

AITKIN COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020



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INTRODUCTORY SECTION

**AITKIN COUNTY, MINNESOTA
ORGANIZATION OFFICIALS
AS OF DECEMBER 31, 2020**

		<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, 2020, 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 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, 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, 2020, 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

During the year ended December 31, 2020, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the County reported a restatement for a change in accounting principle (see Note 11). Our auditors' opinion was not modified with respect to the restatement.

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 14, 2021, 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 results 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 14, 2021

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**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

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, 2020. 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 \$131,448,745, of which \$111,947,643 is the investment in capital assets, and \$6,620,294 is restricted to specific purposes, and the remaining balance of \$12,880,808 is unrestricted.
- Business-type activities have a total net position of \$2,732,742, of which, investment in capital assets represents \$2,915,600 of the total, \$2,036 is restricted for specific uses, and the remaining deficit of \$184,894 is unrestricted.
- Aitkin County's net position from current year activity increased by \$6,010,322 for the year ended December 31, 2020. Of the increase, \$5,926,167 was in governmental activities, and there was an increase of \$84,155 in business-type activities.
- The cost of governmental activities decreased by \$1,322,694 to \$31,823,494 for the current fiscal year. Program revenues of \$18,037,066 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$20,104,727.
- Governmental funds' fund balances increased by \$434,612 from current year activity before the adjustment for the decrease 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, 2020**

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, 2020**

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 and a separate Statement of Changes in 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, 2020, with comparative amounts for 2019.

**Table 1
Net Position**

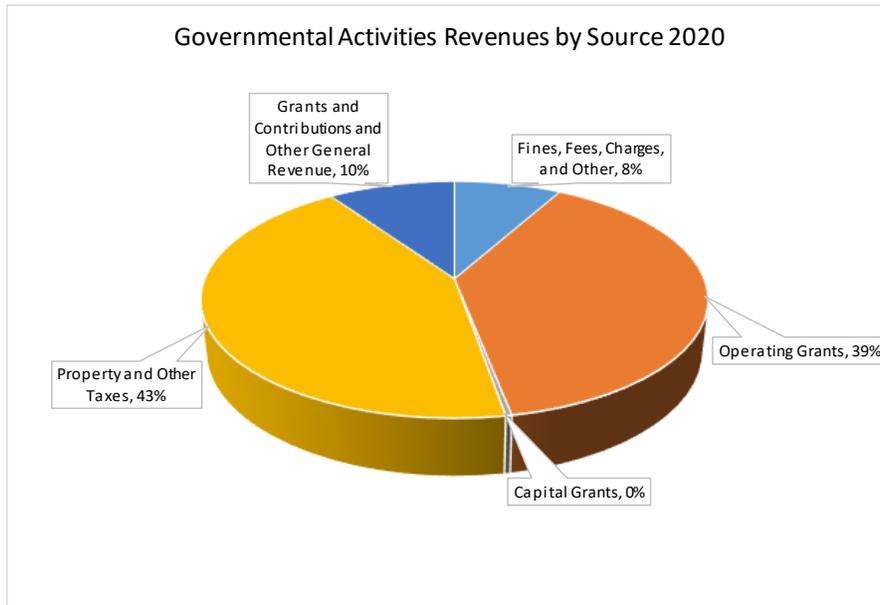
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$ 34,138,163	\$ 37,165,697	\$ 10,015	\$ (76,107)	\$ 34,148,178	\$ 37,089,590
Capital Assets	122,903,218	116,055,026	2,915,600	3,078,101	125,818,818	119,133,127
Total Assets	<u>157,041,381</u>	<u>153,220,723</u>	<u>2,925,615</u>	<u>3,001,994</u>	<u>159,966,996</u>	<u>156,222,717</u>
Deferred Outflows of Resources	<u>1,615,725</u>	<u>1,988,195</u>	<u>15,012</u>	<u>20,268</u>	<u>1,630,737</u>	<u>2,008,463</u>
Liabilities						
Current Liabilities	4,514,444	5,168,916	9,222	71,364	4,523,666	5,240,280
Long-Term Liabilities	20,505,365	19,941,233	187,950	252,542	20,693,315	20,193,775
Total Liabilities	<u>25,019,809</u>	<u>25,110,149</u>	<u>197,172</u>	<u>323,906</u>	<u>25,216,981</u>	<u>25,434,055</u>
Deferred Inflows of Resources	<u>2,188,552</u>	<u>4,576,191</u>	<u>10,713</u>	<u>49,769</u>	<u>2,199,265</u>	<u>4,625,960</u>
Net Position						
Investment in Capital Assets	111,947,643	105,132,033	2,915,600	3,078,101	114,863,243	108,210,134
Restricted	6,620,294	8,300,483	2,036	2,036	6,622,330	8,302,519
Unrestricted	12,880,808	12,090,062	(184,894)	(431,550)	12,695,914	11,658,512
Total Net Position	<u>\$ 131,448,745</u>	<u>\$ 125,522,578</u>	<u>\$ 2,732,742</u>	<u>\$ 2,648,587</u>	<u>\$ 134,181,487</u>	<u>\$ 128,171,165</u>

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

THE COUNTY AS A WHOLE (CONTINUED)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Fines, Fees, Charges, and Other	\$ 3,080,229	\$ 3,040,566	\$ 125,165	\$ 652,294	\$ 3,205,394	\$ 3,692,860
Operating Grants	14,833,178	11,736,261	832	5,619	14,834,010	11,741,880
Capital Grants	123,659	406,915	-	-	123,659	406,915
General Revenues						
Property Taxes	14,629,763	14,848,877	-	-	14,629,763	14,848,877
Other Taxes	1,817,038	2,048,551	-	-	1,817,038	2,048,551
Grants and Contributions	1,746,500	1,676,958	-	-	1,746,500	1,676,958
Other General Revenues	1,911,426	2,942,800	4,908	4,943	1,916,334	2,947,743
Gain on Sale of Assets	-	-	1,885	-	1,885	-
Total Revenues	38,141,793	36,700,928	132,790	662,856	38,274,583	37,363,784
Expenses						
General Government	7,131,929	6,673,566	-	-	7,131,929	6,673,566
Public Safety	5,893,609	6,425,410	-	-	5,893,609	6,425,410
Highways and Streets	7,231,649	8,555,781	-	-	7,231,649	8,555,781
Sanitation	396,576	425,222	-	-	396,576	425,222
Human Services	5,465,945	6,008,266	-	-	5,465,945	6,008,266
Health	837,309	875,228	-	-	837,309	875,228
Culture and Recreation	922,841	821,627	-	-	922,841	821,627
Conservation of Natural Resources	2,786,847	3,111,507	440,767	927,242	3,227,614	4,038,749
Economic Development	824,599	249,581	-	-	824,599	249,581
Interest	332,190	-	-	-	332,190	-
Total Expenses	31,823,494	33,146,188	440,767	927,242	32,264,261	34,073,430
Increase (Decrease) in Net Position Before Transfers	6,318,299	3,554,740	(307,977)	(264,386)	6,010,322	3,290,354
Transfers	(392,132)	(75,000)	392,132	75,000	-	-
Change in Net Position	5,926,167	3,479,740	84,155	(189,386)	6,010,322	3,290,354
Net Position, January 1	125,522,578	122,165,321	2,648,587	2,837,973	128,171,165	125,003,294
Restatement of Prior Year	-	(122,483)	-	-	-	(122,483)
Net Position, January 1, as Restated	125,522,578	122,042,838	2,648,587	2,837,973	128,171,165	124,880,811
Net Position, December 31	\$ 131,448,745	\$ 125,522,578	\$ 2,732,742	\$ 2,648,587	\$ 134,181,487	\$ 128,171,165



**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities

The cost of all activities this year was \$31,823,494. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County property taxes was \$14,629,763, because some of the cost was paid by those who directly benefited from the programs (\$3,080,229) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14,956,837).

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	
	2020	2019	2020	2019
General Government	\$ 7,131,929	\$ 6,673,566	\$ 4,351,450	\$ 4,868,681
Public Safety	5,893,609	6,425,410	4,331,456	5,018,162
Highways and Streets	7,231,649	8,555,781	(223,079)	1,300,417
Human Services	5,465,945	6,008,266	1,983,669	2,783,566
Conservation of Natural Resources	2,786,847	3,111,507	1,657,074	2,233,808
Other	3,313,515	2,371,658	1,685,858	1,757,812
Totals	<u>\$ 31,823,494</u>	<u>\$ 33,146,188</u>	<u>\$ 13,786,428</u>	<u>\$ 17,962,446</u>

Business-Type Activities and Enterprise Fund

The revenues of the County's business-type activities and Long Lake Conservation Center Enterprise Fund decreased by 80.0 percent, income from fees decreased 80.8 percent, and expenses decreased by 52.5 percent due to the COVID-19 pandemic.

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$27,114,942, which is above last year's total of \$26,872,855.

Revenues for the County's governmental funds were \$40,504,480, while expenditures were \$39,751,020. The associated increase of \$753,460 resulted from revenues being higher than expenditures and 2020 revenues increasing from 2019 revenues.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

THE COUNTY AS A WHOLE (CONTINUED)

The County's Funds (Continued)

General Fund

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund saw an increase in fund balance of \$915,508, primarily due to \$2.5 million increase in intergovernmental revenue from grants related to the pandemic.

Road and Bridge Fund

The Road and Bridge Fund accounts for financial activity related to the construction and maintenance of the County road system, including County state-aid highways and County roads. The fund balance in the Road and Bridge Fund increased \$470,156 prior to the inventory adjustment, due primarily to more than expected intergovernmental revenues.

Health and Human Services Fund

The Health and Human Service Fund accounts for financial activity related to the provision of social services, medical and financial assistance, and public health. The fund balance in the Health and Human Services Special Revenue Fund increased \$1,146,848 due primarily to revenues exceeding expenditures and 2020 expenditures being approximately \$850,000 under budget.

Forfeited Tax Sale Fund

The Forfeited Tax Sale Fund accounts for the proceeds from the sale or rental of lands forfeited to the State of Minnesota, pursuant to Minn. Stat. ch. 282. The fund balance in the Forfeited Tax Sale Special Revenue Fund balance increased \$73,859 due primarily to more than expected miscellaneous revenues.

Capital Projects Fund

The Capital Projects Fund accounts for the financial resources to be used for capital acquisition, construction, or improvement of capital facilities. The fund balance in the Capital Projects Special Revenue Fund decreased \$2,373,133 due to the Government Center remodel project nearing completion.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$1,267,863 over the final budget amounts. Revenues were over budget by \$2,636,139 with the significant positive variances for intergovernmental revenues with \$3,419,603 due to COVID-19 Coronavirus Relief Funding received. Taxes were under budget by \$421,550 and investment earnings were under by \$235,576.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the County had \$125,818,818 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 \$6,685,691, or 5.61 percent, over the last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,725,773	\$ 3,554,551	\$ 15,400	\$ 15,400	\$ 3,741,173	\$ 3,569,951
Construction in Progress	12,771,452	10,518,870	-	-	12,771,452	10,518,870
Buildings	5,937,808	6,234,347	2,882,107	3,036,015	8,819,915	9,270,362
Machinery, Furniture, and Equipment	4,638,826	4,167,172	18,093	26,686	4,656,919	4,193,858
Land Improvements	20,928	23,918	-	-	20,928	23,918
Infrastructure	95,808,431	91,556,168	-	-	95,808,431	91,556,168
Totals	<u>\$ 122,903,218</u>	<u>\$ 116,055,026</u>	<u>\$ 2,915,600</u>	<u>\$ 3,078,101</u>	<u>\$ 125,818,818</u>	<u>\$ 119,133,127</u>

This year's major additions include the following road projects:

SAP 001-603-018	\$ 3,187,722
SAP 001-625-001	2,434,993

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

Debt

At year-end, the County had \$10,322,383 in debt outstanding, versus \$10,711,720 last year, a decrease of 3.63 percent, as shown in Table 5 due to scheduled general obligation bond payments.

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

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 10,164,025	\$ 10,547,228
Direct Borrowing - AgBMP Septic Loans	158,358	164,492
Total Outstanding Debt	<u>\$ 10,322,383</u>	<u>\$ 10,711,720</u>

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

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 2022 budget, tax rates, and fees that will be charged for the business-type activities.

- Further increases in the unemployment rate in 2022 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 rate 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.

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, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 27,866,594	\$ -	\$ 27,866,594
Petty Cash and Change Funds	6,750	-	6,750
Cash with Fiscal Agent	56,048	-	56,048
Taxes Receivable:			
Delinquent	435,926	-	435,926
Special Assessments Receivable:			
Delinquent	12,439	-	12,439
Accounts Receivable - Net	1,702,599	-	1,702,599
Accrued Interest Receivable	18,174	-	18,174
Loan Receivable	102,310	-	102,310
Internal Balances	343	(343)	-
Due from Other Governments	2,242,585	-	2,242,585
Prepaid Items	1,437	-	1,437
Inventories	366,582	8,322	374,904
Investment in Joint Venture	1,326,376	-	1,326,376
Restricted Assets:			
Cash and Pooled Investments	-	2,036	2,036
Capital Assets:			
Nondepreciable	16,497,225	15,400	16,512,625
Depreciable - Net of Accumulated Depreciation	106,405,993	2,900,200	109,306,193
Total Assets	<u>157,041,381</u>	<u>2,925,615</u>	<u>159,966,996</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	1,492,294	13,243	1,505,537
Deferred OPEB Outflows	123,431	1,769	125,200
Total Deferred Outflows of Resources	<u>1,615,725</u>	<u>15,012</u>	<u>1,630,737</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 502,286	\$ 2,315	\$ 504,601
Salaries Payable	577,638	1,974	579,612
Contracts Payable	754,545	-	754,545
Due to Other Governments	683,704	-	683,704
Timber Permit Bonds	89,906	-	89,906
Unearned Revenue	16,208	-	16,208
Long-Term Liabilities:			
Due Within One Year	1,801,180	3,219	1,804,399
Due in More Than One Year	9,895,869	-	9,895,869
Total Other Postemployment Benefits Payable - Due Within One Year	88,977	1,714	90,691
Total Other Postemployment Benefits Payable - Due in More Than One Year	648,332	17,559	665,891
Net Pension Liability	9,961,164	170,391	10,131,555
Total Liabilities	<u>25,019,809</u>	<u>197,172</u>	<u>25,216,981</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	13,932	-	13,932
Deferred Pension Inflows	2,125,626	10,011	2,135,637
Deferred OPEB Inflows	48,994	702	49,696
Total Deferred Inflows of Resources	<u>2,188,552</u>	<u>10,713</u>	<u>2,199,265</u>
NET POSITION			
Investment in Capital Assets	111,947,643	2,915,600	114,863,243
Restricted for:			
General Government	922,981	-	922,981
Public Safety	345,296	-	345,296
Highways and Streets	928,680	-	928,680
Health and Human Services	98,968	-	98,968
Sanitation	569,773	-	569,773
Culture and Recreation	292,440	-	292,440
Conservation of Natural Resources	1,186,041	-	1,186,041
Economic Development	981,494	-	981,494
Unorganized Road, Bridge, and Fire	603,831	-	603,831
Debt Service	690,790	-	690,790
Other Purposes	-	2,036	2,036
Unrestricted	12,880,808	(184,894)	12,695,914
Total Net Position	<u>\$ 131,448,745</u>	<u>\$ 2,732,742</u>	<u>\$ 134,181,487</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General Government	\$ 7,131,929	\$ 1,500,778	\$ 1,279,701	\$ -
Public Safety	5,893,609	431,246	1,130,457	450
Highways and Streets	7,231,649	603,538	6,727,981	123,209
Sanitation	396,576	18,501	-	-
Human Services	5,465,945	418,499	3,063,777	-
Health	837,309	78,150	697,830	-
Culture and Recreation	922,841	29,517	122,044	-
Conservation of Natural Resources	2,786,847	-	1,129,773	-
Economic Development	824,599	-	681,615	-
Interest	332,190	-	-	-
Total Governmental Activities	<u>31,823,494</u>	<u>3,080,229</u>	<u>14,833,178</u>	<u>123,659</u>
Business-Type Activities:				
Long Lake Conservation Center	<u>440,767</u>	<u>125,165</u>	<u>832</u>	<u>-</u>
Total Primary Government	<u>\$ 32,264,261</u>	<u>\$ 3,205,394</u>	<u>\$ 14,834,010</u>	<u>\$ 123,659</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
Gain from Sale of Assets
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,351,450)	\$ -	\$ (4,351,450)
(4,331,456)	-	(4,331,456)
223,079	-	223,079
(378,075)	-	(378,075)
(1,983,669)	-	(1,983,669)
(61,329)	-	(61,329)
(771,280)	-	(771,280)
(1,657,074)	-	(1,657,074)
(142,984)	-	(142,984)
(332,190)	-	(332,190)
<u>(13,786,428)</u>	<u>-</u>	<u>(13,786,428)</u>
<u>-</u>	<u>(314,770)</u>	<u>(314,770)</u>
(13,786,428)	(314,770)	(14,101,198)
14,629,763	-	14,629,763
30,868	-	30,868
16,734	-	16,734
1,769,436	-	1,769,436
1,746,500	-	1,746,500
106,554	-	106,554
1,804,872	4,908	1,809,780
-	1,885	1,885
(392,132)	392,132	-
<u>19,712,595</u>	<u>398,925</u>	<u>20,111,520</u>
5,926,167	84,155	6,010,322
<u>125,522,578</u>	<u>2,648,587</u>	<u>128,171,165</u>
<u>\$ 131,448,745</u>	<u>\$ 2,732,742</u>	<u>\$ 134,181,487</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, 2020**

	General	Road and Bridge	Health and Human Services	Forfeited Tax Sale	Capital Projects	Nonmajor Funds	Total
ASSETS							
Cash and Pooled Investments	\$ 13,207,445	\$ 3,732,031	\$ 5,326,025	\$ 3,113,099	\$ -	\$ 2,487,994	\$ 27,866,594
Petty Cash and Change Funds	3,750	-	3,000	-	-	-	6,750
Cash with Fiscal Agent	56,048	-	-	-	-	-	56,048
Taxes Receivable:							
Delinquent	261,899	73,580	84,000	-	-	16,447	435,926
Special Assessments:							
Delinquent	-	-	-	-	-	12,439	12,439
Accounts Receivable - Net	-	1,451	62,221	1,638,927	-	-	1,702,599
Accrued Interest Receivable	18,174	-	-	-	-	-	18,174
Loans Receivable	102,310	-	-	-	-	-	102,310
Due from Other Funds	792,115	9,508	-	-	-	266,717	1,068,340
Due from Other Governments	77,334	1,744,422	419,173	1,656	-	-	2,242,585
Prepaid Items	-	-	1,437	-	-	-	1,437
Inventories	-	366,582	-	-	-	-	366,582
Total Assets	\$ 14,519,075	\$ 5,927,574	\$ 5,895,856	\$ 4,753,682	\$ -	\$ 2,783,597	\$ 33,879,784
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 190,791	\$ 206,043	\$ 78,118	\$ 4,352	\$ 16,900	\$ 6,082	\$ 502,286
Salaries Payable	335,780	76,725	133,507	16,192	-	15,434	577,638
Contracts Payable	-	188,731	-	-	565,814	-	754,545
Due to Other Funds	-	-	-	503,976	554,513	9,508	1,067,997
Due to Other Governments	196,282	1,435	314,357	171,630	-	-	683,704
Unearned Revenue	-	-	16,208	-	-	-	16,208
Timber Permit Bonds	-	-	-	89,906	-	-	89,906
Total Liabilities	722,853	472,934	542,190	786,056	1,137,227	31,024	3,692,284
DEFERRED INFLOWS OF RESOURCES							
Taxes Received for Future Years	8,371	2,221	2,658	-	-	682	13,932
Unavailable Revenue	265,029	1,002,260	182,968	1,579,483	-	28,886	3,058,626
Total Deferred Inflows of Resources	273,400	1,004,481	185,626	1,579,483	-	29,568	3,072,558

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020**

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	\$ -	\$ 366,582	\$ -	\$ -	\$ -	\$ -	\$ 366,582
Prepaid Items	-	-	1,437	-	-	-	1,437
Missing Heirs	-	-	-	20,637	-	-	20,637
Restricted for:							
Debt Service	56,048	-	-	-	-	618,295	674,343
Recorder's Technology	470,425	-	-	-	-	-	470,425
Prosecutorial Purposes	5,000	-	-	-	-	-	5,000
Enhanced 911	187,011	-	-	-	-	-	187,011
Law Enforcement	5,000	-	-	-	-	-	5,000
Administering the							
Carrying of Weapons	153,285	-	-	-	-	-	153,285
Conservation of Natural Resources	126,249	-	-	-	-	-	126,249
Loans Receivable Payments	102,310	-	-	-	-	-	102,310
Solid Waste	569,773	-	-	-	-	-	569,773
Recorder's Equipment Purchases	350,291	-	-	-	-	-	350,291
Parks	292,440	-	-	-	-	-	292,440
County Development	-	-	-	981,494	-	-	981,494
Law Library	-	-	-	95,450	-	-	95,450
Unclaimed Property	-	-	-	1,815	-	-	1,815
Administering Forfeited Tax Sale	-	-	-	454,486	-	-	454,486
Unorganized Road, Bridge, and Fire	-	-	-	-	-	603,831	603,831
Ditch Maintenance and Repairs	-	-	-	-	-	45,178	45,178
Environmental Uses	-	-	-	-	-	457,818	457,818
Committed for:							
Auditor	3,000	-	-	-	-	-	3,000
Buildings - Capital	65,000	-	-	-	-	-	65,000
Community Corrections	4,500	-	-	-	-	-	4,500
Court Administration - Attorney Services	30,000	-	-	-	-	-	30,000
Sheriff - STS	10,000	-	-	-	-	-	10,000
Sheriff - Enforcement	71,200	-	-	-	-	-	71,200
Sheriff - Buildings and Structures	30,000	-	-	-	-	-	30,000
Treasurer - Equipment	1,100	-	-	-	-	-	1,100
IT - Networking Equipment	27,000	-	-	-	-	-	27,000
Central Services - Service/Labor/Contracts	20,000	-	-	-	-	-	20,000
Court Administration - Office Equipment	3,000	-	-	-	-	-	3,000
Veterans Service Officer	12,260	-	-	-	-	-	12,260
Building Account	-	-	70,000	-	-	-	70,000
Assigned for:							
General Government	-	-	-	834,261	-	-	834,261
Highways and Streets	-	4,083,577	-	-	-	-	4,083,577
Health and Human Services	-	-	5,096,603	-	-	-	5,096,603
Forest Development	-	-	-	-	-	1,000,627	1,000,627
Unassigned	10,927,930	-	-	-	(1,137,227)	(2,744)	9,787,959
Total Fund Balances	13,522,822	4,450,159	5,168,040	2,388,143	(1,137,227)	2,723,005	27,114,942
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 14,519,075	 \$ 5,927,574	 \$ 5,895,856	 \$ 4,753,682	 \$ -	 \$ 2,783,597	 \$ 33,879,784

See accompanying Notes to Financial Statements.

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**AITKIN COUNTY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION –
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund Balances - Total Governmental Funds		\$ 27,114,942
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.		122,903,218
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		3,058,626
Investment in joint venture is not available to pay for current-period expenditures and, therefore, is not reported in the governmental funds.		1,326,376
The County's Total Other Postemployment Benefit Liability and related deferred outflows and deferred inflows are recorded only on the statement of net position. Balances at year-end are:		
Total Other Postemployment Benefits Liability	\$ (737,309)	
Deferred Inflows of Resources - OPEB Related	(48,994)	
Deferred Outflows of Resources - OPEB Related	<u>123,431</u>	(662,872)
The County's Net Pension Liability and related deferred outflows and deferred inflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(9,961,164)	
Deferred Inflows of Resources - Pension Related	(2,125,626)	
Deferred Outflows of Resources - Pension Related	<u>1,492,294</u>	(10,594,496)
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	(10,164,025)	
Direct Borrowing - Septic Loans	(158,358)	
Compensated Absences	<u>(1,374,666)</u>	<u>(11,697,049)</u>
Net Position of Governmental Activities		<u>\$ 131,448,745</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge	Health and Human Services	Forfeited Tax Sale	Capital Projects	Nonmajor Funds	Total
REVENUES							
Taxes	\$ 8,803,954	\$ 2,318,550	\$ 2,783,890	\$ -	\$ -	\$ 878,512	\$ 14,784,906
Licenses and Permits	521,172	-	-	-	-	-	521,172
Intergovernmental	6,880,845	9,019,279	3,629,756	338,553	-	262,992	20,131,425
Charges for Services	850,040	515,572	439,505	26,116	-	-	1,831,233
Gifts and Contributions	1,800	-	-	-	-	-	1,800
Investment Earnings	64,424	-	-	-	28,357	13,773	106,554
Miscellaneous	579,014	87,966	342,343	1,608,114	18,998	490,955	3,127,390
Total Revenues	17,701,249	11,941,367	7,195,494	1,972,783	47,355	1,646,232	40,504,480
EXPENDITURES							
CURRENT							
General Government	6,908,131	-	-	102,269	2,230,443	2,849	9,243,692
Public Safety	6,562,559	-	-	-	-	34,944	6,597,503
Highways and Streets	-	10,910,387	-	-	-	121,226	11,031,613
Sanitation	398,877	-	-	-	-	-	398,877
Human Services	-	-	5,532,839	-	-	-	5,532,839
Health	3,717	-	850,513	-	-	-	854,230
Culture and Recreation	950,157	-	-	-	-	-	950,157
Conservation of Natural Resources	532,459	-	-	1,572,030	-	854,588	2,959,077
Economic Development	985,591	-	-	-	-	-	985,591
INTERGOVERNMENTAL							
Highways and Streets	-	455,617	-	-	-	-	455,617
DEBT SERVICE							
Principal	34,634	-	-	-	-	375,000	409,634
Interest	-	-	-	-	-	332,190	332,190
Total Expenditures	16,376,125	11,366,004	6,383,352	1,674,299	2,230,443	1,720,797	39,751,020
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,325,124	575,363	812,142	298,484	(2,183,088)	(74,565)	753,460
OTHER FINANCING SOURCES (USES)							
Insurance Proceeds	44,784	-	-	-	-	-	44,784
Loans Issued	28,500	-	-	-	-	-	28,500
Transfers In	75,209	11,955	334,706	-	54,871	445,826	922,567
Transfers Out	(558,109)	(117,162)	-	(224,625)	(244,916)	(169,887)	(1,314,699)
Total Other Financing Sources (Uses)	(409,616)	(105,207)	334,706	(224,625)	(190,045)	275,939	(318,848)
NET CHANGE IN FUND BALANCE	915,508	470,156	1,146,848	73,859	(2,373,133)	201,374	434,612
Fund Balance - January 1	12,607,314	4,172,528	4,021,192	2,314,284	1,235,906	2,521,631	26,872,855
Increase (Decrease) in Inventories	-	(192,525)	-	-	-	-	(192,525)
FUND BALANCE - DECEMBER 31	\$ 13,522,822	\$ 4,450,159	\$ 5,168,040	\$ 2,388,143	\$ (1,137,227)	\$ 2,723,005	\$ 27,114,942

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, 2020**

Net change in fund balances - total governmental funds \$ 434,612

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	\$ 3,058,626	
Unavailable Revenue - January 1	(5,477,812)	(2,419,186)

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.

Asset Adjustments	10,572,281	
Current Year Depreciation	(3,724,089)	6,848,192

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		
Direct Borrowing - Septic Loans	(28,500)	
Principal Repayments		
General Obligation Bonds	375,000	
Direct Borrowing - Septic Loans	34,634	381,134

Decrease in joint venture does not provide current financial resources and is not reported as revenue or expenses in the funds. (11,604)

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	(152,574)	
Amortization of Premium	8,203	
Change in Inventories	(192,525)	
Change in Deferred Outflows of Resources - Pensions	(458,770)	
Change in Total Other Postemployment Benefits	(2,296)	
Change in Deferred Outflows of Resources - Other Postemployment Benefits	86,300	
Change in Net Pension Liability	(982,321)	
Change in Deferred Inflows of Resources - Pensions	2,418,172	
Change in Deferred Inflows of Resources - Other Postemployment Benefits	(31,170)	693,019

Change in Net Position of Governmental Activities **\$ 5,926,167**

See accompanying Notes to Financial Statements.

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PROPRIETARY FUND

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Inventories	\$	8,322
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RESTRICTED ASSETS

Cash and Pooled Investments		2,036
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NONCURRENT ASSETS

Capital Assets:

Nondepreciable		15,400
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Depreciable - Net		2,900,200
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Total Noncurrent Assets		<u>2,915,600</u>
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Total Assets		2,925,958
--------------	--	-----------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows		13,243
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Deferred OPEB Outflows		<u>1,769</u>
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Total Deferred Outflows of Resources		15,012
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable		2,315
------------------	--	-------

Salaries Payable		1,974
------------------	--	-------

Compensated Absences Payable - Current		3,219
--	--	-------

Due to Other Funds		343
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Other Postemployment Benefits Liability - Due in Less than One Year		<u>1,714</u>
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Total Current Liabilities		9,565
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NONCURRENT LIABILITIES

Net Pension Liability		170,391
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Other Postemployment Benefits Liability - Due in More than One Year		<u>17,559</u>
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Total Noncurrent Liabilities		<u>187,950</u>
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Total Liabilities		197,515
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DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows		10,011
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Deferred OPEB Inflows		<u>702</u>
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Total Deferred Inflows of Resources		10,713
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NET POSITION

Investment in Capital Assets		2,915,600
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Restricted for:

Publications		2,036
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Unrestricted		<u>(184,894)</u>
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Total Net Position		<u>\$ 2,732,742</u>
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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, 2020**

OPERATING REVENUES	
Tenant Rent	\$ 7,200
Program Packages	87,359
Resale	8,804
Miscellaneous	21,802
Total Operating Revenues	<u>125,165</u>
OPERATING EXPENSES	
Personal Services	173,612
Employee Benefits and Payroll Taxes	(21,557)
Other Services and Charges	33,527
Supplies	25,108
Utilities	44,021
Advertising	1,195
Insurance	16,924
Staff Training	56
Postage	268
Depreciation	160,491
Resale	7,122
Total Operating Expenses	<u>440,767</u>
OPERATING LOSS	(315,602)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	832
Insurance Proceeds	4,908
Gain from Sale of Capital Assets	1,885
Total Nonoperating Revenues	<u>7,625</u>
LOSS BEFORE TRANSFERS	(307,977)
Transfers In	<u>392,132</u>
CHANGE IN NET POSITION	84,155
Net Position - January 1	<u>2,648,587</u>
NET POSITION - DECEMBER 31	<u><u>\$ 2,732,742</u></u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 125,165
Payments to Suppliers	(145,096)
Payments to Employees	(297,336)
Net Cash Used by Operating Activities	(317,267)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund Borrowing	306,282
Intergovernmental	832
Insurance Proceeds	4,908
Net Cash Provided by Noncapital Financing Activities	312,022

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Gain from Sale of Capital Assets	3,895
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,350)

Cash and Cash Equivalents - Beginning of Year

3,386

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,036

**RECONCILIATION OF OPERATING LOSS TO
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (315,602)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	160,491
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Inventory	(1,622)
Deferred OPEB Outflows	(620)
Deferred Pension Outflows	5,876
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(15,253)
Salaries Payable	(26,412)
Compensated Absences Payable	(20,133)
Net Pension Liability	(64,969)
Deferred Pension Inflows	(39,206)
Total Other Postemployment Benefits Payable	33
Deferred OPEB Inflows	150
Net Cash Used by Operating Activities	\$ (317,267)

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

Restricted Cash and Pooled Investments	\$ 2,036
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See accompanying Notes to Financial Statements.

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FIDUCIARY FUNDS

**AITKIN COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Pooled Investments	\$ 38,211	\$ 1,072,788
Due From Other Governments	-	18,353
Taxes For Other Governments	-	345,776
	38,211	1,436,917
LIABILITIES		
Accounts Payable	-	1,992
Due to Other Governments	-	946,604
	-	948,596
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Collected for Subsequent Period	-	8,009
	-	8,009
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	\$ 38,211	\$ 480,312

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Contributions - Individuals	\$ 396,052	\$ 42,525
Intergovernmental	-	69,607
Property Tax Collections for Other Governments	-	10,311,832
Fee Collections for Other Governments and Organizations	-	6,185
License and Fees Collected for State	-	7,430,931
Recoveries	-	441,593
Miscellaneous	-	82
	<u>396,052</u>	<u>18,302,755</u>
DEDUCTIONS		
Beneficiary Payments to Individuals	373,965	42,525
Payments of Property Tax to Other Governments	-	10,387,122
Payments to State	-	7,871,115
Payments to Other Entities	-	85,835
Miscellaneous	-	634
	<u>373,965</u>	<u>18,387,231</u>
Total Additions	<u>396,052</u>	<u>18,302,755</u>
Total Deductions	<u>373,965</u>	<u>18,387,231</u>
Net Increase (Decrease) in Fiduciary Net Position	22,087	(84,476)
Fiduciary Net Position - Beginning of Year	-	-
Change in Accounting Principle	16,124	564,788
Fiduciary Net Position - Beginning of Year, as Restated	<u>16,124</u>	<u>564,788</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 38,211</u>	<u>\$ 480,312</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020. 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 Financial 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Financial 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, 2020**

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.

The Social Welfare Private-Purpose Trust Fund is used to report trust arrangements other than pension or investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Social Welfare Fund accounts for the activity related to income received and payments made on behalf of individuals for whom the County is responsible to assist.

Custodial Funds are custodial in nature. These funds are used for a variety of purposes such as: to account for the collection and disbursement of taxes on behalf of local governments within the County; as an agent for the Triad and Child Abuse Prevention Council; as an agent for state revenue payments; as an agent for the license center; as an agent for the Collaborative and estate recoveries; and as an agent for the inmates of the Aitkin County Jail.

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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2020. 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 2020 were \$106,554.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments (Continued)

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 amortized cost.

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).

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 \$177,956. 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 2015 through 2020. 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 \$5,000 and an estimated useful life in excess of three 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:

Assets	Years
Buildings	25 - 75
Machinery, Furniture, and Equipment	3 - 15
Infrastructure	15 - 75
Land Improvements	10

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 and proprietary 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, 2020**

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 6 to the financial statements.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 three 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. The third type relates to other postemployment benefits as described in Note 6 to the financial statements. These inflows arise only under the full accrual basis of accounting and 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, 2020**

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 through 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. In addition, funds imposed by law through constitutional provisions or enabling legislation are deemed "restricted." The amount restricted for enabling legislation at December 31, 2020 was \$4,380,857.

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, 2020**

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, 2020, 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, 2020**

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, 2020:

Account Balances	\$ 45,178
Account Deficits	(2,744)
Fund Balance	<u>\$ 42,434</u>

Capital Projects Fund

The Capital Projects Fund had a deficit fund balance of \$1,137,227 as of December 31, 2020. The Capital Projects Fund's deficit will be eliminated with future tax revenues.

B. Expenditures in Excess of Budget

The following governmental funds had expenditures in excess of budget for the year ended December 31, 2020:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 16,376,125	\$ 15,108,262	\$ 1,267,863
Special Revenue Funds:			
Road and Bridge	11,366,004	9,669,079	1,696,925
Forfeited Tax Sale	1,674,299	1,103,412	570,887
Forest Development	854,588	696,126	158,462
Unorganized Road, Bridge, and Fire	159,019	90,550	68,469

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$ 27,866,594
Petty Cash and Change Funds	6,750
Cash with Fiscal Agent	56,048
Business-Type Activities:	
Cash and Pooled Investments - Restricted Assets	2,036
Statement of Fiduciary Net Position:	
Cash and Pooled Investments	1,110,999
Total Cash and Investments	\$ 29,042,427

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, 2020, the County's deposits were not exposed to custodial credit risk.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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, 2020, 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.

The following table presents the County's deposit and investment balances at December 31, 2020, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
Negotiable Certificates of Deposit	N/R	N/A	17.70% *	N/A	\$ 2,714,976
U.S. Government Agency Securities					
Federal Home Loan Mortgage Corporation Pool	AA+	S&P		6/17/2022	1,000,330
Federal Home Loan Mortgage Corporation Pool	AA+	S&P		6/30/2022	1,000,110
Federal Home Loan Mortgage Corporation Pool	AA+	S&P		11/24/2023	1,000,060
Total Federal Home Loan Mortgage Corporation Pool			19.57%		3,000,500
Federal Home Loan Bank Bonds	AA+	S&P	6.52%	11/25/2025	999,540
Total U.S. Government Agency Securities					4,000,040
Investment Pools/Mutual Funds					
MAGIC Fund	N/R	N/A	56.21% *	N/A	8,620,837
Total Investments					15,335,853
Deposits					13,643,776
Petty Cash and Change Funds					6,750
Cash with Fiscal Agent					56,048
Total Cash and Investments					<u>\$ 29,042,427</u>

N/A - Not Applicable

N/R - Not Rated

S&P - Standard and Poor's

* No individual issuer in excess of 5%

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 would use in pricing the asset.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$ -	\$ 3,000,500	\$ -	\$ 3,000,500
Federal Home Loan Bank	-	999,540	-	999,540
Negotiable CD's	-	2,714,976	-	2,714,976
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 6,715,016</u>	<u>\$ -</u>	<u>6,715,016</u>
Investments Measured at Amortized Cost				
MAGIC Portfolio				<u>8,620,837</u>
Total Investments				15,335,853
Deposits				13,643,776
Petty Cash				6,750
Cash with Fiscal Agent				56,048
Total Deposits and Investments				<u>\$ 29,042,427</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, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables, net of uncollectible amounts, as of December 31, 2020, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 435,926	\$ -
Special Assessments	12,439	-
Accounts	1,702,599	-
Accrued Interest	18,174	-
Loans	102,310	68,999
Due from Other Governments	2,242,585	-
Total Governmental Activities	<u>\$ 4,514,033</u>	<u>\$ 68,999</u>

An allowance for uncollectible accounts receivable related to timber sales is included in the above figures. The allowance at December 31, 2020, is \$177,956.

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, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital Assets Not Depreciated					
Land	\$ 3,554,551	\$ 171,222	\$ -	\$ -	\$ 3,725,773
Construction in Progress	10,518,870	8,788,965	6,536,383	-	12,771,452
Total Capital Assets Not Depreciated	14,073,421	8,960,187	6,536,383	-	16,497,225
Capital Assets Depreciated					
Buildings	15,320,252	33,048	-	101,022	15,454,322
Machinery, Furniture, and Equipment	13,163,924	1,313,843	1,487,458	(101,022)	12,889,287
Land Improvements	29,898	-	-	-	29,898
Infrastructure	126,312,679	6,857,568	-	-	133,170,247
Total Capital Assets Depreciated	154,826,753	8,204,459	1,487,458	-	161,543,754
Less: Accumulated Depreciation for					
Buildings	9,085,905	374,554	-	56,055	9,516,514
Machinery, Furniture, and Equipment	8,996,752	741,240	1,431,476	(56,055)	8,250,461
Land Improvements	5,980	2,990	-	-	8,970
Infrastructure	34,756,511	2,605,305	-	-	37,361,816
Total Accumulated Depreciation	52,845,148	3,724,089	1,431,476	-	55,137,761
Total Capital Assets Depreciated, Net	101,981,605	4,480,370	55,982	-	106,405,993
Governmental Activities Capital Assets, Net	<u>\$ 116,055,026</u>	<u>\$ 13,440,557</u>	<u>\$ 6,592,365</u>	<u>\$ -</u>	<u>\$ 122,903,218</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital Assets Not Depreciated					
Land	\$ 15,400	\$ -	\$ -	\$ -	\$ 15,400
Capital Assets Depreciated					
Buildings	6,442,181	-	-	-	6,442,181
Machinery, Furniture, and Equipment	177,828	-	27,775	-	150,053
Total Capital Assets Depreciated	6,620,009	-	27,775	-	6,592,234
Less: Accumulated Depreciation for					
Buildings	3,406,166	153,908	-	-	3,560,074
Machinery, Furniture, and Equipment	151,142	6,583	25,765	-	131,960
Total Accumulated Depreciation	3,557,308	160,491	25,765	-	3,692,034
Total Capital Assets Depreciated, Net	3,062,701	(160,491)	2,010	-	2,900,200
Governmental Activities Capital Assets, Net	<u>\$ 3,078,101</u>	<u>\$ (160,491)</u>	<u>\$ 2,010</u>	<u>\$ -</u>	<u>\$ 2,915,600</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$	349,973
Public Safety		198,546
Highways and Streets, Including Depreciation of Infrastructure Assets		3,083,491
Sanitation		4,417
Human Services		39,392
Culture and Recreation		16,726
Conservation of Natural Resources		<u>31,544</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>3,724,089</u></u>
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Business-Type Activities:

Long Lake Conservation Center	\$	<u><u>160,491</u></u>
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B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, 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
	Capital Projects	554,513	Fund Deficit Cash Balance
	Long Lake Conservation Center	<u>343</u>	Fund Deficit Cash Balance
Total Due To General Fund		792,115	
Road and Bridge Fund	Nonmajor Governmental Funds	9,508	Services Provided
Nonmajor Governmental Funds	Forfeited Tax Sale	<u>266,717</u>	Forfeited Tax Sale Apportionment
Total Due To/From Other Funds		<u><u>\$ 1,068,340</u></u>	

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, consisted of the following:

Transfer to General Fund from		
Forfeited Tax Sale Fund	\$ 50,140	Support surveyor staff costs
Nonmajor governmental funds	<u>25,069</u>	Support surveyor staff costs
Total Transferred to General Fund	75,209	
Transfer to Road and Bridge Fund from		
Forfeited Tax Sale Fund	9,937	Support surveyor staff costs
Nonmajor governmental funds	<u>2,018</u>	Assessment and maintenance of ditches
Total Transferred to Road and Bridge Fund	11,955	
Transfer to Health and Human Services Fund from		
General Fund	334,706	Allocate Coronavirus Relief Fund expenditures
Transfer to Capital Projects Fund from		
General Fund	54,871	Furniture for government center remodel
Transfer to nonmajor governmental funds from		
Road and Bridge Fund	36,362	Support maintenance costs
Capital Projects Fund	244,916	Interest payment
Forfeited Tax Sale Fund	<u>164,548</u>	Support surveyor staff costs
Total Transferred to nonmajor governmental funds	445,826	
Transfers to Long Lake Conservation Center		
Enterprise Fund from:		
General Fund	168,532	Support maintenance costs
Road and Bridge	80,800	Support maintenance costs
Nonmajor governmental funds	<u>142,800</u>	Support maintenance costs
Total Transferred to Long Lake Conservation Center Enterprise Fund	<u>392,132</u>	
Total Interfund Transfers	<u>\$ 1,314,699</u>	

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, 2020 is \$285,327. The increase from December 31, 2019 was due to two new patient balances being added in 2020.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2020
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	\$ 10,015,000 149,025
Total General Obligation Bonds, Net					<u>\$ 10,164,025</u>
Direct Borrowing - Septic Loans Payable					
AgBMP Septic Loans	2031	\$ 2,500 - 19,287	0.00	\$ 428,167	<u>\$ 158,358</u>

The County participates in a zero-interest revolving loan available through the State of Minnesota Agricultural Best Management Practices Loan Program (AgBMP). The loans are payable annually in April or October beginning one year after a disbursement has occurred.

3. Debt Service Requirements

Governmental Activities

	General Obligation Bonds		Direct Borrowing AgBMP Septic Loans	
	\$	\$	\$	\$
2021	385,000	320,790	33,311	-
2022	395,000	309,090	24,291	-
2023	405,000	297,090	24,591	-
2024	420,000	280,515	20,345	-
2025	440,000	259,015	12,699	-
2026 - 2030	2,480,000	1,033,436	40,030	-
2031 - 2035	2,865,000	644,316	3,091	-
2036 - 2039	2,625,000	172,413	-	-
Totals	<u>\$ 10,015,000</u>	<u>\$ 3,316,665</u>	<u>\$ 158,358</u>	<u>\$ -</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 10,390,000	-	\$ 375,000	\$ 10,015,000	\$ 385,000
Issuance Premiums	157,228	-	8,203	149,025	8,203
Direct Borrowing - Septic Loans	164,492	28,500	34,634	158,358	33,311
Compensated Absences	1,222,092	1,464,520	1,311,946	1,374,666	1,374,666
Governmental Activities Long-Term Liabilities	<u>\$ 11,933,812</u>	<u>\$ 1,493,020</u>	<u>\$ 1,729,783</u>	<u>\$ 11,697,049</u>	<u>\$ 1,801,180</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 23,352	\$ 5,355	\$ 25,488	\$ 3,219	\$ 3,219

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, 2020. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	\$ 5,603,038	\$ 1,370,298
Government Center Remodel	8,721,879	336,933
Total	<u>\$ 14,324,917</u>	<u>\$ 1,707,231</u>

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, 2020 are summarized below by fund:

	Taxes	Grants	Forfeiture Tax	Other	Sub-Total	Property Taxes Received for Future	Grand Total
Major Governmental Funds:							
General	\$ 261,899	\$ -	\$ -	\$ 3,130	\$ 265,029	\$ 8,371	\$ 273,400
Road and Bridge	73,580	928,680	-	-	1,002,260	2,221	1,004,481
Health and Human Services	84,000	98,968	-	-	182,968	2,658	185,626
Forfeited Tax Sale	-	-	1,579,483	-	1,579,483	-	1,579,483
Nonmajor Governmental Funds:							
Ditch	12,439	-	-	-	12,439	-	12,439
Debt Service	16,447	-	-	-	16,447	682	17,129
Total	<u>\$ 448,365</u>	<u>\$ 1,027,648</u>	<u>\$ 1,579,483</u>	<u>\$ 3,130</u>	<u>\$ 3,058,626</u>	<u>\$ 13,932</u>	<u>\$ 3,072,558</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

1. General Employees Retirement Plan

The General Employees Retirement Plan covers certain full time and part-time employees of Aitkin County. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

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

3. Local Government Correctional Plan

The Correctional Plan 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. General Employees Retirement Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Retirement Plan Benefits (Continued)

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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. 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.

3. Correctional Plan 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 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. Correctional Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. 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. 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. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 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, 2020, were \$794,449. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$230,581. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund 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 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020, were \$128,862. The County's contributions were equal to the required contributions as set by state statute.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the County reported a liability of \$8,519,545 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. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$262,566. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1421% at the end of the measurement period and 0.1419% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$	8,519,545
State of Minnesota's Proportionate Share of the Net		
Pension Liability Associated with the County		<u>262,566</u>
Total		<u><u>\$ 8,782,111</u></u>

For the year ended December 31, 2020, the County recognized pension expense of \$291,123 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$22,851 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2020, the County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 77,677	\$ 32,234
Changes in Actuarial Assumptions	-	315,852
Net Difference Between Projected and Actual Investment Earnings	147,181	-
Changes in Proportion	26,394	152,459
Contributions Paid to PERA Subsequent to the Measurement Date	410,878	-
Total	<u>\$ 662,130</u>	<u>\$ 500,545</u>

The \$410,878 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (539,283)
2022	(81,007)
2023	165,162
2024	205,835

2. Police and Fire Fund Pension Costs

At December 31, 2020, the County reported a liability of \$1,438,055 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1091% at the end of the measurement period and 0.1201% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the County recognized pension expense of \$120,187 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$10,426 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$9,819 for the year ended December 31, 2020 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.

County's Proportionate Share of the Net Pension Liability	\$	1,438,055
State of Minnesota's Proportionate Share of the Net		
Pension Liability Associated with the County		<u>33,887</u>
Total		<u><u>\$ 1,471,942</u></u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 63,541	\$ 68,292
Changes in Actuarial Assumptions	481,922	896,864
Net Difference Between Projected and Actual Investment Earnings	43,680	-
Changes in Proportion	28,982	239,105
Contributions Paid to PERA Subsequent to the Measurement Date	121,995	-
Total	<u>\$ 740,120</u>	<u>\$ 1,204,261</u>

The \$121,995 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$ (158,682)
2022	(438,625)
2023	25,629
2024	15,971
2025	(30,429)

3. Correctional Plan Pension Costs

At December 31, 2020, the County reported a liability of \$173,955 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.641% at the end of the measurement period and 0.652% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

For the year ended December 31, 2020, the County recognized pension expense of (\$332,528) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,630	\$ 64,015
Changes in Actuarial Assumptions	-	352,285
Net Difference Between Projected and Actual Investment Earnings	33,095	-
Changes in Proportion	1,997	14,531
Contributions Paid to PERA Subsequent to the Measurement Date	66,565	-
Total	<u>\$ 103,287</u>	<u>\$ 430,831</u>

The \$66,565 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$ (406,923)
2022	(23,980)
2023	5,408
2024	31,386

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

E. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the County's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated. The table below includes the County's portion of each plan.

Description	General Employees Fund	Police and Fire Fund	Correctional Fund	Total
Net Pension Liability	\$ 8,519,545	\$ 1,438,055	\$ 173,955	\$ 10,131,555
Deferred Outflows of Resources Related to Pensions	662,130	740,120	103,287	1,505,537
Deferred Inflows of Resources Related to Pensions	500,545	1,204,261	430,831	2,135,637
Pension Expense	313,974	130,613	(332,528)	112,059

F. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	GERF	PEPFP	PECF
Inflation	2.25 Percent per Year	2.50 Percent per Year	2.00 Percent per Year
Active Member Payroll Growth	3.00 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 disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans 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 and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used 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. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	35.5 %	5.10 %
International Stocks	17.5	5.30
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
Cash	2.0	-
Totals	<u>100.0 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 one percentage point lower or one 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 General Employees Fund Net Pension Liability	\$ 13,653,875	\$ 8,519,545	\$ 4,284,135
County's Proportionate Share of the Police and Fire Fund Net Pension Liability	2,866,250	1,438,055	256,473
County's Proportionate Share of the Correctional Fund Net Pension Liability	1,081,119	173,955	(552,365)

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees 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 2% of employer contributions and twenty-five hundredths of 1% (0.25%) of the assets in each member’s account annually.

Total contributions made by the County during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 7,964	\$ 7,964	5%	5%	5%

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 pay 100% of the premium. As of December 31, 2020, there were 13 retirees, 167 active participants, and 1 spouse 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, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	Service graded table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years then to 4.00% Over 48 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2020 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 2.90%. The discount rate is equal to the 20-Year Municipal Bond Yield.

The following assumption changes have been made as of the January 1, 2020 measurement date:

- The discount rate was changed from 3.80% to 2.90%.
- The health care trend rates were changed to better anticipate the short-term and long-term medical increases
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

D. Changes in Total OPEB Liability

	Total OPEB Liability
Balance as of January 1, 2020	\$ 754,253
Changes for the Year:	
Service Cost	30,735
Interest	28,755
Assumption Changes	43,686
Differences between Expected and Actual Experience	(43,746)
Benefit Payments	(57,101)
Net Change in Total OPEB Liability	2,329
Balance as of December 31, 2020	\$ 756,582

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 (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Total OPEB Liability	\$ 796,960	\$ 756,582	\$ 718,529

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 (5.50% decreasing to 4.00% then 3.00%) or 1% higher (7.50% decreasing to 6.00% then 5.00%) than the current healthcare cost trend rates:

Medical Trend Rate Sensitivity	1% Decrease (5.50% Decreasing to 4.00% then 3%)	Current Trend Rates (6.50% Decreasing to 5.00% then 4%)	1% Increase (7.50% Decreasing to 6.00% then 5%)
Total OPEB Liability	\$ 708,093	\$ 756,582	\$ 811,891

For the year ended December 31, 2020, the County recognized OPEB expense of \$55,802. At December 31, 2020, 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	\$ 34,948	\$ 14,700
Liability Gain or Loss	-	34,996
Contributions Subsequent to the Measurement Date	90,252	-
Total	<u>\$ 125,200</u>	<u>\$ 49,696</u>

\$90,252 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be amortized as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (3,688)
2022	(3,688)
2023	(3,688)
2024	(3,684)

AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 2020. 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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, 2020**

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, Mahnomen, 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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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:

Lorene Hanson
Auditor/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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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, 2020**

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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity. 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 \$142,062 to this organization during 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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 2020 was \$236,698. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

East Central Regional Library (Continued)

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

East Central Regional Library
244 South Birch
Cambridge, Minnesota 55008

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 2020. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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, 2020. 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

Aitkin Municipal Airport Commission (Continued)

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 \$1,326,376 on December 31, 2020, and is reported as an investment in joint venture on the government-wide statement of net position and appropriations in 2020 were \$14,107. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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 a custodial 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 cities of Aitkin, McGregor, and Hill City within 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, 2020**

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, 2020, as shown below:

City	Captured Net Tax Capacity	County Tax Rate	Abated County Tax
City of Aitkin	\$ 26,779	49.771%	\$ 15,328
City of McGregor	11,976	47.507%	1,410

NOTE 10 SUBSEQUENT EVENT

On March 11, 2021, Aitkin County was allocated \$3,080,992 in additional aid from the American Rescue Plan Act of 2021.

NOTE 11 RESTATEMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2020, the County adopted GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and net position to custodial funds not previous required and reporting of one private-purpose trust fund. This pronouncement requires a restatement of January 1, 2020, net position and fiduciary activities as follows:

	Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as Previously Reported	\$ -	\$ -
Change in Accounting Principle	16,124	564,788
Net Position, January 1, 2020, as Restated	<u>\$ 16,124</u>	<u>\$ 564,788</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,225,504	\$ 9,225,504	\$ 8,803,954	\$ (421,550)
Licenses and Permits	372,670	372,670	521,172	148,502
Intergovernmental	3,461,242	3,461,242	6,880,845	3,419,603
Charges for Services	1,046,436	1,046,436	850,040	(196,396)
Gifts and Contributions	100	100	1,800	1,700
Investment Earnings	300,000	300,000	64,424	(235,576)
Miscellaneous	659,158	659,158	579,014	(80,144)
Total Revenues	15,065,110	15,065,110	17,701,249	2,636,139
EXPENDITURES				
CURRENT				
General Government:				
Commissioners	257,045	257,045	238,451	18,594
Courts	91,500	91,500	65,383	26,117
County Administration	215,972	215,972	219,995	(4,023)
Human Resources	291,175	291,175	289,025	2,150
County Auditor	580,244	580,244	556,804	23,440
Motor Vehicle	195,925	195,925	204,653	(8,728)
County Treasurer	293,874	293,874	285,677	8,197
County Assessor	875,819	875,819	830,893	44,926
Elections	121,329	121,329	386,782	(265,453)
Data Processing	680,263	680,263	587,618	92,645
Central Services	206,146	206,146	715,441	(509,295)
County Attorney	1,114,664	1,114,664	1,044,442	70,222
County Recorder	365,644	365,644	347,941	17,703
Planning and Zoning	457,695	457,695	484,161	(26,466)
Buildings and Plant	75,000	75,000	7,590	67,410
Maintenance	451,337	451,337	453,601	(2,264)
Veterans Service Officer	153,798	153,798	148,343	5,455
Motor Pool	59,700	59,700	39,301	20,399
Housing and Development	2,000	2,000	2,030	(30)
Total General Government	6,489,130	6,489,130	6,908,131	(419,001)

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Public Safety:				
County Sheriff	\$ 2,413,609	\$ 2,413,609	\$ 2,359,590	\$ 54,019
Boat and Water Safety	97,926	97,926	73,296	24,630
Snowmobile	39,146	39,146	32,434	6,712
Coroner	81,500	81,500	66,538	14,962
E-911 System	89,190	89,190	112,512	(23,322)
Corrections (Jail)	3,186,269	3,186,269	2,905,028	281,241
Community Corrections (Sheriff)	929,383	929,383	831,735	97,648
Crime Victim	85,613	85,613	79,018	6,595
Civil Defense	50,323	50,323	57,251	(6,928)
Other Public Safety	24,359	24,359	45,157	(20,798)
Total Public Safety	<u>6,997,318</u>	<u>6,997,318</u>	<u>6,562,559</u>	<u>434,759</u>
Sanitation:				
Solid Waste	371,884	371,884	321,871	50,013
Environmental Health	84,217	84,217	77,006	7,211
Total Sanitation	<u>456,101</u>	<u>456,101</u>	<u>398,877</u>	<u>57,224</u>
Health:				
Water Wells	6,000	6,000	3,717	2,283
Culture and Recreation:				
Parks	515,854	515,854	646,371	(130,517)
Regional Library	296,298	296,298	297,129	(831)
Tourism	10,000	10,000	6,657	3,343
Total Culture and Recreation	<u>822,152</u>	<u>822,152</u>	<u>950,157</u>	<u>(128,005)</u>
Conservation of Natural Resources:				
Cooperative Extension	84,984	84,984	61,290	23,694
Soil and Water Conservation	92,753	92,753	446,199	(353,446)
Agricultural Society/County Fair	24,500	24,500	24,970	(470)
Total Conservation of Natural Resources	<u>202,237</u>	<u>202,237</u>	<u>532,459</u>	<u>(330,222)</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Economic Development:				
Airports	\$ 28,707	\$ 28,707	\$ 28,707	\$ -
Other	106,617	106,617	956,884	(850,267)
Total Economic Development	<u>135,324</u>	<u>135,324</u>	<u>985,591</u>	<u>(850,267)</u>
Debt Service:				
Principal	-	-	34,634	(34,634)
Total Expenditures	<u>15,108,262</u>	<u>15,108,262</u>	<u>16,376,125</u>	<u>(1,267,863)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(43,152)	(43,152)	1,325,124	1,368,276
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	6,000	6,000	44,784	38,784
Loans Issued	-	-	28,500	28,500
Transfers In	63,094	63,094	75,209	12,115
Transfers Out	(61,400)	(61,400)	(558,109)	(496,709)
Total Other Financing Sources (Uses)	<u>7,694</u>	<u>7,694</u>	<u>(409,616)</u>	<u>(417,310)</u>
NET CHANGE IN FUND BALANCE	(35,458)	(35,458)	915,508	950,966
Fund Balance - January 1	<u>12,607,314</u>	<u>12,607,314</u>	<u>12,607,314</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 12,571,856</u>	<u>\$ 12,571,856</u>	<u>\$ 13,522,822</u>	<u>\$ 950,966</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,433,149	\$ 2,433,149	\$ 2,318,550	\$ (114,599)
Intergovernmental	5,999,500	5,999,500	9,019,279	3,019,779
Charges for Services	405,500	405,500	515,572	110,072
Miscellaneous	118,430	118,430	87,966	(30,464)
Total Revenues	<u>8,956,579</u>	<u>8,956,579</u>	<u>11,941,367</u>	<u>2,984,788</u>
EXPENDITURES				
CURRENT				
Highways and Streets:				
Administration	564,852	564,852	552,273	12,579
Engineering	557,114	557,114	535,272	21,842
Maintenance	3,108,013	3,108,013	3,069,007	39,006
Construction	4,327,700	4,327,700	5,921,646	(1,593,946)
Equipment and Maintenance Shops	616,400	616,400	832,189	(215,789)
Total Highways and Streets	<u>9,174,079</u>	<u>9,174,079</u>	<u>10,910,387</u>	<u>(1,736,308)</u>
INTERGOVERNMENTAL				
Highways and Streets	495,000	495,000	455,617	39,383
Total Expenditures	<u>9,669,079</u>	<u>9,669,079</u>	<u>11,366,004</u>	<u>(1,696,925)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(712,500)	(712,500)	575,363	1,287,863
OTHER FINANCING SOURCES (USES)				
Transfers In	712,500	712,500	11,955	(700,545)
Transfers Out	-	-	(117,162)	(117,162)
Total Other Financing Sources (Uses)	<u>712,500</u>	<u>712,500</u>	<u>(105,207)</u>	<u>(817,707)</u>
NET CHANGE IN FUND BALANCE	-	-	470,156	470,156
Fund Balance - January 1	4,172,528	4,172,528	4,172,528	-
Increase (Decrease) in Inventories	-	-	(192,525)	(192,525)
FUND BALANCE - DECEMBER 31	<u>\$ 4,172,528</u>	<u>\$ 4,172,528</u>	<u>\$ 4,450,159</u>	<u>\$ 277,631</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,911,568	\$ 2,911,568	\$ 2,783,890	\$ (127,678)
Intergovernmental	3,351,730	3,351,730	3,629,756	278,026
Charges for Services	363,100	363,100	439,505	76,405
Miscellaneous	256,275	256,275	342,343	86,068
Total Revenues	<u>6,882,673</u>	<u>6,882,673</u>	<u>7,195,494</u>	<u>312,821</u>
EXPENDITURES				
CURRENT				
Human Services:				
Income Maintenance	1,927,932	1,927,932	1,688,101	239,831
Social Services	4,342,751	4,342,751	3,844,738	498,013
Total Human Services	<u>6,270,683</u>	<u>6,270,683</u>	<u>5,532,839</u>	<u>737,844</u>
Health:				
Women, Infants, and Children	10,075	10,075	9,801	274
Nursing Service	41,790	41,790	39,053	2,737
Maternal and Child Health	13,225	13,225	24,635	(11,410)
Health	-	-	18	(18)
Miscellaneous	896,900	896,900	777,006	119,894
Total Health	<u>961,990</u>	<u>961,990</u>	<u>850,513</u>	<u>111,477</u>
Total Expenditures	<u>7,232,673</u>	<u>7,232,673</u>	<u>6,383,352</u>	<u>849,321</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(350,000)	(350,000)	812,142	1,162,142
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	334,706	334,706
NET CHANGE IN FUND BALANCE	(350,000)	(350,000)	1,146,848	1,496,848
Fund Balance - January 1	<u>4,021,192</u>	<u>4,021,192</u>	<u>4,021,192</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 3,671,192</u></u>	<u><u>\$ 3,671,192</u></u>	<u><u>\$ 5,168,040</u></u>	<u><u>\$ 1,496,848</u></u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 285,000	\$ 285,000	\$ 338,553	\$ 53,553
Charges for Services	30,000	30,000	26,116	(3,884)
Miscellaneous	1,504,000	1,504,000	1,608,114	104,114
Total Revenues	<u>1,819,000</u>	<u>1,819,000</u>	<u>1,972,783</u>	<u>153,783</u>
EXPENDITURES				
CURRENT				
General Government:				
Law Library	30,000	30,000	27,165	2,835
Maintenance	-	-	75,104	(75,104)
Total General Government	<u>30,000</u>	<u>30,000</u>	<u>102,269</u>	<u>(72,269)</u>
Conservation of Natural Resources:				
County Development	163,402	163,402	71,052	92,350
Forfeited Tax	910,010	910,010	1,500,978	(590,968)
Total Conservation of Natural Resources	<u>1,073,412</u>	<u>1,073,412</u>	<u>1,572,030</u>	<u>(498,618)</u>
Total Expenditures	<u>1,103,412</u>	<u>1,103,412</u>	<u>1,674,299</u>	<u>(570,887)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	715,588	715,588	298,484	(417,104)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(200,021)</u>	<u>(200,021)</u>	<u>(224,625)</u>	<u>(24,604)</u>
NET CHANGE IN FUND BALANCE	515,567	515,567	73,859	(441,708)
Fund Balance - January 1	<u>2,314,284</u>	<u>2,314,284</u>	<u>2,314,284</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 2,829,851</u></u>	<u><u>\$ 2,829,851</u></u>	<u><u>\$ 2,388,143</u></u>	<u><u>\$ (441,708)</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, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability			
Service Cost	\$ 30,735	\$ 37,088	\$ 37,112
Interest	28,755	22,251	20,684
Assumption Changes	43,686	(22,052)	-
Plan Changes	-	84,077	-
Differences Between Expected and Actual Experience	(43,746)	-	-
Benefit Payments	(57,101)	(8,537)	(12,000)
Net Change in Total OPEB Liability	2,329	112,827	45,796
Total OPEB Liability - Beginning	754,253	641,426	595,630
Total OPEB Liability - Ending	<u>\$ 756,582</u>	<u>\$ 754,253</u>	<u>\$ 641,426</u>
 Covered Employee Payroll	 \$ 10,042,885	 \$ 10,706,791	 \$ 10,085,813
 County's OPEB Liability as a Percentage of Covered Employee Payroll	 8%	 7%	 6%

Note 1: The County implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 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
2020	0.1421%	\$ 8,519,545	\$ 262,566	\$ 8,782,111	\$ 10,132,150	84.08%	79.06%
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	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
2020	0.109%	\$ 1,438,055	\$ 33,887	\$ 1,471,942	\$ 1,231,149	116.81%	87.19%
2019	0.120%	1,278,586	-	1,278,586	1,264,472	101.12%	89.30%
2018	0.125%	1,334,503	-	1,334,503	1,319,246	101.16%	88.84%
2017	0.122%	1,647,145	-	1,647,145	1,250,643	131.70%	85.43%
2016	0.123%	4,936,202	-	4,936,202	1,186,142	416.16%	63.88%
2015	0.132%	1,499,829	-	1,499,829	1,205,275	124.44%	86.61%

See accompanying Notes to Required Supplementary Information.

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

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 Position Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.641%	\$ 173,955	\$ 1,394,902	12.47%	96.67%
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 10 years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2020**

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
2020	\$ 794,449	\$ 794,449	\$ -	\$ 10,592,653	7.50%
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
2020	\$ 230,581	\$ 230,581	\$ -	\$ 1,302,718	17.70%
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%

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
DECEMBER 31, 2020**

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
2020	\$ 128,862	\$ 128,862	\$ -	\$ 1,472,709	8.75%
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 10 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, 2020**

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, 2020. 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>
General Fund	\$ 16,376,125	\$ 15,108,262	\$ 1,267,863
Special Revenue Funds:			
Road and Bridge	11,366,004	9,669,079	1,696,925
Forfeited Tax Sale	1,674,299	1,103,412	570,887

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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, 2020.

General Employees Plan

2020

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirement and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The mortality improvement scale was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019

Changes in Actuarial Assumptions:

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

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

General Employees Plan (Continued)

2019 (Continued)

Changes in Plan Provisions:

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

2018

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

- 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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

General Employees Fund (Continued)

2017 (Continued)

Changes in Plan Provisions:

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

2016

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Police and Fire Plan

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provision:

- There have been no changes since the prior valuation.

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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

Police and Fire Plan (Continued)

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provision:

- Postretirement benefit increases changed 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.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100% funding or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30 of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- 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 an already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% 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%.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

Police and Fire Plan (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Plan

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019

Changes 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 REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

Correctional Plan (Continued)

2018

Changes in Actuarial Assumptions:

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The morality 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.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial experience after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85.0% for two consecutive years or 80% for one year, the maximum increase will be lowered to 1.5%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

Correctional Plan (Continued)

2016

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

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

2020

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generation Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80% to 2.90%.

2019

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

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SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

**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, 2020**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
ASSETS				
Cash and Pooled Investments	\$ 758,893	\$ 609,872	\$ 42,434	\$ 1,411,199
Taxes Receivable:				
Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	12,439	12,439
Due from Other Funds	260,395	6,322	-	266,717
Total Assets	\$ 1,019,288	\$ 616,194	\$ 54,873	\$ 1,690,355
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 3,227	\$ 2,855	\$ -	\$ 6,082
Salaries Payable	15,434	-	-	15,434
Due to Other Funds	-	9,508	-	9,508
Total Liabilities	18,661	12,363	-	31,024
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	-	603,831	-	603,831
Ditch Maintenance and Repairs	-	-	45,178	45,178
Environmental Uses	-	-	-	-
Assigned for:				
Forest Development	1,000,627	-	-	1,000,627
Unassigned	-	-	(2,744)	(2,744)
Total Fund Balances	1,000,627	603,831	42,434	1,646,892
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,019,288	\$ 616,194	\$ 54,873	\$ 1,690,355

**AITKIN COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

<u>Debt Service Fund</u> <u>Debt Service</u>	<u>Permanent Fund</u> <u>Environmental</u>	Total Nonmajor Governmental Funds
\$ 618,977	\$ 457,818	\$ 2,487,994
16,447	-	16,447
-	-	12,439
-	-	266,717
<u>\$ 635,424</u>	<u>\$ 457,818</u>	<u>\$ 2,783,597</u>
\$ -	\$ -	\$ 6,082
-	-	15,434
-	-	9,508
-	-	31,024
682	-	682
<u>16,447</u>	<u>-</u>	<u>28,886</u>
17,129	-	29,568
618,295	-	618,295
-	-	603,831
-	-	45,178
-	457,818	457,818
-	-	1,000,627
-	-	(2,744)
<u>618,295</u>	<u>457,818</u>	<u>2,723,005</u>
<u>\$ 635,424</u>	<u>\$ 457,818</u>	<u>\$ 2,783,597</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
REVENUES				
Taxes	\$ 85,249	\$ 86,869	\$ -	\$ 172,118
Intergovernmental	200,168	15,285	-	215,453
Investment Earnings	-	-	177	177
Miscellaneous	484,613	6,342	-	490,955
Total Revenues	<u>770,030</u>	<u>108,496</u>	<u>177</u>	<u>878,703</u>
EXPENDITURES				
CURRENT				
General Government	-	2,849	-	2,849
Public Safety	-	34,944	-	34,944
Highways and Streets	-	121,226	-	121,226
Conservation of Natural Resources	854,588	-	-	854,588
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>854,588</u>	<u>159,019</u>	<u>-</u>	<u>1,013,607</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(84,558)	(50,523)	177	(134,904)
OTHER FINANCING SOURCES (USES)				
Transfers In	164,548	36,362	-	200,910
Transfers Out	(154,269)	-	(2,018)	(156,287)
Total Other Financing Sources (Uses)	<u>10,279</u>	<u>36,362</u>	<u>(2,018)</u>	<u>44,623</u>
NET CHANGE IN FUND BALANCE	(74,279)	(14,161)	(1,841)	(90,281)
Fund Balance - January 1	<u>1,074,906</u>	<u>617,992</u>	<u>44,275</u>	<u>1,737,173</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,000,627</u>	<u>\$ 603,831</u>	<u>\$ 42,434</u>	<u>\$ 1,646,892</u>

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

<u>Debt Service Fund</u> <u>Debt Service</u>	<u>Permanent Fund</u> <u>Environmental</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 706,394	\$ -	\$ 878,512
47,539	-	262,992
-	13,596	13,773
-	-	490,955
<u>753,933</u>	<u>13,596</u>	<u>1,646,232</u>
-	-	2,849
-	-	34,944
-	-	121,226
-	-	854,588
375,000	-	375,000
332,190	-	332,190
<u>707,190</u>	<u>-</u>	<u>1,720,797</u>
46,743	13,596	(74,565)
244,916	-	445,826
-	(13,600)	(169,887)
<u>244,916</u>	<u>(13,600)</u>	<u>275,939</u>
291,659	(4)	201,374
<u>326,636</u>	<u>457,822</u>	<u>2,521,631</u>
<u>\$ 618,295</u>	<u>\$ 457,818</u>	<u>\$ 2,723,005</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FOREST DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 80,510	\$ 80,510	\$ 85,249	\$ 4,739
Licenses and Permits	250	250	-	(250)
Intergovernmental	218,342	218,342	200,168	(18,174)
Miscellaneous	274,000	274,000	484,613	210,613
Total Revenues	<u>573,102</u>	<u>573,102</u>	<u>770,030</u>	<u>196,928</u>
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Reforestation	197,988	197,988	483,213	(285,225)
Memorial Forest	-	-	1,400	(1,400)
Forest Road	136,088	136,088	1,148	134,940
Land Surveying	362,050	362,050	368,827	(6,777)
Total Expenditures	<u>696,126</u>	<u>696,126</u>	<u>854,588</u>	<u>(158,462)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(123,024)	(123,024)	(84,558)	38,466
OTHER FINANCING SOURCES (USES)				
Transfers In	338,786	338,786	164,548	(174,238)
Transfers Out	183,833	183,833	(154,269)	(338,102)
Total Other Financing Sources (Uses)	<u>522,619</u>	<u>522,619</u>	<u>10,279</u>	<u>(512,340)</u>
NET CHANGE IN FUND BALANCE	399,595	399,595	(74,279)	(473,874)
Fund Balance - January 1	<u>1,074,906</u>	<u>1,074,906</u>	<u>1,074,906</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,474,501</u>	<u>\$ 1,474,501</u>	<u>\$ 1,000,627</u>	<u>\$ (473,874)</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 90,550	\$ 90,550	\$ 86,869	\$ (3,681)
Intergovernmental	-	-	15,285	15,285
Miscellaneous	-	-	6,342	6,342
Total Revenues	<u>90,550</u>	<u>90,550</u>	<u>108,496</u>	<u>17,946</u>
EXPENDITURES				
CURRENT:				
General Government:				
Other General Government	2,700	2,700	2,849	(149)
Public Safety:				
Emergency Services	41,850	41,850	34,944	6,906
Highways and Streets:				
Other Highways and Streets	46,000	46,000	121,226	(75,226)
Total Expenditures	<u>90,550</u>	<u>90,550</u>	<u>159,019</u>	<u>(68,469)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(50,523)	(50,523)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	36,362	36,362
NET CHANGE IN FUND BALANCE	-	-	(14,161)	(14,161)
Fund Balance - January 1	<u>617,992</u>	<u>617,992</u>	<u>617,992</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 617,992</u>	<u>\$ 617,992</u>	<u>\$ 603,831</u>	<u>\$ (14,161)</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 177	\$ 177
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Other	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	177	177
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(2,018)	(2,018)
NET CHANGE IN FUND BALANCE	-	-	(1,841)	(1,841)
Fund Balance - January 1	44,275	44,275	44,275	-
FUND BALANCE - DECEMBER 31	<u>\$ 44,275</u>	<u>\$ 44,275</u>	<u>\$ 42,434</u>	<u>\$ (1,841)</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 747,143	\$ 747,143	\$ 706,394	\$ (40,749)
Intergovernmental	-	-	47,539	47,539
Total Revenues	<u>747,143</u>	<u>747,143</u>	<u>753,933</u>	<u>6,790</u>
EXPENDITURES				
Debt Service:				
Principal	375,000	375,000	375,000	-
Interest	332,190	332,190	332,190	-
Total Debt Service	<u>707,190</u>	<u>707,190</u>	<u>707,190</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,953	39,953	46,743	6,790
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	244,916	244,916
NET CHANGE IN FUND BALANCE	39,953	39,953	291,659	251,706
Fund Balance - January 1	<u>326,636</u>	<u>326,636</u>	<u>326,636</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 366,589</u>	<u>\$ 366,589</u>	<u>\$ 618,295</u>	<u>\$ 251,706</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL PERMANENT FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 13,600	\$ 13,600	\$ 13,596	\$ (4)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(13,600)	(13,600)	(13,600)	-
NET CHANGE IN FUND BALANCE	-	-	(4)	(4)
Fund Balance - January 1	457,822	457,822	457,822	-
FUND BALANCE - DECEMBER 31	<u>\$ 457,822</u>	<u>\$ 457,822</u>	<u>\$ 457,818</u>	<u>\$ (4)</u>

FIDUCIARY FUNDS

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 CUSTODIAL FUNDS
 DECEMBER 31, 2020**

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ASSETS				
Cash and Pooled Investments	\$ 602,095	\$ 3,447	\$ 263,034	\$ 19,314
Due from Other Governments	-	-	1,524	-
Taxes For Other Governments	345,776	-	-	-
Total Assets	947,871	3,447	264,558	19,314
LIABILITIES				
Accounts Payable	1,992	-	-	-
Due to Other Governments	592,094	-	256,171	19,314
Total Liabilities	594,086	-	256,171	19,314
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Collected for Subsequent Period	8,009	-	-	-
NET POSITION				
Restricted for:				
Individuals, Organizations, and Other Governments	\$ 345,776	\$ 3,447	\$ 8,387	\$ -

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 CUSTODIAL FUNDS (CONTINUED)
 DECEMBER 31, 2020**

Custodial Funds				Total
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	Custodial Funds
\$ 25,525	\$ 7,973	\$ 14,727	\$ 136,673	\$ 1,072,788
-	-	-	16,829	18,353
-	-	-	-	345,776
<u>25,525</u>	<u>7,973</u>	<u>14,727</u>	<u>153,502</u>	<u>1,436,917</u>
-	-	-	-	1,992
<u>25,525</u>	<u>-</u>	<u>-</u>	<u>53,500</u>	<u>946,604</u>
<u>25,525</u>	<u>-</u>	<u>-</u>	<u>53,500</u>	<u>948,596</u>
-	-	-	-	8,009
<u>\$ -</u>	<u>\$ 7,973</u>	<u>\$ 14,727</u>	<u>\$ 100,002</u>	<u>\$ 480,312</u>

AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ADDITIONS				
Contributions - Individuals	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Property Tax Collections for Other Governments	10,311,832	-	-	-
Fee Collections for Other Governments and Organizations	-	-	-	-
License and Fees Collected for State	-	-	3,529,445	3,901,486
Recoveries	-	-	-	-
Miscellaneous	-	82	-	-
Total Additions	<u>10,311,832</u>	<u>82</u>	<u>3,529,445</u>	<u>3,901,486</u>
DEDUCTIONS				
Beneficiary Payments to Individuals	-	-	-	-
Payments of Property Tax to Other Governments	10,387,122	-	-	-
Payments to State	-	-	3,528,036	3,901,486
Payments to Other Entities	-	-	-	-
Miscellaneous	-	634	-	-
Total Deductions	<u>10,387,122</u>	<u>634</u>	<u>3,528,036</u>	<u>3,901,486</u>
NET INCREASE (DECREASE)				
IN FIDUCIARY NET POSITION	(75,290)	(552)	1,409	-
Fiduciary Net Position - Beginning of Year	-	-	-	-
Change in Accounting Principle as Previously Reported	421,066	3,999	6,978	-
Fiduciary Net Position - Beginning of Year, as Restated	<u>421,066</u>	<u>3,999</u>	<u>6,978</u>	<u>-</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 345,776</u>	<u>\$ 3,447</u>	<u>\$ 8,387</u>	<u>\$ -</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Custodial Funds				
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	Total Custodial Funds
\$ -	\$ 42,525	\$ -	\$ -	\$ 42,525
-	-	-	69,607	69,607
-	-	-	-	10,311,832
-	-	6,185	-	6,185
-	-	-	-	7,430,931
441,593	-	-	-	441,593
-	-	-	-	82
<u>441,593</u>	<u>42,525</u>	<u>6,185</u>	<u>69,607</u>	<u>18,302,755</u>
-	42,525	-	-	42,525
-	-	-	-	10,387,122
441,593	-	-	-	7,871,115
-	-	835	85,000	85,835
-	-	-	-	634
<u>441,593</u>	<u>42,525</u>	<u>835</u>	<u>85,000</u>	<u>18,387,231</u>
-	-	5,350	(15,393)	(84,476)
-	-	-	-	-
-	7,973	9,377	115,395	564,788
-	<u>7,973</u>	<u>9,377</u>	<u>115,395</u>	<u>564,788</u>
<u>\$ -</u>	<u>\$ 7,973</u>	<u>\$ 14,727</u>	<u>\$ 100,002</u>	<u>\$ 480,312</u>

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OTHER SCHEDULES

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>
APPROPRIATIONS AND SHARED REVENUE			
State:			
Highway Users Tax	\$ 8,737,218	\$ -	\$ 8,737,218
PERA Rate Reimbursement	42,374	-	42,374
Disparity Reduction Aid	15,810	-	15,810
Police Aid	156,730	-	156,730
County Program Aid	833,937	-	833,937
Market Value Credit	188,933	-	188,933
SCORE	69,692	-	69,692
Out of Home Placement	6,093	-	6,093
Riparian Aid	40,000	-	40,000
Taconite Credit	646,102	-	646,102
Enhanced 911	89,190	-	89,190
Aquatic Invasive Species	271,243	-	271,243
Total Appropriations and Shared Revenue	<u>11,097,322</u>	<u>-</u>	<u>11,097,322</u>
REIMBURSEMENT FOR SERVICES			
State:			
Minnesota Department of Human Services	<u>842,304</u>	<u>-</u>	<u>842,304</u>
PAYMENTS			
Local:			
Payments in Lieu of Taxes	<u>1,529,308</u>	<u>-</u>	<u>1,529,308</u>
GRANTS			
State:			
Minnesota Department/Board of:			
Corrections	339,170	-	339,170
Public Safety	10,550	-	10,550
Trial Courts	74,092	-	74,092
Health	163,143	-	163,143
Natural Resources	972,769	-	972,769
Human Services	724,077	-	724,077
Peace Officers Board	15,995	-	15,995
Secretary of State	93,919	-	93,919
Veterans Affairs	10,000	-	10,000
Water and Soil Resources	76,514	-	76,514
Total State	<u>2,480,229</u>	<u>-</u>	<u>2,480,229</u>

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

	Governmental Funds	Enterprise Fund	Total Primary Government
GRANTS (CONTINUED)			
Federal:			
U.S. Department of:			
Agriculture	\$ 265,000	\$ 832	\$ 265,832
Education	2,024	-	2,024
Federal Election Assistance Commission	20,589	-	20,589
Interior	6,240	-	6,240
Justice	44,984	-	44,984
Transportation	123,209	-	123,209
Treasury	2,117,655	-	2,117,655
Health and Human Services	1,558,732	-	1,558,732
Homeland Security	43,829	-	43,829
Total Federal	4,182,262	832	4,183,094
 Total State and Federal Grants	 6,662,491	 832	 6,663,323
 Total Intergovernmental Revenue	 \$ 20,131,425	 \$ 832	 \$ 20,132,257

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020**

	Assets			
	Cash	Special Assessments Receivable	Due from Other Ditches	Total
County Ditches:				
5	\$ (363)	\$ -	\$ -	\$ (363)
23	(965)	-	-	(965)
24	-	369	-	369
28	(185)	-	-	(185)
29	80	-	-	80
30	28,045	1,294	-	29,339
34	-	978	-	978
36	2,755	1,208	-	3,963
37	(806)	8,427	-	7,621
42	(425)	-	-	(425)
63	21	-	-	21
66	1,279	-	-	1,279
Judicial Ditch:				
2	12,998	163	-	13,161
	12,998	163	-	13,161
Total	\$ 42,434	\$ 12,439	\$ -	\$ 54,873

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND (CONTINUED)
DECEMBER 31, 2020**

<u>Liabilities</u> Due to Other Ditches	<u>Deferred Inflows of Resources Unavailable Revenue</u>	<u>Fund Balances Restricted/ (Unassigned)</u>	<u>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</u>
\$ -	\$ -	\$ (363)	\$ (363)
-	-	(965)	(965)
-	369	-	369
-	-	(185)	(185)
-	-	80	80
-	1,294	28,045	29,339
-	978	-	978
-	1,208	2,755	3,963
-	8,427	(806)	7,621
-	-	(425)	(425)
-	-	21	21
-	-	1,279	1,279
<u>-</u>	<u>163</u>	<u>12,998</u>	<u>13,161</u>
<u>\$ -</u>	<u>\$ 12,439</u>	<u>\$ 42,434</u>	<u>\$ 54,873</u>

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

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	\$ 832	\$ -
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00053	104,287	-
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	152,449	-
Total U.S. Department of Agriculture			<u>257,568</u>	-
U.S. Department of the Interior				
Passed Through Minnesota Department of Natural Resources Sport Fish Restoration (Part of Fish and Wildlife Cluster)	15.605	138011	6,240	-
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Missing Children's Assistance	16.543	150618	1,500	-
Crime Victim Assistance	16.575	F-CVS-2020-AITKINAO	43,484	-
Total U.S. Department of Justice			<u>44,984</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	HSIP 0119(251) HSIP 0119(250)	\$ 6,680 <u>116,529</u>	123,209 -
U.S. Department of the Treasury				
Passed Through Minnesota Department of Revenue COVID-19 Coronavirus Relief Fund	21.019	SLT0016	2,087,655	11,639
Passed Through Minnesota Department of Revenue and City of Aitkin COVID-19 Coronavirus Relief Fund (Total COVID-19 Coronavirus Relief Fund \$2,117,655)	21.019	SLT0016	30,000	-
U.S. Federal Election Assistance Commission				
Passed Through Office of Minnesota Secretary of State COVID-19 2018 HAVA Election Security Grants	90.404	EAC201908MNCOVID	20,589	-

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

AITKIN COUNTY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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 Health and Human Services				
Passed Through Minnesota Department of Corrections COVID-19 Community Services Block Grant	93.569	181726	\$ 1,179	\$ -
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board				
Public Health Emergency Preparedness	93.069	162145	8,608	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$170,688)	93.558	2001MNTANF	19,663	-
Medical Assistance Program (Part of Medicaid Cluster) (Total Medical Assistance Program 93.778 \$733,005)	93.778	2005MN5ADM	27,049	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	15,181	-
Passed Through Minnesota Department of Human Services				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2001MNFPS	4,492	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$170,688)	93.558	2001MNTANF	151,025	-
Child Support Enforcement	93.563	2001MNCSES 2001MNCES	\$ 69,084 <u>274,608</u>	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2001MNRCA	195	-
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	2001MNCCDF	3,532	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,092	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,499	-
Foster Care Title IV-E	93.658	2001MNFOS	97,969	-
Social Services Block Grant	93.667	2001MNSOSR	115,675	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	546	-
Children's Health Insurance Program	93.767	2005MN5021	345	-
Medical Assistance Program (Part of Medicaid Cluster) (Total Medical Assistance Program 93.778 \$733,005)	93.778	2005MN5ADM 2005MN5MAP	700,140 <u>5,816</u>	-
Total U.S. Department of Health and Human Services			<u>1,499,698</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	195739	24,546	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2019- AITKINCO-3139	19,283	-
Total U.S. Department of Homeland Security			<u>43,829</u>	<u>-</u>
Total Federal Awards			<u>\$ 4,113,772</u>	<u>\$ 11,639</u>

Clusters of programs are groupings of closely related programs that share common compliance requirements.
Total expenditures by cluster are:

Fish and Wildlife Cluster	\$ 6,240
CCDF Cluster	3,532
Medicaid Cluster	733,005
SNAP Cluster	152,449
Highway Planning and Construction Cluster	123,209
Child Nutrition Cluster	832

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, 2020

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, 2020. 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) from the Office of Management and Budget (OMB). 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 the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, 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, 2020**

NOTE 4 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	4,183,094
Grants received more than 60 days after year-end, unavailable in 2020		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		46,152
Maternal and Child Health Services Block Grant to the States		10,909
Public Health Emergency Preparedness		7,171
MaryLee Allen Promoting Safe and Stable Families Program		1,222
Temporary Assistance for Needy Families		23,160
Stephanie Tubbs Jones Child Welfare Services Program		430
Grants unavailable in 2019, recognized as revenue in 2020		
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 and Development Block Grant (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)
		(28,669)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	4,113,772

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

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**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, 2020, 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 14, 2021.

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) as a basis for designing 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 items 2020-001 and 2020-002 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 2020-003 to 2020-005 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 them.

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 results 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 14, 2021



**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, 2020. 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-006 and 2020-008. Our opinion on each major federal program is not modified with respect to these matters.

Aitkin County's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-006 and 2020-007 to be material weaknesses.

Report on Internal Control Over Compliance (Continued)

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-008 to be a significant deficiency.

Aitkin County’s Responses to Findings

Aitkin County’s responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 14, 2021

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**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

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 none noted

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? X yes none noted

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 2 CFR 200.516(a)? 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)
21.019	COVID-19 Coronavirus Relief Fund

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, 2020**

MATERIAL WEAKNESSES - FINANCIAL REPORTING:

2020-001 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, implement GASB 84 fiduciary activities, 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: Yes, 2019-001.

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, 2020**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

2020-002 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 notes 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: Yes, 2019-002.

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, 2020**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING:

2020-003 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: Yes, 2019-003.

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, 2020**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

2020-004 ACCOUNTING POLICIES AND PROCEDURES MANUAL

Criteria: The County should identify its significant internal controls and document the controls 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: Yes, 2019-004.

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, 2020**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

2020-005 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: Yes, 2019-005.

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, 2020**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2020-006 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: 2005MN5ADM, 2005MN5MAP
Compliance Requirement Affected: Eligibility
Award Period: Year Ended December 31, 2020

Type of Finding: Material Weakness in Internal Control Over Compliance and Other Matters

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. 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:

- 3 of 60 casefiles had supporting asset documents that did not match MAXIS.
- 1 of 60 casefiles did not have documentation of citizenship.

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.

Repeat Finding: Yes, 2019-006.

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 Official: There is no disagreement with the audit finding.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

2020-007 CASEFILE REVIEW

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: 2005MN5ADM, 2005MN5MAP
Compliance Requirement Affected: Eligibility
Award Period: Year Ended December 31, 2020

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria: Federal guidelines require recipients of federal awards to implement internal control procedures to ensure compliance with applicable compliance requirements.

Condition and Context: During eligibility testing, it was noted that the County is performing minimal case reviews over MAXIS cases and no case reviews over METS cases.

Possible Effect: Corrective action, based on the periodic review, may not be corrected and an individual could receive benefits when not eligible.

Cause: Lack of management oversight.

Repeat Finding: Not applicable.

Questioned Costs: Unable to be determined.

Recommendation: We recommend the County develop and implement a formal policy for documenting case file review internal control process.

Views of Responsible Officials: There is no disagreement with the audit finding.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

2020-008 TIMELY REPORTING

Federal Agency: U.S. Department of Treasury
Federal Program Titles: COVID-19 Coronavirus Relief Fund
CFDA Numbers: 21.019
Pass-Through Agency: Minnesota Department of Revenue
Pass-Through Numbers: SLT0016
Compliance Requirement Affected: Reporting
Award Period: Year Ended December 31, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance and Other Matters

Criteria: Standard internal control and compliance procedures dictate that all reports must be submitted timely.

Condition and Context: During our statistically valid sample testing of reporting, it was noted that 1 out of 5 monthly reports was submitted after the 7th business day of the month which was the deadline required by the Minnesota Office of Management and Budget. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Possible Effect: A report that is not submitted timely could be refused or disqualified.

Cause: Oversight by management due to it being a new grant.

Repeat Finding: Not applicable.

Questioned Costs: Not applicable.

Recommendation: We recommend the County implement policies and procedures to ensure reports are submitted timely.

Views of Responsible Officials: There is no disagreement with the audit finding.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE:

2020-009 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: Yes, 2019-007.

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, 2020**

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

2020-010 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 and 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: Yes, 2019-009.

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:

2019-008 PAYMENTS OF CLAIMS WITHIN 35 DAYS

Resolution: Per inquiry of the County and testing of a sample of disbursements, they have implemented the recommendations and are following their policy.



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, each major fund, and the aggregate remaining fund information of Aitkin County (the County), Minnesota as of and for the year ended December 31, 2020, 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 14, 2021.

In connection with our audit, we noted that Aitkin County failed to comply with provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as items 2020-009 and 2020-010. Also, 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, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* 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

Brainerd, Minnesota
September 14, 2021

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