements, including the related note to the financial statements. The County does not have an internal control policy in place over preparation or review of the annual financial statements that would enable management to prepare the financial statements and related note disclosures in accordance with applicable accounting and reporting standards. Management reviews and accepts responsibility for the financial statements.

Possible Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Cause: The County has a limited number of personnel.

Repeat Finding: Prior year finding identified as Finding 2018-002.

Recommendation: We recommend the County continue to evaluate their internal staff capacity to determine if an internal control policy over the preparation of the financial statements and other areas is beneficial.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will review the financial reporting requirements and undertake them if deemed cost-beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING:

2019-003 COMPUTER RISK MANAGEMENT

Criteria: The County's management is responsible for identifying and managing the risks associated with its computer system. Computer risk management suggests that a formal plan be developed to identify the risks associated with the County's information system and document the internal controls implemented to address the identified risks.

Condition and Context: The County has internal controls in place for its computer system. However, a formal risk assessment of existing controls over significant functions of the computer system has not been completed.

Possible Effect: Unprotected risks could result in a loss or compromise of data that could negatively influence County operations.

Cause: County management and staff are aware of the various risks associated with the County's computer system. However, a formal plan to identify and manage those risks has not been developed.

Repeat Finding: Prior year finding identified as Finding 2018-003.

Recommendation: We recommend County management document the significant internal controls in its computer system. We further recommend a formal plan be developed that calls for assessing and monitoring significant internal controls on a regular basis, but no less than annually. The assessment of risks should be documented and procedures implemented to address those risks found.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will perform a formal risk assessment over its computer system if deemed cost-beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

2019-004 ACCOUNTING POLICIES AND PROCEDURES MANUAL

Criteria: The County should have identified its significant internal controls and have the controls documented in the County's accounting policies and procedures. The County's management is responsible for assessing and monitoring its internal controls, this also includes the documentation of the risk assessment and monitoring procedures.

Condition and Context: The County has internal controls in place, however the significant controls have not been documented. The risk assessment and monitoring procedures over the significant internal controls has also not been documented. Monitoring of internal controls is necessary to determine if the controls in place are operating effectively.

Possible Effect: As a result of this condition, the County's practices may not be followed as intended by management, and employees may not understand the purpose of internal controls. The lack of risk assessment and monitoring procedures increases the risk of fraud.

Cause: The County adopted the General Operations Policy on January 24, 2017 that includes provisions for accounting policies and procedures. However, it does not include risk assessment and monitoring procedures.

Repeat Finding: Prior year finding identified as Finding 2018-004.

Recommendation: We recommend County Auditor's Office continue to take necessary steps in implementing procedures to document the significant internal controls in its accounting system. We also recommend that a formal plan be developed that calls for assessing and monitoring the significant internal controls on a regular basis, no less than annually.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will perform a formal risk assessment and implement monitoring procedures if deemed cost-beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

2019-005 SEGREGATION OF DUTIES

Criteria: County management should be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Condition and Context: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for various County departments.

Possible Effect: The design of the internal controls over financial reporting could affect the ability of the County to record, process, summarize, and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the County's inability to prevent/detect misappropriation of County assets.

Cause: The County has a limited number of personnel within several County departments.

Repeat Finding: Prior year finding identified as Finding 2018-005.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement some oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will review the accounting functions and segregate them if deemed cost-beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

MAJOR PROGRAM MATERIAL WEAKNESS OVER INTERNAL CONTROL:

2019-006 ELIGIBILITY

Federal Agency: U.S. Department of Health and Human Services
Federal Program Titles: Medical Assistance Program (Medicaid Cluster)
CFDA Numbers: 93.778
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1905MN5ADM
Compliance Requirement Affected: Eligibility
Award Period: Year-Ended December 31, 2019

Type of Finding: Material Weakness in Internal Control over Compliance and Compliance

Criteria: County's must establish and maintain effective internal control over the federal award that provides reasonable assurance that the County is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition and Context: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In 2018, the County implemented a casefile review control over eligibility. Our sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. The following exceptions were detected in our statistically valid sample of 60 cases tested:

- One casefiles had supporting asset documents that did not match MAXIS.
- One casefiles had no supporting asset documents but had asset information listed in MAXIS.

Possible Effect: Inadequate documentation or the improper input of the information into MAXIS increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

MAJOR PROGRAM MATERIAL WEAKNESS OVER INTERNAL CONTROL (CONTINUED)

2019-006 ELIGIBILITY (CONTINUED)

Repeat Finding: Prior year finding identified as Finding 2018-006. However, some improvements have been made and casefile review over eligibility was implemented in 2019.

Questioned Costs: Unable to be determined.

Recommendation: We recommend the County continue to perform regular internal reviews on casefiles to determine that proper policies and procedures are being followed in determining eligibility.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will assess their capacity, due to their limited number of casefile workers, to review more casefiles to ensure that reoccurring problems are resolved.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2019-007 PUBLISHING OF CLAIMS

Criteria: Minnesota Statutes §375.12 requires that when the County discloses the official proceedings of board meetings in the newspaper, “all claims exceeding \$2,000 and the total number of claims that did not exceed \$2,000” (their total dollar amount) be disclosed.

Condition and Context: The County is not publishing claims with the board minutes in accordance with state statutes.

Possible Effect: The County is not in compliance with Minnesota State Statutes.

Cause: Not known.

Repeat Finding: Prior year finding identified as Finding 2018-009.

Recommendation: We recommend the County publish the claims in the newspaper in accordance with state statutes.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will publish claims exceeding \$2,000 and publish a statement showing the total number of claims that did not exceed \$2,000 and their total dollar amount on a reasonable basis.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED):

2019-008 PAYMENTS OF CLAIMS WITHIN 35 DAYS

Criteria: Minnesota Statutes §471.425 requires prompt payment of local government bills within the standard timeline of 35 days from the receipt of invoice.

Condition and Context: During our testing, it was noted that 1 out of 40 invoices tested were not paid within the standard timeline of 35 days from receipt.

Possible Effect: The County is not in compliance with Minnesota State Statutes and is at an increased risk of incurring late fees by not paying items in a timely manner.

Cause: Not known.

Repeat Finding: Not applicable.

Recommendation: We recommend the County implement procedures to ensure timely payment of all claims.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will implement procedures to ensure timely payment of all claims.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED):

2019-009 DITCH SPECIAL REVENUE FUND

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain positive cash and fund balances.

Condition and Context: During our testing, it was noted that 5 out of 13 ditches had negative cash balances of 5 out of 13 ditches had liabilities and deferred inflows which exceeded assets, resulting in a deficit fund balance account.

Possible Effect: The County is not in compliance with Minnesota State Statutes.

Cause: Ditch expenditures were necessary, and the levies were not sufficient to cover all costs.

Repeat Finding: Prior year finding identified as Finding 2018-008.

Recommendation: We recommend the County eliminate the ditch negative cash balances and fund deficits by borrowing from an eligible ditch system or fund with a surplus fund balance.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will review statutes and continue to monitor the individual ditch deficits and eliminate them when feasible.

PREVIOUSLY REPORTED ITEM RESOLVED

2018-007 DOCUMENTATION OF PROCUREMENT, SUSPENSION, AND DEBARMENT

Resolution: Per inquiry of the County, they have implemented the recommendations and are following their policy. Per the 2019 Compliance Supplement, Procurement, Suspension, and Debarment was not a compliance requirement required as part of the "Pick 6".

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Aitkin County
Aitkin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Aitkin County (the County,) Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Aitkin County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties* promulgated by the State Auditor pursuant to Minnesota Statutes §6.65, except as described in the Schedule of Findings and Questioned Costs as items 2019-007 to 2019-009. 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 Aitkin County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Aitkin County's written responses to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. Aitkin 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 the responses.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2020