



Board of County Commissioners Agenda Request

3A
Agenda Item #

Requested Meeting Date: September 10, 2024

Title of Item: 2023 Audit Review/Presentation

<input checked="checked" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	Action Requested: <input type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Direction Requested <input checked="checked" type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing*
Submitted by: Kathleen Ryan		Department: Auditor
Presenter (Name and Title): Kristen Houle, CPA - CliftonLarsonAllen		Estimated Time Needed: 20 min
Summary of Issue: CLA will present the 2023 Audit to the Board		
Alternatives, Options, Effects on Others/Comments:		
Recommended Action/Motion: Discussion Only		
Financial Impact: Is there a cost associated with this request? <input type="checkbox"/> Yes <input checked="checked" type="checkbox"/> No What is the total cost, with tax and shipping? \$ Is this budgeted? <input type="checkbox"/> Yes <input type="checkbox"/> No Please Explain:		



Board of Commissioners
Aitkin County
Aitkin, Minnesota

We have audited the 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, 2023, and have issued our report thereon dated August 15, 2024. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit in our statement of work dated November 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Aitkin County are described in Note 1 to the financial statements.

As described in Note 1, the County changed accounting policies related to Subscription-Based Information Technology Arrangements by adopting Statement of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, in 2023.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- During current year testing in the General fund and Governmental Activities at December 31, 2023, it was noted that payables were projected to be understated by \$270,888 based on our statistical sampling. This resulted in the General fund and Governmental Activities liabilities to be projected to be understated by \$270,888 and the ending fund balance/net position and change in fund balance/net position to be projected to be overstated by \$270,888 as of December 31, 2023.
- It was noted during prior year testing in the General fund at December 31, 2022 that receivables were projected to be understated by \$77,333 based on our statistical sampling. This resulted in the change in fund balance being projected to be overstated by \$77,333 as of December 31, 2023.
- During intergovernmental revenue testing in the General fund, it was noted that the client missed recording receipts as accruals during 2022 in the amount of \$37,495. This resulted in the change in fund balance to be overstated by \$37,495 as of December 31, 2023.
- During current year testing of timber receivables in the Trust fund, it was noted that the total deferred inflows plus the receipts received within 60 days of year end did not agree to the total accounts receivable balance by \$59,015 due to prior year deferred inflows being understated and revenues overstated by \$59,015. This resulted in the change in fund balance to be understated by \$59,015 as of December 31, 2023.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management: reclassified revenues and expenditures, adjusting of unearned revenue, recording of accruals, adjusting GASB 84 activity, and conversion entries related to capital assets, compensated absences, net pension liability and other postemployment benefits liability.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2024.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the County’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

The following describes findings or issues arising during the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process:

During the audit we identified the following fraud and significant risks of material misstatement that were not previously been communicated to you in our statement of work dated November 1, 2023:

- Risk of existence of Long Lake Conservation Center revenues.

We have provided a separate communication to you dated August 15, 2024, communicating internal control related matters identified during the audit.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method

of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated August 15, 2024.

With respect to the combining statements and budgetary comparison schedules, the schedule of intergovernmental revenue, and balance sheet – by ditch – Ditch special revenue fund (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated August 15, 2024.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

This communication is intended solely for the information and use of the Board of County Commissioners and management of Aitkin County and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 15, 2024



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Aitkin County, Minnesota

Presentation: Exit Conference
Year Ending December 31, 2023

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Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Agenda

- Required Communications
- Internal Control
- Minnesota Legal Compliance
- Federal Single Audit
- Financial Results
- Key Issues/Summary





Required Communications



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Required Communications

- See separate letter for communication required by various Statements on Auditing Standards
- Unmodified opinion on financial statements





Internal Controls



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Internal Control

- Material Weaknesses – deficiencies in internal control such that there is a reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis
 - Audit Adjustments
 - Financial Reporting Process



Internal Control (Continued)

- Significant Deficiencies - deficiencies in internal control that are less severe than material weaknesses, yet important enough to merit attention by those charged with governance
 - Computer Risk Management
 - Segregation of Duties





Minnesota Legal Compliance



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Minnesota Legal Compliance

- Auditors performed tests of County compliance and completed a 25-page check list related to procedures/guidelines required to be tested by the Minnesota Office of the State Auditor
 - 2023 Items:
 - Publishing of Claims
 - Ditch Special Revenue Fund





Federal Single Audit



Federal Single Audit

- Major Programs: Highway Planning and Construction and COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CDBG)
 - Material Weakness:
 - None noted
 - Significant Deficiency:
 - Lack of reviews over quarterly and annual reports over CDBG reporting
 - 2022 Findings:
 - None noted





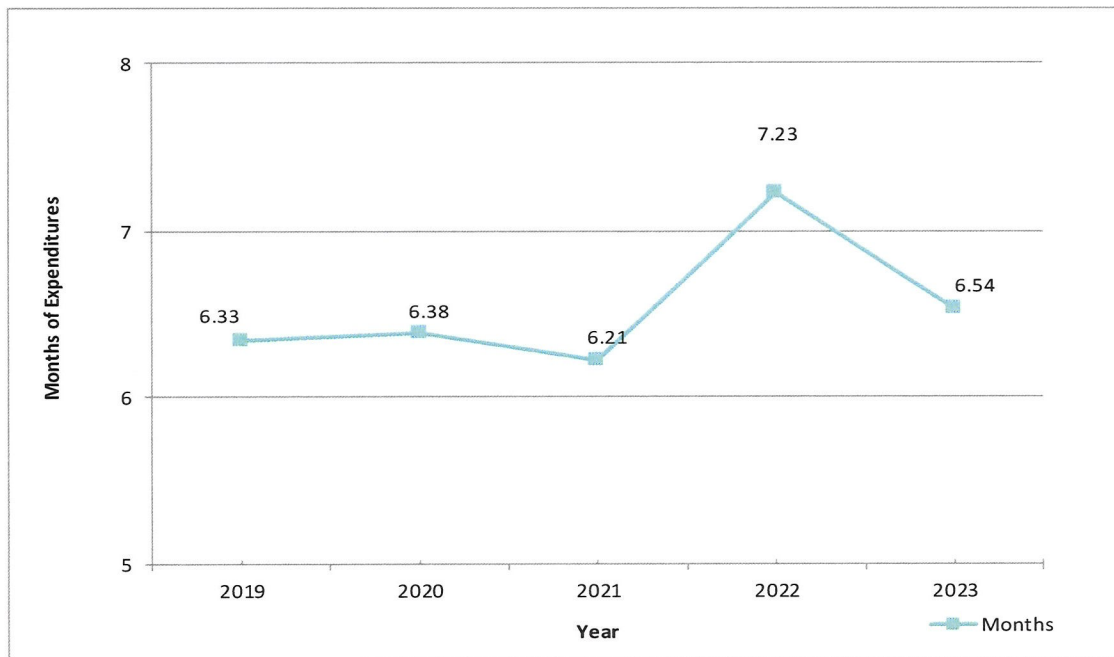
Financial Results



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Financial Results

Months of Expenditures in Fund Balance – All Governmental Funds



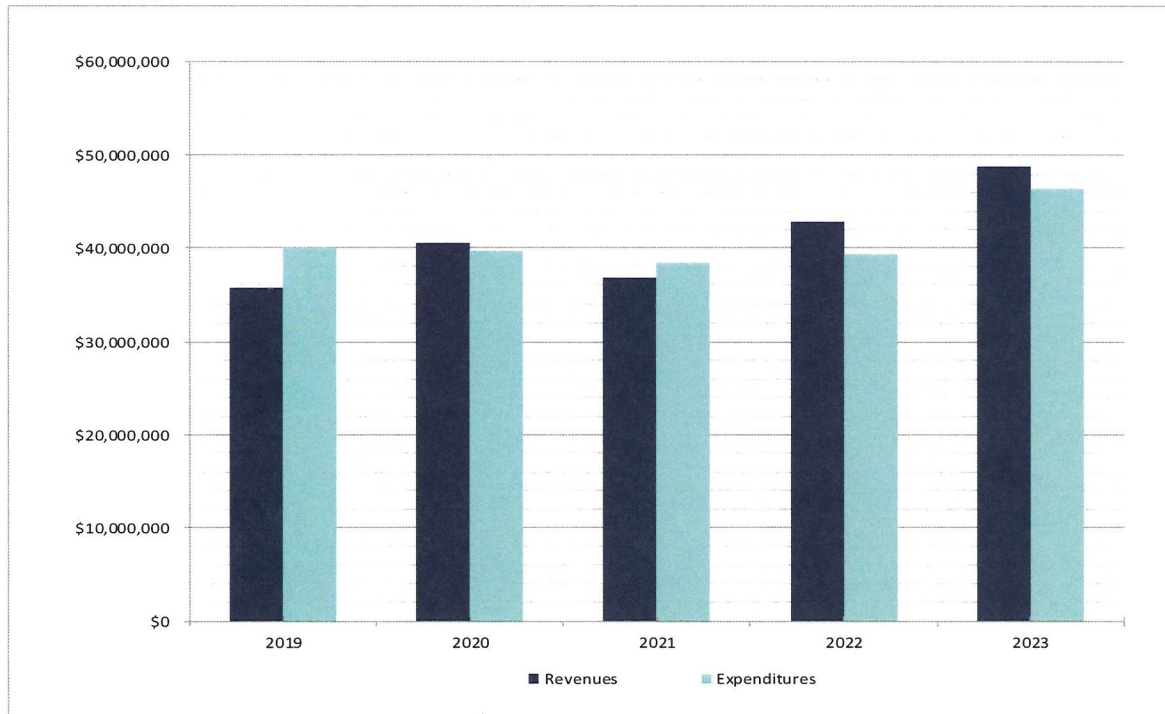
- Recommend no less than 3-5 months
- Decrease from prior year
- This is “Unrestricted” fund balance
- All 5 years presented above the recommendation

	2019	2020	2021	2022	2023
Expenditures	\$ 39,962,041	\$ 39,751,020	\$ 38,425,573	\$ 39,390,528	\$ 46,521,277
Fund Balance	21,088,703	21,150,087	19,895,789	23,740,652	25,336,975



Financial Results

Governmental Funds - Revenues and Expenditures



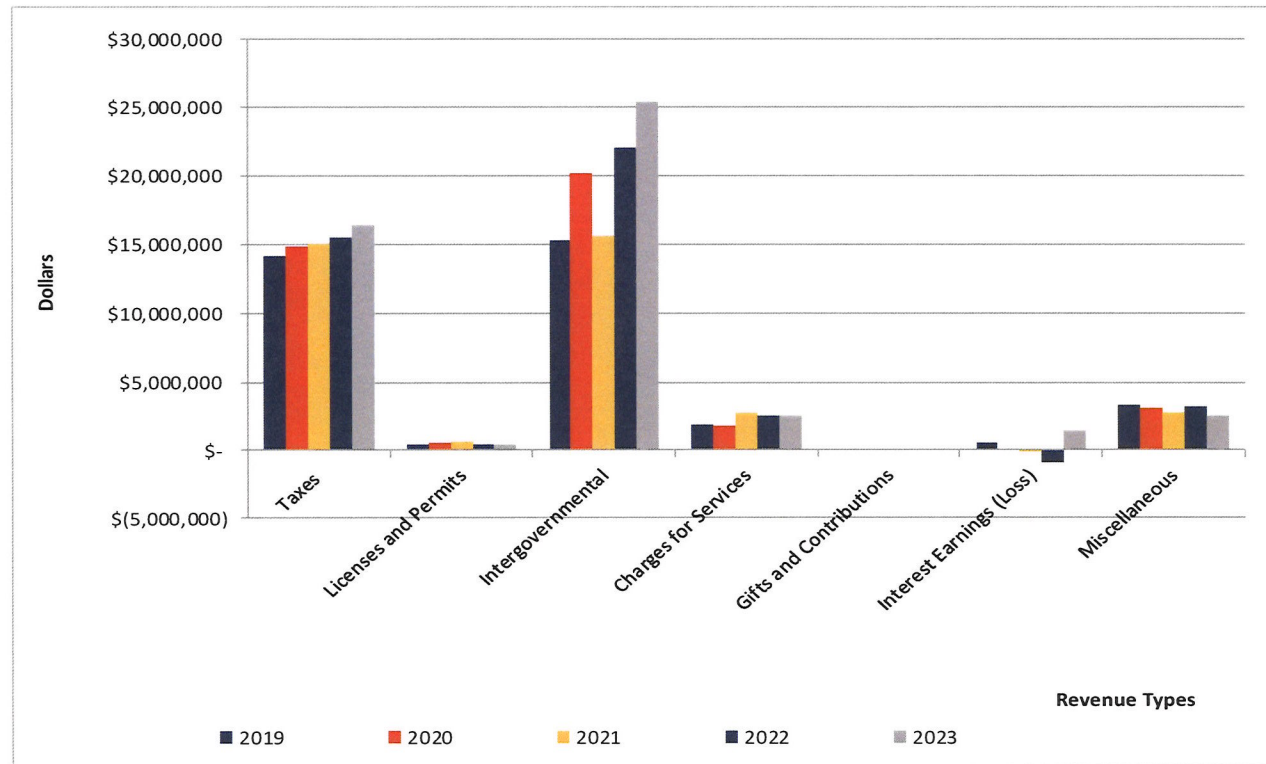
- Expenditures have exceeded revenues 2 out of 5 years
- 2023 revenues exceeded expenditures by approximately \$2,330,000
- Approximately \$6.0M increase in revenues in 2023

	2019	2020	2021	2022	2023
Revenues	\$ 35,664,270	\$ 40,504,480	\$ 36,708,600	\$ 42,847,133	\$ 48,850,914
Expenditures	39,962,041	39,751,020	38,425,573	39,390,528	46,521,277



Financial Results

Revenues – All Governmental Funds

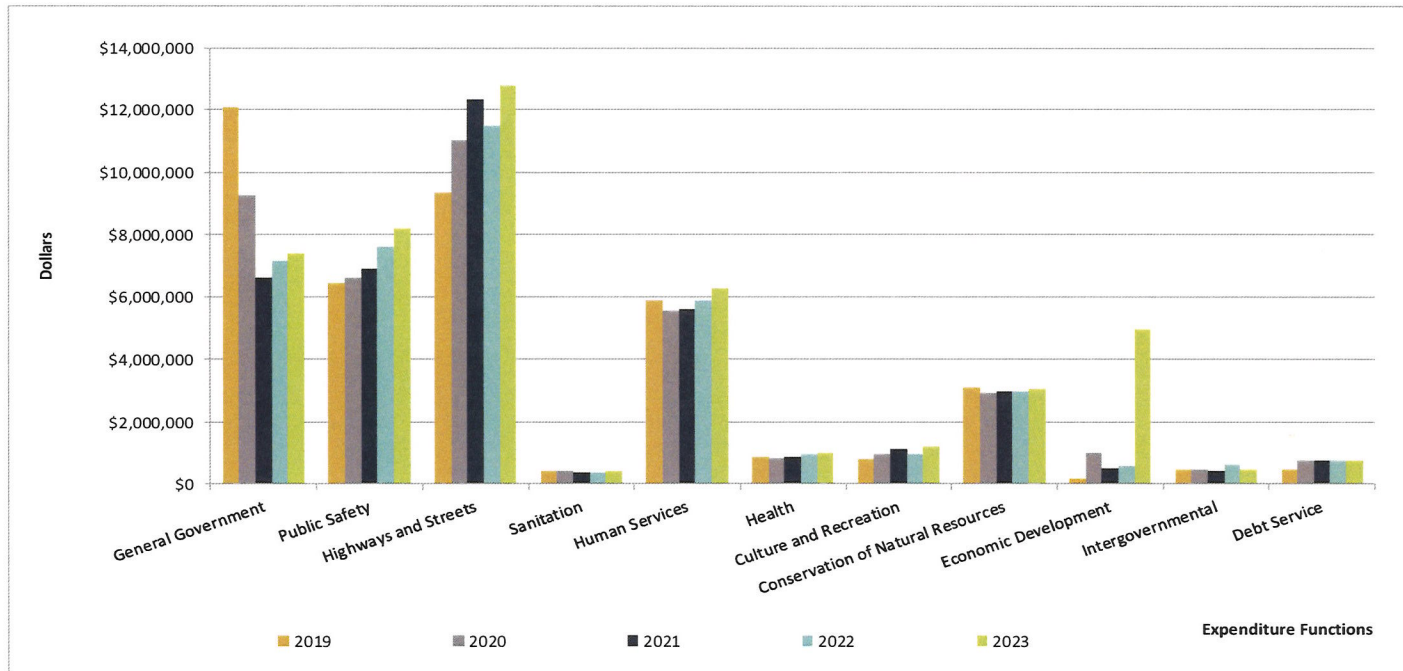


	2019	2020	2021	2022	2023
Taxes	\$ 14,124,827	\$ 14,784,906	\$ 15,063,799	\$ 15,441,262	\$ 16,384,383
Licenses and Permits	413,704	521,172	630,994	475,719	469,512
Intergovernmental	15,272,700	20,131,425	15,551,705	21,973,374	25,400,416
Charges for Services	1,911,355	1,831,233	2,794,582	2,605,436	2,584,797
Gifts and Contributions	11,075	1,800	15,025	7,505	16,050
Interest Earnings (Loss)	600,520	106,554	(85,301)	(934,659)	1,425,606
Miscellaneous	3,330,089	3,127,390	2,737,796	3,278,496	2,570,150
	<u>\$ 35,664,270</u>	<u>\$ 40,504,480</u>	<u>\$ 36,708,600</u>	<u>\$ 42,847,133</u>	<u>\$ 48,850,914</u>



Financial Results

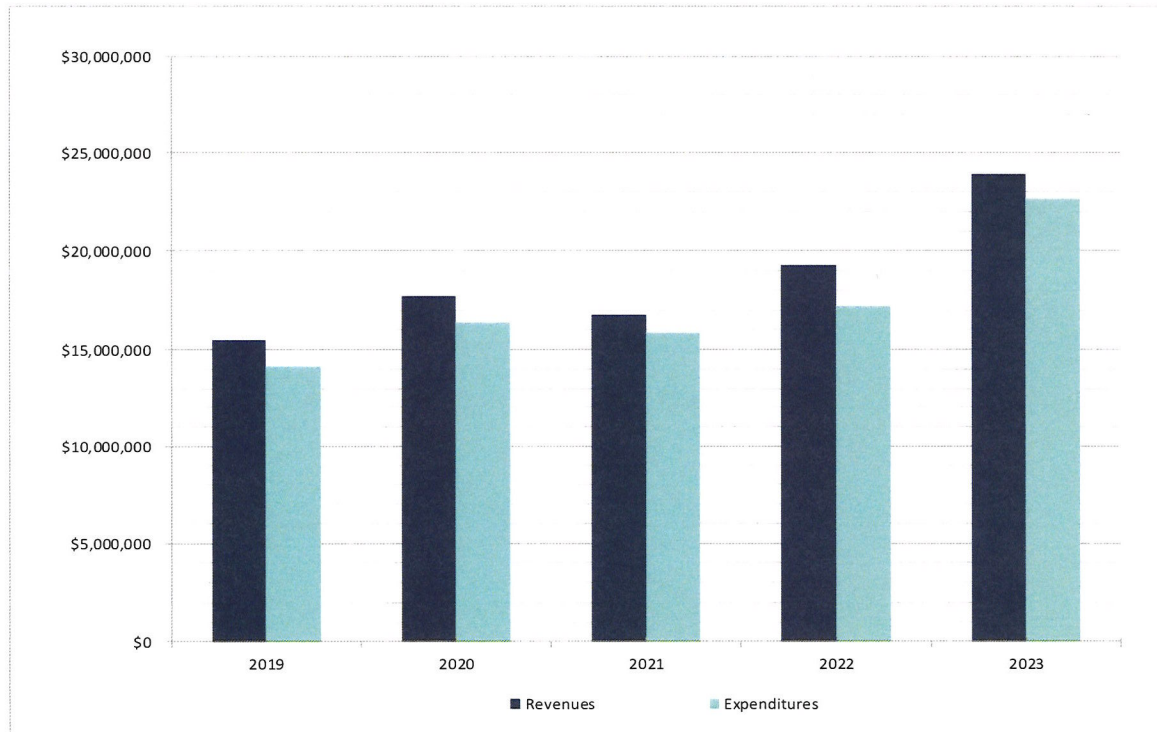
Expenditures – All Governmental Funds



	2019	2020	2021	2022	2023
General Government	\$ 12,066,449	\$ 9,243,692	\$ 6,619,045	\$ 7,139,703	\$ 7,415,074
Public Safety	6,418,388	6,597,503	6,897,173	7,613,726	8,208,338
Highways and Streets	9,313,705	11,031,613	12,305,378	11,492,581	12,793,414
Sanitation	432,749	398,877	388,321	368,592	394,642
Human Services	5,899,657	5,532,839	5,579,136	5,873,835	6,249,411
Health	870,167	854,230	888,213	971,176	1,019,080
Culture and Recreation	811,246	950,157	1,133,129	981,922	1,204,330
Conservation of Natural Resources	3,089,608	2,959,077	2,973,064	2,999,939	3,084,409
Economic Development	171,994	985,591	482,378	595,063	4,969,482
Intergovernmental	437,020	455,617	419,081	624,272	452,509
Debt Service	451,058	741,824	740,655	729,719	730,588
	<u>\$ 39,962,041</u>	<u>\$ 39,751,020</u>	<u>\$ 38,425,573</u>	<u>\$ 39,390,528</u>	<u>\$ 46,521,277</u>

Financial Results

General Fund Revenues and Expenditures



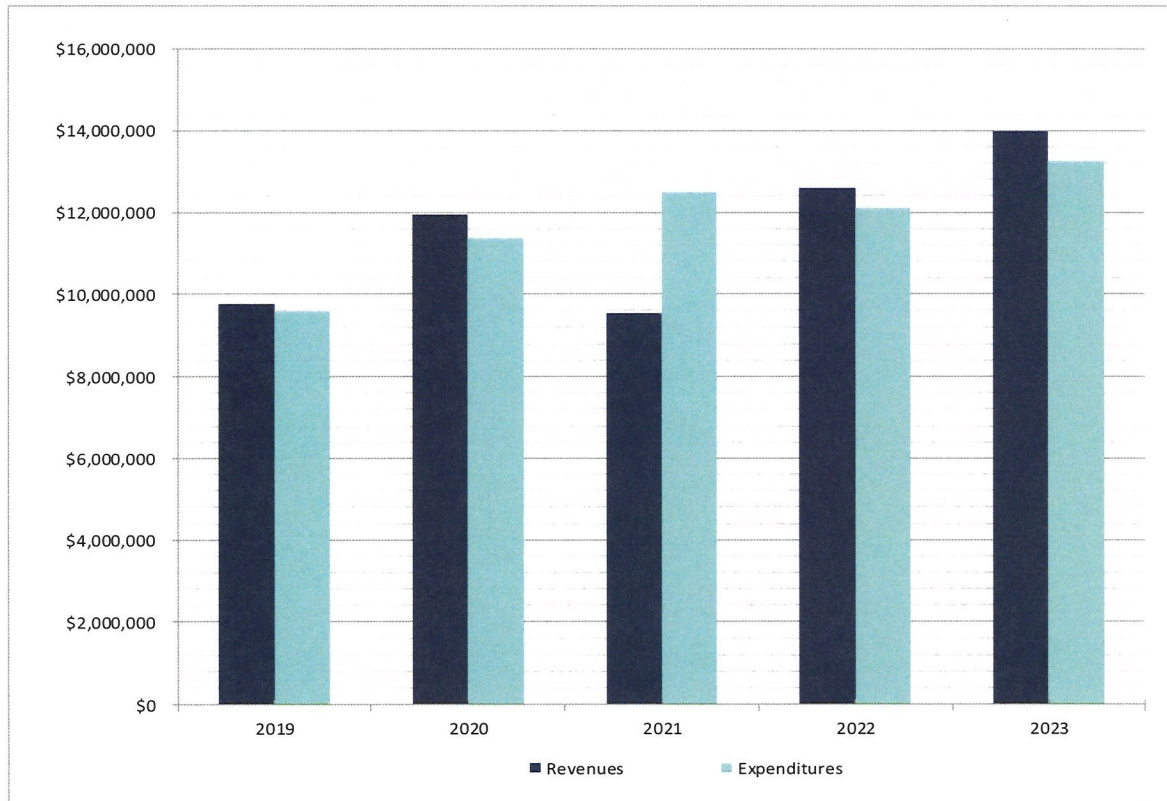
- Revenues in excess of expenditures in all years presented
- Both revenues and expenditures increased from prior year

	2019	2020	2021	2022	2023
Revenues	\$ 15,450,981	\$ 17,701,249	\$ 16,758,977	\$ 19,290,039	\$ 23,908,364
Expenditures	14,171,538	16,376,125	15,868,708	17,170,690	22,664,523



Financial Results

Road and Bridge Fund Revenues and Expenditures



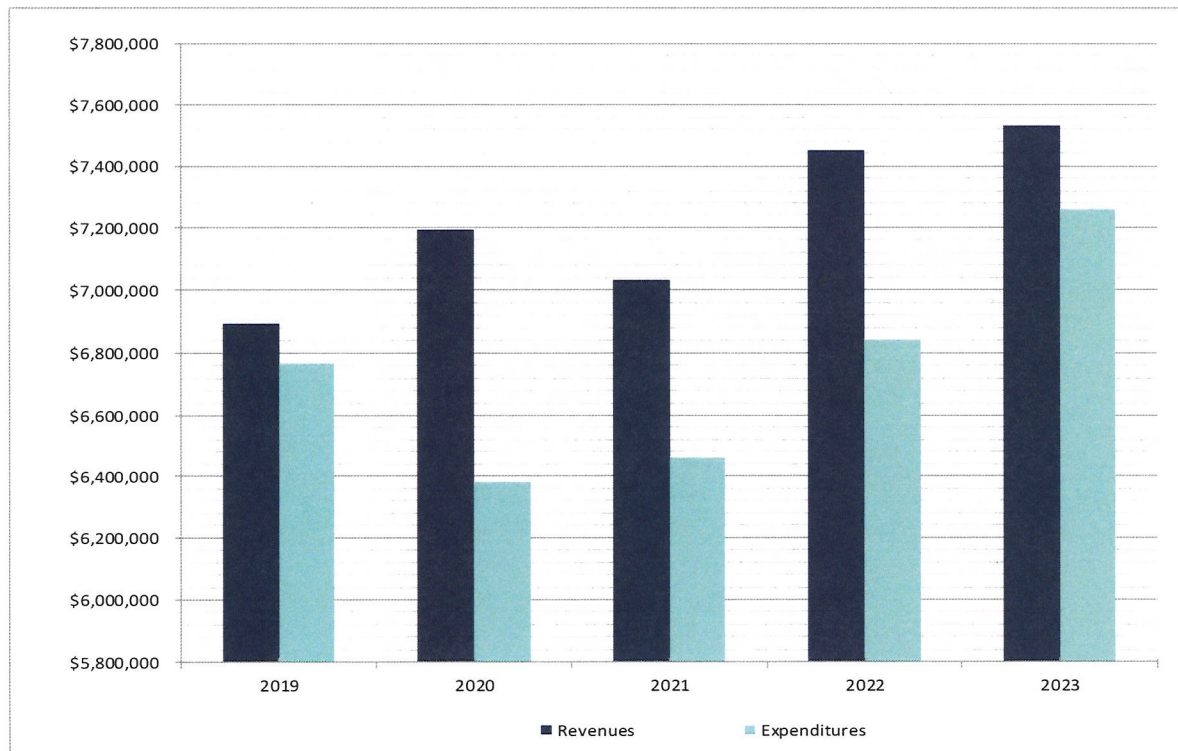
- Timing of when revenues received can make this fund fluctuate more
- Revenues exceeded expenditures in 2023

	2019	2020	2021	2022	2023
Revenues	\$ 9,777,498	\$ 11,941,367	\$ 9,530,689	\$ 12,592,137	\$ 13,959,501
Expenditures	9,611,159	11,366,004	12,501,632	12,108,757	13,233,866



Financial Results

Human Services Fund Revenues and Expenditures



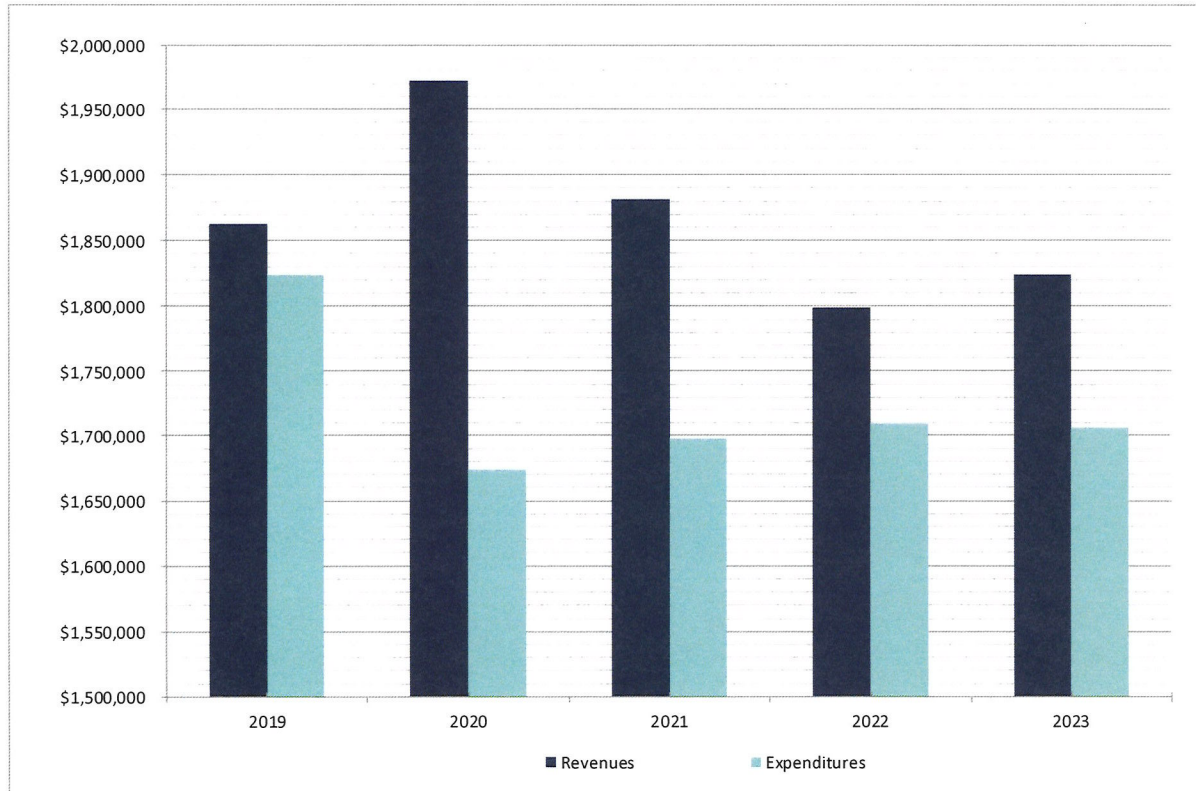
- Revenues in excess of expenditures by approximately \$268,000
- Revenues have exceeded expenditures in all years presented
- Approximately \$420,000 increase in expenditures

	2019	2020	2021	2022	2023
Revenues	\$ 6,891,613	\$ 7,195,494	\$ 7,033,397	\$ 7,452,211	\$ 7,530,072
Expenditures	6,766,658	6,383,352	6,464,182	6,842,093	7,262,456



Financial Results

Trust Fund Revenues and Expenditures



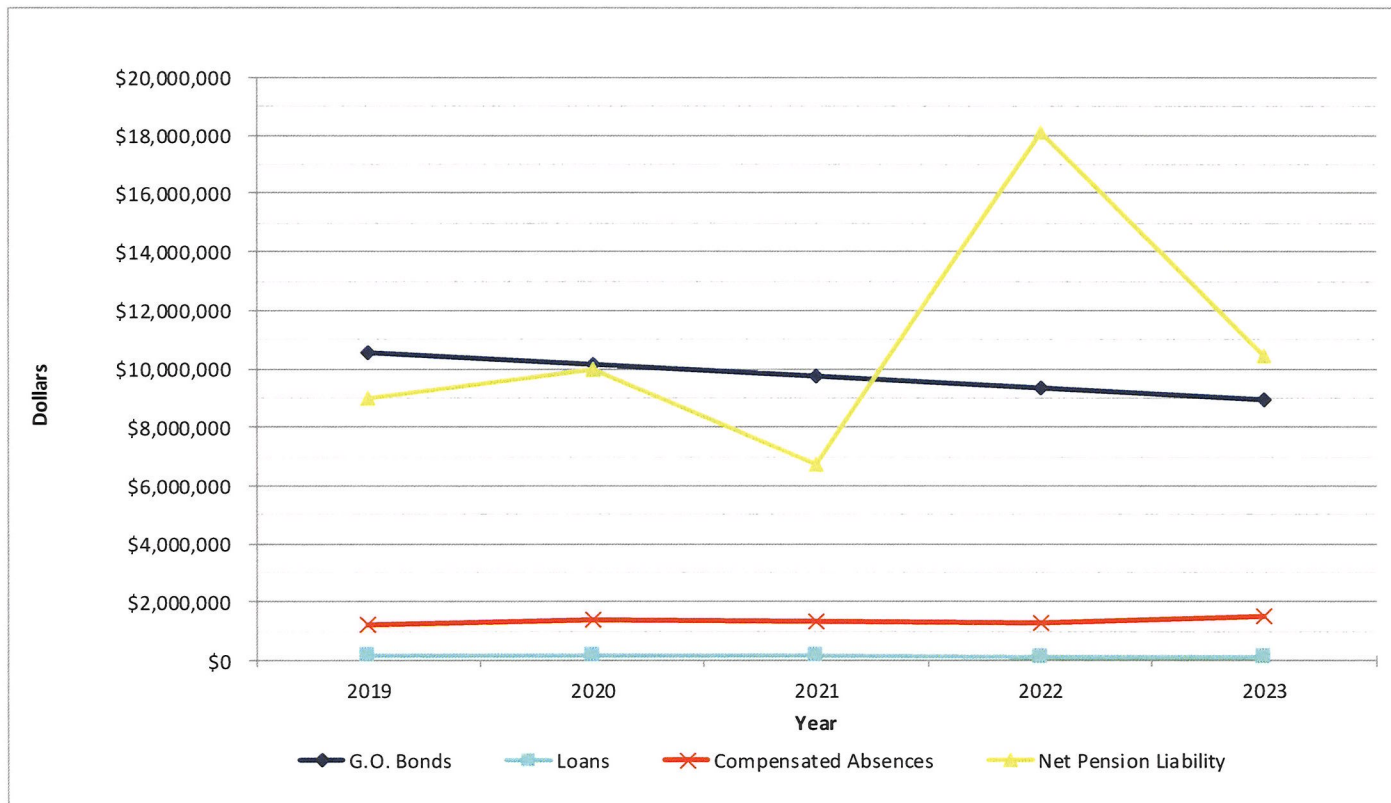
- Revenues in excess of expenditures in all years presented
- Fluctuations due to nature of the fund

	2019	2020	2021	2022	2023
Revenues	\$ 1,863,028	\$ 1,972,783	\$ 1,880,669	\$ 1,798,477	\$ 1,823,220
Expenditures	1,823,914	1,674,299	1,697,337	1,710,252	1,706,727



Financial Results

County Indebtedness – Governmental Activities

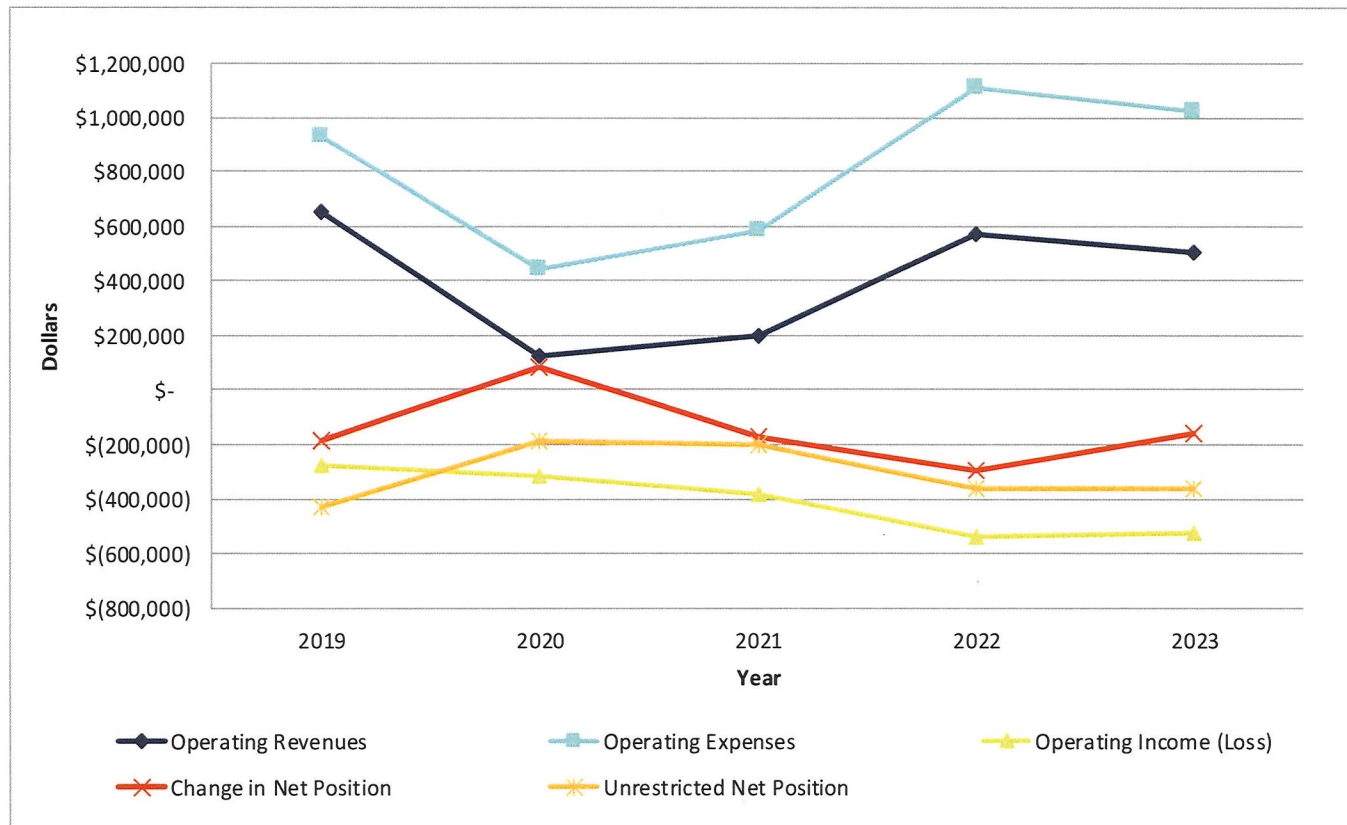


	2019	2020	2021	2022	2023
G.O. Bonds	\$ 10,547,228	\$ 10,164,025	\$ 9,755,519	\$ 9,347,569	\$ 8,930,122
Loans	164,492	158,358	169,875	144,247	115,747
Compensated Absences	1,222,092	1,374,666	1,340,420	1,271,325	1,512,965
Net Pension Liability	8,978,843	9,961,164	6,761,892	18,089,317	10,437,627



Financial Results

Long Lake Conservation Center



	2019	2020	2021	2022	2023
Operating Revenues	\$ 652,294	\$ 125,165	\$ 199,011	\$ 569,697	\$ 502,009
Operating Expenses	927,242	440,767	582,515	1,109,101	1,026,702
Operating Income (Loss)	(274,948)	(315,602)	(383,504)	(539,404)	(524,693)
Change in Net Position	(189,386)	84,155	(173,610)	(297,600)	(158,575)
Unrestricted Net Position	(431,550)	(184,894)	(200,483)	(361,827)	(360,896)





Key Issues/Summary



Key Issues/Summary

- Overall consistent with prior years
- Accounting Standards Implemented
 - GASB No. 96 – Subscription-Based Information Technology Arrangements (SBITA) were immaterial in 2023 but continue to assess in future years
- Upcoming Standard Changes for 2024
 - GASB No. 101 – Compensated Absences



*Thank you to all for allowing us
to serve you!*

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