

AITKIN COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021



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**AITKIN COUNTY, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

INTRODUCTORY SECTION

ORGANIZATION OFFICIALS	1
-------------------------------	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

MANAGEMENT'S DISCUSSION AND ANALYSIS	6
---	----------

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	14
----------------------------------	-----------

STATEMENT OF ACTIVITIES	16
--------------------------------	-----------

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BALANCE SHEET	18
----------------------	-----------

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	22
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	23
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	25
--	-----------

PROPRIETARY FUND

STATEMENT OF NET POSITION – LONG LAKE CONSERVATION CENTER ENTERPRISE FUND	26
--	-----------

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION – LONG LAKE CONSERVATION CENTER ENTERPRISE FUND	27
---	-----------

STATEMENT OF CASH FLOWS – LONG LAKE CONSERVATION CENTER ENTERPRISE FUND	28
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**AITKIN COUNTY, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

FUND FINANCIAL STATEMENTS (CONTINUED)	
FIDUCIARY FUNDS	
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS	29
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS	30
NOTES TO FINANCIAL STATEMENTS	31
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	77
BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE SPECIAL REVENUE FUND	80
BUDGETARY COMPARISON SCHEDULE – HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND	81
BUDGETARY COMPARISON SCHEDULE – TRUST SPECIAL REVENUE FUND	82
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES	83
SCHEDULE OF THE COUNTY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	84
SCHEDULE OF CONTRIBUTIONS	85
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	86

**AITKIN COUNTY, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

DESCRIPTION OF FUNDS – NONMAJOR GOVERNMENTAL FUNDS	96
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	97
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS	99
BUDGETARY COMPARISON SCHEDULE – FOREST DEVELOPMENT SPECIAL REVENUE FUND	101
BUDGETARY COMPARISON SCHEDULE – UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND	102
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND	103
BUDGETARY COMPARISON SCHEDULE – ENVIRONMENTAL PERMANENT FUND	104

FIDUCIARY FUNDS

DESCRIPTION OF FUNDS – FIDUCIARY FUNDS	105
COMBINING STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS	106
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS	108

OTHER SCHEDULES

SCHEDULE OF INTERGOVERNMENTAL REVENUE	110
BALANCE SHEET – BY DITCH – DITCH SPECIAL REVENUE FUND	112
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	114
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	116

**AITKIN COUNTY, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

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 <i>GOVERNMENT AUDITING STANDARDS</i>	118
INDEPENDENT AUDITORS' REPORT COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	120
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	123
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	133

INTRODUCTORY SECTION

**AITKIN COUNTY, MINNESOTA
ORGANIZATION OFFICIALS
AS OF DECEMBER 31, 2021**

		<u>Term Expires</u>
Elected:		
Commissioners:		
District 1	J. Mark Wedel*	December 2022
District 2	Laurie Westerlund	December 2024
District 3	Donald Niemi	December 2022
District 4	Brian Napstad	December 2024
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 2024
Engineer	John Welle	December 2024
Coroner	Ramsey County Medical Examiner	Indefinite
Health and Human Services Director	Cynthia Bennett	Indefinite
Land Commissioner	Dennis Thompson (Interim)	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 Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 County's proportionate share of the net pension liability (asset), schedule of contributions, and notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 and 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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 Information

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

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

Board of County Commissioners
Aitkin County

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2022, on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2022

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**AITKIN COUNTYAITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021. 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 \$136,909,023, of which \$116,396,264 is the net investment in capital assets, and \$9,509,797 is restricted to specific purposes, and the remaining balance of \$11,002,962 is unrestricted.
- Business-type activities have a total net position of \$2,559,132, of which, investment in capital assets represents \$2,757,579 of the total, \$2,036 is restricted for specific uses, and the remaining deficit of \$200,483 is unrestricted.
- Aitkin County's net position from current year activity increased by \$5,286,668 for the year ended December 31, 2021. Of the increase, \$5,460,278 was in governmental activities, and there was an decrease of \$173,610 in business-type activities.
- The cost of governmental activities increased by \$960,329 to \$32,783,823 for the current fiscal year. Program revenues of \$18,302,144 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$19,941,957.
- Governmental funds' fund balances decreased by \$1,816,616 from current year activity before the adjustment for the increase in inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**AITKIN COUNTYAITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 AITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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, 2021, with comparative amounts for 2020.

**Table 1
Net Position**

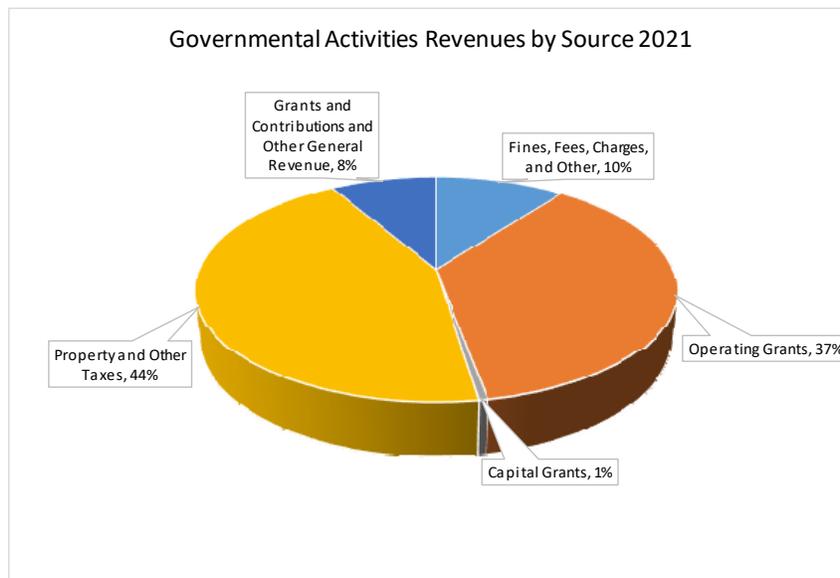
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	\$ 35,113,225	\$ 34,138,163	\$ 15,905	\$ 10,015	\$ 35,129,130	\$ 34,148,178
Capital Assets	126,323,401	122,903,218	2,757,579	2,915,600	129,080,980	125,818,818
Total Assets	<u>161,436,626</u>	<u>157,041,381</u>	<u>2,773,484</u>	<u>2,925,615</u>	<u>164,210,110</u>	<u>159,966,996</u>
Deferred Outflows of Resources	<u>6,528,438</u>	<u>1,615,725</u>	<u>85,541</u>	<u>15,012</u>	<u>6,613,979</u>	<u>1,630,737</u>
Liabilities						
Current Liabilities	5,370,867	4,514,444	47,840	9,222	5,418,707	4,523,666
Long-Term Liabilities	16,901,857	20,505,365	138,256	187,950	17,040,113	20,693,315
Total Liabilities	<u>22,272,724</u>	<u>25,019,809</u>	<u>186,096</u>	<u>197,172</u>	<u>22,458,820</u>	<u>25,216,981</u>
Deferred Inflows of Resources	<u>8,783,317</u>	<u>2,188,552</u>	<u>113,797</u>	<u>10,713</u>	<u>8,897,114</u>	<u>2,199,265</u>
Net Position						
Net Investment in Capital Assets	116,396,264	111,947,643	2,757,579	2,915,600	119,153,843	114,863,243
Restricted	9,509,797	6,620,294	2,036	2,036	9,511,833	6,622,330
Unrestricted	11,002,962	12,880,808	(200,483)	(184,894)	10,802,479	12,695,914
Total Net Position	<u>\$ 136,909,023</u>	<u>\$ 131,448,745</u>	<u>\$ 2,559,132</u>	<u>\$ 2,732,742</u>	<u>\$ 139,468,155</u>	<u>\$ 134,181,487</u>

**AITKIN COUNTY AITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

THE COUNTY AS A WHOLE (CONTINUED)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Fines, Fees, Charges, and Other	\$ 3,973,284	\$ 3,080,229	\$ 199,011	\$ 125,165	\$ 4,172,295	\$ 3,205,394
Operating Grants	14,131,700	14,833,178	15,066	832	14,146,766	14,834,010
Capital Grants	197,160	123,659	-	-	197,160	123,659
General Revenues						
Property Taxes	14,910,733	14,629,763	-	-	14,910,733	14,629,763
Other Taxes	1,985,053	1,817,038	-	-	1,985,053	1,817,038
Grants and Contributions	1,754,371	1,746,500	-	-	1,754,371	1,746,500
Other General Revenues	1,486,628	1,911,426	-	4,908	1,486,628	1,916,334
Gain on Sale of Assets	-	-	-	1,885	-	1,885
Total Revenues	38,438,929	38,141,793	214,077	132,790	38,653,006	38,274,583
Expenses						
General Government	6,960,261	7,131,929	-	-	6,960,261	7,131,929
Public Safety	5,320,296	5,893,609	-	-	5,320,296	5,893,609
Highways and Streets	9,318,805	7,231,649	-	-	9,318,805	7,231,649
Sanitation	199,613	396,576	-	-	199,613	396,576
Human Services	5,376,395	5,465,945	-	-	5,376,395	5,465,945
Health	836,924	837,309	-	-	836,924	837,309
Culture and Recreation	1,143,874	922,841	-	-	1,143,874	922,841
Conservation of Natural Resources	2,966,657	2,786,847	582,515	440,767	3,549,172	3,227,614
Economic Development	363,714	824,599	-	-	363,714	824,599
Interest	297,284	332,190	-	-	297,284	332,190
Total Expenses	32,783,823	31,823,494	582,515	440,767	33,366,338	32,264,261
Increase (Decrease) in Net Position Before Transfers	5,655,106	6,318,299	(368,438)	(307,977)	5,286,668	6,010,322
Transfers	(194,828)	(392,132)	194,828	392,132	-	-
Change in Net Position	5,460,278	5,926,167	(173,610)	84,155	5,286,668	6,010,322
Net Position, January 1	131,448,745	125,522,578	2,732,742	2,648,587	134,181,487	128,171,165
Net Position, December 31	\$ 136,909,023	\$ 131,448,745	\$ 2,559,132	\$ 2,732,742	\$ 139,468,155	\$ 134,181,487



**AITKIN COUNTYAITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities

The cost of all activities this year was \$32,783,823. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County property taxes was \$14,910,733, because some of the cost was paid by those who directly benefited from the programs (\$3,973,284) or by other governments and organizations that subsidized certain programs with grants and contributions (\$14,328,860). Total revenues exceeded expenses, increasing net position \$5,460,278 over last year. The net change is primarily due to property taxes and fees, charges, fines, and other revenue exceeding expenses.

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	
	2021	2020	2021	2020
General Government	\$ 6,960,261	\$ 7,131,929	\$ 4,788,498	\$ 4,351,450
Public Safety	5,320,296	5,893,609	3,992,853	4,331,456
Highways and Streets	9,318,805	7,231,649	1,971,412	(223,079)
Human Services	5,376,395	5,465,945	1,754,151	1,983,669
Conservation of Natural Resources	2,966,657	2,786,847	1,807,827	1,657,074
Other	2,841,409	3,313,515	166,938	1,685,858
Totals	\$ 32,783,823	\$ 31,823,494	\$ 14,481,679	\$ 13,786,428

Business-Type Activities and Enterprise Fund

The revenues of the County's business-type activities and Long Lake Conservation Center Enterprise Fund increased by 61.4%, income from fees increased 59.2%, and expenses increased by 32.2% as they were able to open up again in 2021 after being closed for a majority of 2020 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 \$25,375,058, which is below last year's total of \$27,114,942.

Revenues for the County's governmental funds were \$36,708,600, while expenditures were \$38,425,573. The decrease of \$1,816,616 in fund balance resulted primarily from the following: a decrease in the Road and Bridge Fund's fund balance of \$2,722,096 due to a large number of construction projects taking place in 2021; the Trust Fund's fund balance decreasing by \$1,133,923 as it transferred a large amount of money to the Capital Projects Fund to close the fund in 2021; and they were offset by an increase in the Capital Projects Fund's fund balance of \$1,137,221 as other County funds were paying off the deficit fund balance.

**AITKIN COUNTYAITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 \$260,751, primarily due to a decrease in expenditures related to the COVID-19 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 decreased \$2,722,096 prior to the inventory adjustment, due primarily to more than expected highways and streets expenditures.

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 \$686,910 due primarily to revenues exceeding expenditures and 2021 expenditures being approximately \$820,000 under budget.

Trust Fund

The Trust 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 Trust Special Revenue Fund balance decreased \$1,133,923 due primarily to a transfer of \$850,000 to the Capital Projects Fund to help remove the deficit fund balance in the fund as it closed.

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 increased \$1,137,227 due to the Government Center remodel project being completed and the County Board approving to close the fund in 2021.

Opioid Remediation Fund

The Opioid Remediation Fund was established in 2021, and is going to be used to account for the financial activity related to the County's share of the national opioid settlement agreement. The amounts due to the County total \$1,278,921, and will be paid over the next 18 years.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$92,784 over the final budget amounts. Revenues were over budget by \$1,249,019 with the significant positive variances for intergovernmental revenues with \$547,523 due to COVID-19 related Business Relief Grants and American Rescue Plan Funding received. Taxes were under budget by \$427,605 and investment earnings were under by \$398,829.

**AITKIN COUNTY AITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the County had \$129,080,980 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 \$3,262,162, or 2.59 percent, over the last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,725,773	\$ 3,725,773	\$ 15,400	\$ 15,400	\$ 3,741,173	\$ 3,741,173
Construction in Progress	556,911	12,771,452	-	-	556,911	12,771,452
Buildings	18,067,713	5,937,808	2,728,199	2,882,107	20,795,912	8,819,915
Machinery, Furniture, and Equipment	4,042,172	4,638,826	13,980	18,093	4,056,152	4,656,919
Land Improvements	17,938	20,928	-	-	17,938	20,928
Infrastructure	99,912,894	95,808,431	-	-	99,912,894	95,808,431
Totals	\$ 126,323,401	\$ 122,903,218	\$ 2,757,579	\$ 2,915,600	\$ 129,080,980	\$ 125,818,818

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

SAP 001-603-018	\$ 1,442,899
CP 001-027-001	1,333,465
Government Center Building	11,897,736

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

Debt

At year-end, the County had \$9,925,394 in debt outstanding, versus \$10,322,383 last year, a decrease of 3.85 percent, as shown in Table 5 due to scheduled general obligation bond payments. The decrease was due to the normal scheduled principal payments made during the year.

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

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$ 9,755,519	\$ 10,164,025
Direct Borrowing - AgBMP Septic Loans	169,875	158,358
Total Outstanding Debt	\$ 9,925,394	\$ 10,322,383

**AITKIN COUNTYAITKIN COUNTY, MINNESOTA MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

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 2023 budget, tax rates, and fees that will be charged for the business-type activities.

- Increased market value and the addition of the Enbridge pipeline increases the net tax capacity of the County.
- Aitkin County's demographic population has a high median age, creating increased demands for services across several service areas.
- The increase in real market values could result in a lower tax rate.
- 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. The continue monitoring of legislature is needed to be able to adjust to changes.

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, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 27,176,447	\$ -	\$ 27,176,447
Petty Cash and Change Funds	6,750	1,000	7,750
Cash with Fiscal Agent	75,247	-	75,247
Taxes Receivable:			
Delinquent	335,604	-	335,604
Special Assessments Receivable:			
Delinquent	12,439	-	12,439
Accounts Receivable - Net	2,012,636	1,925	2,014,561
Accrued Interest Receivable	33,472	-	33,472
Loan Receivable	94,628	-	94,628
Due from Other Governments	3,446,417	-	3,446,417
Prepaid Items	3,848	-	3,848
Inventories	443,314	10,944	454,258
Investment in Joint Venture	1,369,583	-	1,369,583
Restricted Assets:			
Cash and Pooled Investments	-	2,036	2,036
Net Pension Asset	102,840	-	102,840
Capital Assets:			
Nondepreciable	4,282,684	15,400	4,298,084
Depreciable - Net of Accumulated			
Depreciation	122,040,717	2,742,179	124,782,896
Total Assets	<u>161,436,626</u>	<u>2,773,484</u>	<u>164,210,110</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	6,379,939	82,953	6,462,892
Deferred OPEB Outflows	148,499	2,588	151,087
Total Deferred Outflows of Resources	<u>6,528,438</u>	<u>85,541</u>	<u>6,613,979</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts Payable	\$ 712,903	\$ 9,921	\$ 722,824
Salaries Payable	604,278	16,316	620,594
Contracts Payable	171,618	-	171,618
Due to Other Governments	625,641	-	625,641
Timber Permit Bonds	87,099	-	87,099
Unearned Revenue	1,308,515	-	1,308,515
Long-Term Liabilities:			
Compensated Absences Payable - Due Within One Year	1,340,420	20,115	1,360,535
Total Other Postemployment Benefits Liability - Due Within One Year	99,205	1,488	100,693
General Obligation Bonds Payable - Due Within One Year	395,000	-	395,000
Direct Borrowing Payable - Due Within One Year	26,188	-	26,188
Total Other Postemployment Benefits Liability - Due in More than One Year	635,759	17,744	653,503
General Obligation Bonds Payable - Due in More than One Year	9,360,519	-	9,360,519
Direct Borrowing Payable - Due in More than One Year	143,687	-	143,687
Net Pension Liability	6,761,892	120,512	6,882,404
Total Liabilities	<u>22,272,724</u>	<u>186,096</u>	<u>22,458,820</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	7,643	-	7,643
Deferred Pension Inflows	8,739,042	113,159	8,852,201
Deferred OPEB Inflows	36,632	638	37,270
Total Deferred Inflows of Resources	<u>8,783,317</u>	<u>113,797</u>	<u>8,897,114</u>
NET POSITION			
Net Investment in Capital Assets	116,396,264	2,757,579	119,153,843
Restricted - Nonexpendable	457,819	-	457,819
Restricted for:			
General Government	932,180	-	932,180
Public Safety	369,375	-	369,375
Highways and Streets	1,250,705	-	1,250,705
Health and Human Services	450,689	-	450,689
Sanitation	436,971	-	436,971
Culture and Recreation	119,713	-	119,713
Conservation of Natural Resources	2,032,886	-	2,032,886
Economic Development	809,059	-	809,059
Unorganized Road, Bridge, and Fire	509,822	-	509,822
Opioid Epidemic Response	1,278,921	-	1,278,921
Pension Benefits	102,840	-	102,840
Debt Service	758,817	-	758,817
Other Purposes	-	2,036	2,036
Unrestricted	11,002,962	(200,483)	10,802,479
Total Net Position	<u>\$ 136,909,023</u>	<u>\$ 2,559,132</u>	<u>\$ 139,468,155</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General Government	\$ 6,960,261	\$ 1,574,340	\$ 597,423	\$ -
Public Safety	5,320,296	507,323	818,764	1,356
Highways and Streets	9,318,805	1,190,135	5,961,454	195,804
Sanitation	199,613	18,586	-	-
Human Services	5,376,395	516,259	3,105,985	-
Health	836,924	116,953	1,901,637	-
Culture and Recreation	1,143,874	49,688	40,084	-
Conservation of Natural Resources	2,966,657	-	1,158,830	-
Economic Development	363,714	-	547,523	-
Interest	297,284	-	-	-
Total Governmental Activities	<u>32,783,823</u>	<u>3,973,284</u>	<u>14,131,700</u>	<u>197,160</u>
Business-Type Activities:				
Long Lake Conservation Center	<u>582,515</u>	<u>199,011</u>	<u>15,066</u>	<u>-</u>
Total Primary Government	<u>\$ 33,366,338</u>	<u>\$ 4,172,295</u>	<u>\$ 14,146,766</u>	<u>\$ 197,160</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, 2021**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (4,788,498)	\$ -	\$ (4,788,498)
(3,992,853)	-	(3,992,853)
(1,971,412)	-	(1,971,412)
(181,027)	-	(181,027)
(1,754,151)	-	(1,754,151)
1,181,666	-	1,181,666
(1,054,102)	-	(1,054,102)
(1,807,827)	-	(1,807,827)
183,809	-	183,809
<u>(297,284)</u>	<u>-</u>	<u>(297,284)</u>
(14,481,679)	-	(14,481,679)
-	(368,438)	(368,438)
(14,481,679)	(368,438)	(14,850,117)
14,910,733	-	14,910,733
38,430	-	38,430
14,314	-	14,314
1,932,309	-	1,932,309
1,754,371	-	1,754,371
(85,301)	-	(85,301)
1,566,965	-	1,566,965
4,964	-	4,964
<u>(194,828)</u>	<u>194,828</u>	<u>-</u>
<u>19,941,957</u>	<u>194,828</u>	<u>20,136,785</u>
5,460,278	(173,610)	5,286,668
<u>131,448,745</u>	<u>2,732,742</u>	<u>134,181,487</u>
<u>\$ 136,909,023</u>	<u>\$ 2,559,132</u>	<u>\$ 139,468,155</u>

See accompanying Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**AITKIN COUNTY, MINNESOTA
BALANCE SHEET
DECEMBER 31, 2021**

	General	Road and Bridge	Health and Human Services	Trust Fund
ASSETS				
Cash and Pooled Investments	\$ 15,435,133	\$ 1,532,904	\$ 5,923,910	\$ 1,819,305
Petty Cash and Change Funds	3,750	-	3,000	-
Cash with Fiscal Agent	75,247	-	-	-
Taxes Receivable:				
Delinquent	203,850	53,693	61,728	-
Special Assessments:				
Delinquent	-	-	-	-
Accounts Receivable - Net	5,373	394,998	98,761	1,513,504
Accrued Interest Receivable	33,472	-	-	-
Loans Receivable	94,628	-	-	-
Due from Other Funds	208,105	7,547	-	-
Due from Other Governments	86,947	1,290,400	787,905	2,244
Prepaid Items	-	-	3,848	-
Inventories	-	443,314	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 16,146,505</u>	<u>\$ 3,722,856</u>	<u>\$ 6,879,152</u>	<u>\$ 3,335,053</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 407,345	\$ 214,708	\$ 79,047	\$ 8,738
Salaries Payable	335,425	90,762	149,150	12,591
Contracts Payable	83,052	88,566	-	-
Due to Other Funds	-	-	-	448,408
Due to Other Governments	1,736	193,633	280,107	149,515
Unearned Revenue	1,308,515	-	-	-
Timber Permit Bonds	-	-	-	87,099
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	2,136,073	587,669	508,304	706,351
DEFERRED INFLOWS OF RESOURCES				
Taxes Received for Future Years	4,663	1,224	1,390	-
Unavailable Revenue	222,196	1,329,168	514,508	1,374,482
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	226,859	1,330,392	515,898	1,374,482
FUND BALANCES				
Nonspendable:				
Inventories	-	443,314	-	-
Prepaid Items	-	-	3,848	-
Environmental Uses	-	-	-	-
Restricted for:				
Missing Heirs	-	-	-	2,149
Debt Service	75,247	-	-	-
Recorder's Technology	403,315	-	-	-
Prosecutorial Purposes	5,000	-	-	-
Enhanced 911	181,929	-	-	-
Law Enforcement	5,000	-	-	-
Administering the Carrying of Weapons	182,446	-	-	-

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

	Capital Projects	Opioid Remediation	Nonmajor Funds	Total
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ 2,465,195	\$ 27,176,447
Petty Cash and Change Funds	-	-	-	6,750
Cash with Fiscal Agent	-	-	-	75,247
Taxes Receivable:				
Delinquent	-	-	16,333	335,604
Special Assessments:				
Delinquent	-	-	12,439	12,439
Accounts Receivable - Net	-	-	-	2,012,636
Accrued Interest Receivable	-	-	-	33,472
Loans Receivable	-	-	-	94,628
Due from Other Funds	-	-	240,303	455,955
Due from Other Governments	-	1,278,921	-	3,446,417
Prepaid Items	-	-	-	3,848
Inventories	-	-	-	443,314
	<u>-\$ -</u>	<u>\$ 1,278,921</u>	<u>\$ 2,734,270</u>	<u>\$ 34,096,757</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 3,065	\$ 712,903
Salaries Payable	-	-	16,350	604,278
Contracts Payable	-	-	-	171,618
Due to Other Funds	-	-	7,547	455,955
Due to Other Governments	-	-	650	625,641
Unearned Revenue	-	-	-	1,308,515
Timber Permit Bonds	-	-	-	87,099
Total Liabilities	<u>-</u>	<u>-</u>	<u>27,612</u>	<u>3,966,009</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Received for Future Years	-	-	366	7,643
Unavailable Revenue	-	1,278,921	28,772	4,748,047
Total Deferred Inflows of Resources	<u>-</u>	<u>1,278,921</u>	<u>29,138</u>	<u>4,755,690</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	-	443,314
Prepaid Items	-	-	-	3,848
Environmental Uses	-	-	457,819	457,819
Restricted for:				
Missing Heirs	-	-	-	2,149
Debt Service	-	-	667,237	742,484
Recorder's Technology	-	-	-	403,315
Prosecutorial Purposes	-	-	-	5,000
Enhanced 911	-	-	-	181,929
Law Enforcement	-	-	-	5,000
Administering the Carrying of Weapons	-	-	-	182,446

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)	General	Road and Bridge	Health and Human Services	Trust Fund
FUND BALANCES (CONTINUED)				
Restricted for (Continued):				
Conservation of Natural Resources	\$ 148,324	\$ -	\$ -	\$ -
Loans Receivable	94,628	-	-	-
Solid Waste	436,971	-	-	-
Recorder's Equipment Purchases	420,510	-	-	-
Parks	119,713	-	-	-
County Development	-	-	-	809,059
Law Library	-	-	-	99,391
Unclaimed Property	-	-	-	1,815
Administering Forfeited Tax Sale	-	-	-	357,189
Unorganized Road, Bridge, and Fire	-	-	-	-
Ditch Maintenance and Repairs	-	-	-	-
Committed for:				
Administration - Attorney Services	9,000	-	-	-
Auditor	3,000	-	-	-
Buildings - Capital	158,006	-	-	-
Community Corrections	1,374	-	-	-
Court Administration - Attorney Services	71,152	-	-	-
Elections - Voting Equipment	200,000	-	-	-
Attorney - Murder Trial	10,000	-	-	-
Sheriff - Radios	18,000	-	-	-
Sheriff - STS	30,000	-	-	-
Sheriff - Technology	48,050	-	-	-
Sheriff - Search and Rescue	41,992	-	-	-
Sheriff - Forfeiture	23,911	-	-	-
Sheriff - Enforcement	191,200	-	-	-
Sheriff - Snowmobile	8,000	-	-	-
Sheriff - Buildings and Structures	120,000	-	-	-
Treasurer - Equipment	5,774	-	-	-
Canine Replacement	10,000	-	-	-
FBL Vehicle	17,500	-	-	-
Economic Development - Walleye Tank Project	3,400	-	-	-
Buildings - Capital	-	-	160,000	-
Maintenance - Equipment	4,900	-	-	-
Maintenance - Service/Labor/Contracts	10,105	-	-	-
IT - Staff Training	15,718	-	-	-
IT - Networking Equipment	75,827	-	-	-
Central Services	80,878	-	-	-
Central Services - Service/Labor/Contracts	19,010	-	-	-
HR - Staff Training	5,000	-	-	-
Court Administration - Office Equipment	8,000	-	-	-
Veterans Service Officer	3,690	-	-	-
Assigned for:				
General Government	120,000	-	-	-
Highways and Streets	-	1,361,481	-	-
Sanitation	55,800	-	-	-
Health and Human Services	-	-	5,691,102	-
Forest Development	-	-	-	-
Unassigned	10,341,203	-	-	(15,383)
Total Fund Balances	<u>13,783,573</u>	<u>1,804,795</u>	<u>5,854,950</u>	<u>1,254,220</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,146,505</u>	<u>\$ 3,722,856</u>	<u>\$ 6,879,152</u>	<u>\$ 3,335,053</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)	Capital Projects	Opioid Remediation	Nonmajor Funds	Total
FUND BALANCES (CONTINUED)				
Restricted for (Continued):				
Conservation of Natural Resources	\$ -	\$ -	\$ -	\$ 148,324
Loans Receivable	-	-	-	94,628
Solid Waste	-	-	-	436,971
Recorder's Equipment Purchases	-	-	-	420,510
Parks	-	-	-	119,713
County Development	-	-	-	809,059
Law Library	-	-	-	99,391
Unclaimed Property	-	-	-	1,815
Administering Forfeited Tax Sale	-	-	-	357,189
Unorganized Road, Bridge, and Fire	-	-	509,822	509,822
Ditch Maintenance and Repairs	-	-	54,543	54,543
Committed for:				
Administration - Attorney Services	-	-	-	9,000
Auditor	-	-	-	3,000
Buildings - Capital	-	-	-	158,006
Community Corrections	-	-	-	1,374
Court Administration - Attorney Services	-	-	-	71,152
Elections - Voting Equipment	-	-	-	200,000
Attorney - Murder Trial	-	-	-	10,000
Sheriff - Radios	-	-	-	18,000
Sheriff - STS	-	-	-	30,000
Sheriff - Technology	-	-	-	48,050
Sheriff - Search and Rescue	-	-	-	41,992
Sheriff - Forfeiture	-	-	-	23,911
Sheriff - Enforcement	-	-	-	191,200
Sheriff - Snowmobile	-	-	-	8,000
Sheriff - Buildings and Structures	-	-	-	120,000
Treasurer - Equipment	-	-	-	5,774
Canine Replacement	-	-	-	10,000
FBL Vehicle	-	-	-	17,500
Economic Development - Walleye Tank Project	-	-	-	3,400
Buildings - Capital	-	-	-	160,000
Maintenance - Equipment	-	-	-	4,900
Maintenance - Service/Labor/Contracts	-	-	-	10,105
IT - Staff Training	-	-	-	15,718
IT - Networking Equipment	-	-	-	75,827
Central Services	-	-	-	80,878
Central Services - Service/Labor/Contracts	-	-	-	19,010
HR - Staff Training	-	-	-	5,000
Court Administration - Office Equipment	-	-	-	8,000
Veterans Service Officer	-	-	-	3,690
Assigned for:				
General Government	-	-	-	120,000
Highways and Streets	-	-	-	1,361,481
Sanitation	-	-	-	55,800
Health and Human Services	-	-	-	5,691,102
Forest Development	-	-	1,005,720	1,005,720
Unassigned	-	-	(17,621)	10,308,199
Total Fund Balances	-	-	2,677,520	25,375,058
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ -	\$ 1,278,921	\$ 2,734,270	\$ 34,096,757

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION –
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 25,375,058

Total net position reported for governmental activities in the Statement of Net Position is 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. 126,323,401

Other long-term assets (deferred inflows of resources) are not available to pay for current period expenditures and, therefore, are not reported in the funds. 4,748,047

Investment in joint venture is not available to pay for current-period expenditures and, therefore, is not reported in the governmental funds. 1,369,583

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	\$ (734,964)	
Deferred Inflows of Resources - OPEB Related	(36,632)	
Deferred Outflows of Resources - OPEB Related	<u>148,499</u>	(623,097)

The County's net pension asset and 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	(6,761,892)	
Net Pension Asset	102,840	
Deferred Inflows of Resources - Pension Related	(8,739,042)	
Deferred Outflows of Resources - Pension Related	<u>6,379,939</u>	(9,018,155)

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	(9,630,000)	
Unamortized Bond Premium	(125,519)	
Direct Borrowing - Septic Loans	(169,875)	
Compensated Absences	<u>(1,340,420)</u>	<u>(11,265,814)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 136,909,023

**AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge	Health and Human Services	Trust Fund
REVENUES				
Taxes	\$ 9,206,683	\$ 2,371,566	\$ 2,694,426	\$ -
Licenses and Permits	592,027	-	-	-
Intergovernmental	5,324,229	5,996,780	3,555,303	416,498
Charges for Services	1,064,070	1,139,050	558,535	32,927
Gifts and Contributions	15,025	-	-	-
Investment Earnings	(98,829)	-	-	-
Miscellaneous	655,772	23,293	225,133	1,431,244
Total Revenues	<u>16,758,977</u>	<u>9,530,689</u>	<u>7,033,397</u>	<u>1,880,669</u>
EXPENDITURES				
CURRENT				
General Government	6,476,791	-	-	28,986
Public Safety	6,866,661	-	-	-
Highways and Streets	-	12,082,551	-	-
Sanitation	388,321	-	-	-
Human Services	-	-	5,579,136	-
Health	3,167	-	885,046	-
Culture and Recreation	1,133,129	-	-	-
Conservation of Natural Resources	483,396	-	-	1,668,351
Economic Development	482,378	-	-	-
INTERGOVERNMENTAL				
Highways and Streets	-	419,081	-	-
DEBT SERVICE				
Principal	34,865	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>15,868,708</u>	<u>12,501,632</u>	<u>6,464,182</u>	<u>1,697,337</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	890,269	(2,970,943)	569,215	183,332
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	11,332	-	-	356
Loans Issued	46,382	-	-	-
Proceeds From Sale of Capital Assets	8,897	28,218	-	-
Transfers In	-	253,999	117,695	-
Transfers Out	(696,129)	(33,370)	-	(1,317,611)
Total Other Financing Sources (Uses)	<u>(629,518)</u>	<u>248,847</u>	<u>117,695</u>	<u>(1,317,255)</u>
NET CHANGE IN FUND BALANCE	260,751	(2,722,096)	686,910	(1,133,923)
Fund Balance - January 1	13,522,822	4,450,159	5,168,040	2,388,143
Increase (Decrease) in Inventories	-	76,732	-	-
FUND BALANCE - DECEMBER 31	<u>\$ 13,783,573</u>	<u>\$ 1,804,795</u>	<u>\$ 5,854,950</u>	<u>\$ 1,254,220</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Capital Projects	Opioid Remediation	Nonmajor Funds	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 791,124	\$ 15,063,799
Licenses and Permits	-	-	38,967	630,994
Intergovernmental	-	-	258,895	15,551,705
Charges for Services	-	-	-	2,794,582
Gifts and Contributions	-	-	-	15,025
Investment Earnings	16	-	13,512	(85,301)
Miscellaneous	450	-	401,904	2,737,796
Total Revenues	466	-	1,504,402	36,708,600
EXPENDITURES				
CURRENT				
General Government	110,347	-	2,921	6,619,045
Public Safety	-	-	30,512	6,897,173
Highways and Streets	-	-	222,827	12,305,378
Sanitation	-	-	-	388,321
Human Services	-	-	-	5,579,136
Health	-	-	-	888,213
Culture and Recreation	-	-	-	1,133,129
Conservation of Natural Resources	-	-	821,317	2,973,064
Economic Development	-	-	-	482,378
INTERGOVERNMENTAL				
Highways and Streets	-	-	-	419,081
DEBT SERVICE				
Principal	-	-	385,000	419,865
Interest	-	-	320,790	320,790
Total Expenditures	110,347	-	1,783,367	38,425,573
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(109,881)	-	(278,965)	(1,716,973)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	-	11,688
Loans Issued	-	-	-	46,382
Proceeds From Sale of Capital Assets	-	-	-	37,115
Transfers In	1,247,108	-	252,503	1,871,305
Transfers Out	-	-	(19,023)	(2,066,133)
Total Other Financing Sources (Uses)	1,247,108	-	233,480	(99,643)
NET CHANGE IN FUND BALANCE	1,137,227	-	(45,485)	(1,816,616)
Fund Balance - January 1	(1,137,227)	-	2,723,005	27,114,942
Increase (Decrease) in Inventories	-	-	-	76,732
FUND BALANCE - DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,677,520</u>	<u>\$ 25,375,058</u>

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
YEAR ENDED DECEMBER 31, 2021**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,816,616)

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	\$ 4,748,047	
Unavailable Revenue - January 1	(3,058,626)	1,689,421

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.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	7,527,398	
Net Book Value of Assets Sold	(29,574)	
Current Year Depreciation	(4,077,641)	3,420,183

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.

Proceeds for Debt Issuance Direct Borrowing - Septic Loans	(46,382)	
Principal Repayments General Obligation Bonds	385,000	
Direct Borrowing - Septic Loans	34,865	373,483

The increase in joint venture does not provide current financial resources and is not reported as revenue or expenses in the funds. 43,207

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	34,246	
Amortization of Premium	23,506	
Change in Inventories	76,732	
Change in Deferred Outflows of Resources - Pensions	4,887,645	
Change in Deferred Outflows of Resources - Other Postemployment Benefits	25,068	
Change in Net Pension Asset	102,840	
Change in Total Other Postemployment Benefits	2,345	
Change in Net Pension Liability	3,199,272	
Change in Deferred Inflows of Resources - Pensions	(6,613,416)	
Change in Deferred Inflows of Resources - Other Postemployment Benefits	12,362	1,750,600

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 5,460,278**

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, 2021**

ASSETS

CURRENT ASSETS

Petty Cash and Change Funds	\$	1,000
Accounts Receivable		1,925
Inventories		10,944
Total Current Assets		13,869

RESTRICTED ASSETS

Cash and Pooled Investments		2,036
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NONCURRENT ASSETS

Capital Assets:

Nondepreciable		15,400
Depreciable - Net		2,742,179
Total Noncurrent Assets		2,757,579

Total Assets		2,773,484
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows		82,953
Deferred OPEB Outflows		2,588
Total Deferred Outflows of Resources		85,541

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		9,921
Salaries Payable		16,316
Compensated Absences Payable - Current		20,115
Other Postemployment Benefits Liability - Due in Less than One Year		1,488
Total Current Liabilities		47,840

NONCURRENT LIABILITIES

Net Pension Liability		120,512
Other Postemployment Benefits Liability - Due in More than One Year		17,744
Total Noncurrent Liabilities		138,256
Total Liabilities		186,096

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows		113,159
Deferred OPEB Inflows		638
Total Deferred Inflows of Resources		113,797

NET POSITION

Investment in Capital Assets		2,757,579
Restricted for:		
Publications		2,036
Unrestricted		(200,483)
Total Net Position		\$ 2,559,132

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, 2021**

OPERATING REVENUES	
Tenant Rent	\$ 18,800
Program Packages	151,555
Resale	5,679
Miscellaneous	22,977
Total Operating Revenues	199,011
OPERATING EXPENSES	
Personal Services	239,168
Employee Benefits and Payroll Taxes	50,998
Other Services and Charges	17,438
Supplies	46,772
Utilities	51,073
Advertising	1,135
Insurance	11,566
Staff Training	80
Postage	44
Depreciation	160,021
Resale	4,220
Total Operating Expenses	582,515
OPERATING LOSS	(383,504)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	391
Gifts and Contributions	70
Insurance Proceeds	14,605
Total Nonoperating Revenues	15,066
LOSS BEFORE TRANSFERS	(368,438)
Transfers In	194,828
CHANGE IN NET POSITION	(173,610)
Net Position - January 1	2,732,742
NET POSITION - DECEMBER 31	\$ 2,559,132

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 197,086
Payments to Suppliers	(127,344)
Payments to Employees	(276,293)
Net Cash Used by Operating Activities	<u>(206,551)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund Borrowing	194,485
Intergovernmental	391
Contributions	70
Insurance Proceeds	14,605
Net Cash Provided by Noncapital Financing Activities	<u>209,551</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(2,000)
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NET INCREASE IN CASH AND CASH EQUIVALENTS

1,000

Cash and Cash Equivalents - Beginning of Year

2,036

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 3,036

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

Operating Loss	\$ (383,504)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	160,021
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(1,925)
Inventory	(2,622)
Deferred OPEB Outflows	(819)
Deferred Pension Outflows	(69,710)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	7,606
Salaries Payable	14,342
Compensated Absences Payable	16,896
Net Pension Liability	(49,879)
Deferred Pension Inflows	103,148
Total Other Postemployment Benefits Payable	(41)
Deferred OPEB Inflows	(64)
Net Cash Used by Operating Activities	<u><u>\$ (206,551)</u></u>

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

Petty Cash and Change Funds	\$ 1,000
Restricted Cash and Pooled Investments	2,036
Total Cash and Cash Equivalents	<u><u>\$ 3,036</u></u>

See accompanying Notes to Financial Statements.

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FIDUCIARY FUNDS

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AITKIN COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Pooled Investments	\$ 17,885	\$ 977,583
Due From Other Governments	-	18,227
Taxes For Other Governments	-	421,735
	<u>\$ 17,885</u>	<u>\$ 1,417,545</u>
Total Assets	<u>\$ 17,885</u>	<u>\$ 1,417,545</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 3,797
Due to Other Governments	-	845,905
Total Liabilities	<u>-</u>	<u>849,702</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Collected for Subsequent Period	<u>-</u>	<u>4,394</u>
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	<u>\$ 17,885</u>	<u>\$ 563,449</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Contributions - Individuals	\$ 375,590	\$ 107,535
Intergovernmental	-	68,636
Property Tax Collections for Other Governments	-	11,665,139
Fee Collections for Other Governments and Organizations	-	4,697
License and Fees Collected for State	-	7,957,577
Recoveries	-	295,146
Miscellaneous	-	385
Total Additions	375,590	20,099,115
DEDUCTIONS		
Beneficiary Payments to Individuals	395,916	92,064
Payments of Property Tax to Other Governments	-	11,589,180
Payments to State	-	8,252,776
Payments to Other Entities	-	81,722
Miscellaneous	-	236
Total Deductions	395,916	20,015,978
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(20,326)	83,137
Fiduciary Net Position - Beginning of Year	38,211	480,312
FIDUCIARY NET POSITION - END OF YEAR	\$ 17,885	\$ 563,449

See accompanying Notes to Financial Statements.

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AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021. 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 two jointly-governed organizations 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) net 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, which is funded primarily through property taxes, intergovernmental revenues, and charges for services.

The Health and Human Services Special Revenue Fund is used to account for economic assistance, community social services, and public health programs, which is funded primarily through property taxes and intergovernmental revenues.

The Trust Special Revenue Fund is used to account for law library, county development (con-con), missing heirs, insurance funds, and 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 of the forfeited land, 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 Opioid Remediation Special Revenue Fund is used to account for the County's share of the national opioid epidemic settlement that the County will be receiving over the next 18 years. These programs will be funded primarily through intergovernmental revenues.

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021. A market approach is used to value all investments other than external investment pools, which are measured at amortized cost. 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 2021 were a deficit of \$85,301.

AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 \$158,234. 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 2016 through 2021. 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 one year. 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.

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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/asset, 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 the purposes of measuring the OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB Plan and additions/deductions from the Plan 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The OPEB liability is generally liquidated in the General Fund and applicable Special Revenue funds.

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 four such items that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments receivable, forfeited tax sale receivable, and grant monies, including the opioid settlement, 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 as described in Note 4. These inflows arise only under the full accrual basis of accounting and 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. The final type occurs because the County collected property taxes prior to the year for which they were levied and, therefore, the County will report deferred inflows for these items until they are earned.

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 effective interest 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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:

Net 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 net 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 by enabling legislation at December 31, 2021 was \$3,924,809.

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 40 to 50% of the prior year's General Fund total operating expenditures. At December 31, 2021, 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

Ditch Special Revenue Fund

Nine of 14 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, 2021:

Account Balances	\$	54,543
Account Deficits		(17,621)
Fund Balance		<u><u>\$ 36,922</u></u>

B. Expenditures in Excess of Budget

The following governmental funds had expenditures in excess of budget for the year ended December 31, 2021:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 15,868,708	\$ 15,775,924	\$ 92,784
Special Revenue Funds:			
Road and Bridge	12,501,632	11,038,876	1,462,756
Trust Fund	1,697,337	1,169,335	528,002
Forest Development	821,317	798,074	23,243
Unorganized Road, Bridge, and Fire	256,260	88,350	167,910

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

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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	\$ 27,176,447
Petty Cash and Change Funds	6,750
Cash with Fiscal Agent	75,247

Business-Type Activities:

Petty Cash and Change Funds	1,000
Cash and Pooled Investments - Restricted Assets	2,036

Statement of Fiduciary Net Position:

Cash and Pooled Investments	995,468
Total Cash and Investments	\$ 28,256,948

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, 2021, the County's deposits were not exposed to custodial credit risk.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, 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, 2021, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Rate Risk Maturity Date	
Negotiable Certificates of Deposit	N/R	N/A	11.69% *	N/A	\$ 2,416,791
U.S. Government Agency Securities					
Federal Home Loan Bank Bonds	AAA	Moody's		3/3/2026	1,178,784
Federal Home Loan Bank Bonds	AAA	Moody's		11/25/2025	980,000
Federal Home Loan Bank Bonds	AAA	Moody's		4/28/2026	995,900
Federal Home Loan Bank Bonds	AAA	Moody's		5/12/2026	993,620
Federal Home Loan Bank Bonds	AAA	Moody's		5/27/2026	992,770
Federal Home Loan Bank Bonds	AAA	Moody's		6/30/2026	1,974,760
Federal Home Loan Bank Bonds	AAA	Moody's		6/30/2026	1,971,560
Federal Home Loan Bank Bonds	AAA	Moody's		7/13/2026	989,470
Federal Home Loan Bank Bonds	AAA	Moody's		10/13/2026	990,940
Federal Home Loan Bank Bonds	AAA	Moody's		11/24/2026	999,200
Total Federal Home Loan Mortgage Bank Bonds			N/A**		12,067,004
Federal Home Loan Mortgage Corporation Pool	AAA	Moody's	N/A**	11/24/2023	992,530
Total U.S. Government Agency Securities					13,059,534
Investment Pools					
MAGIC Fund	N/R	N/A	N/A**	N/A	5,192,940
Total Investments					20,669,265
Deposits					7,504,686
Petty Cash and Change Funds					7,750
Cash with Fiscal Agent					75,247
Total Cash and Investments					\$ 28,256,948

N/A - Not Applicable

N/R - Not Rated

* No individual issuer in excess of 5%

** Not applicable to U.S. Government investments and external investment pools

AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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
Investments by Fair Market Value:				
Federal Home Loan Mortgage Corporation	\$ -	\$ 992,530	\$ -	\$ 992,530
Federal Home Loan Bank	-	12,067,004	-	12,067,004
Negotiable CD's	-	2,416,791	-	2,416,791
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 15,476,325</u>	<u>\$ -</u>	<u>15,476,325</u>
Investments Measured at Amortized Cost:				
MAGIC Portfolio				<u>5,192,940</u>
Total Investments				20,669,265
Deposits				7,504,686
Petty Cash				7,750
Cash with Fiscal Agent				75,247
Total Deposits and Investments				<u>\$ 28,256,948</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.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables, net of uncollectible amounts, as of December 31, 2021, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 335,604	\$ -
Special Assessments	12,439	-
Accounts	2,012,636	-
Accrued Interest	33,472	-
Loans	94,628	68,440
Due from Other Governments	3,446,417	1,203,921
Total Governmental Activities	\$ 5,935,196	\$ 1,272,361

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. The entire loan balance is considered to be collectible in full.

An allowance for uncollectible accounts receivable related to timber sales is included in the above figures for accounts receivable. The allowance at December 31, 2021, is \$158,234. The County developed an estimate of this allowance based on historical trends related to collectability of the timber permits. All other receivables are considered collectible in full. The \$68,440 of loans receivable not scheduled to be collected during the subsequent year relates to the long-term portion of the balance outstanding. The \$1,203,921 not scheduled to be collected during the subsequent year in due from other governments relates to the National Opioid Epidemic Settlement receivable the County participated in. The County will receive these funds over a period of 18 years beginning in 2022.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Depreciated				
Land	\$ 3,725,773	\$ -	\$ -	\$ 3,725,773
Construction in Progress	12,771,452	7,660,229	19,874,770	556,911
Total Capital Assets Not Depreciated	16,497,225	7,660,229	19,874,770	4,282,684
Capital Assets Depreciated				
Buildings	15,454,322	12,721,481	-	28,175,803
Machinery, Furniture, and Equipment	12,889,287	184,694	156,217	12,917,764
Land Improvements	29,898	-	-	29,898
Infrastructure	133,170,247	6,835,764	-	140,006,011
Total Capital Assets Depreciated	161,543,754	19,741,939	156,217	181,129,476
Less: Accumulated Depreciation for				
Buildings	9,516,514	591,576	-	10,108,090
Machinery, Furniture, and Equipment	8,250,461	751,774	126,643	8,875,592
Land Improvements	8,970	2,990	-	11,960
Infrastructure	37,361,816	2,731,301	-	40,093,117
Total Accumulated Depreciation	55,137,761	4,077,641	126,643	59,088,759
Total Capital Assets Depreciated, Net	106,405,993	15,664,298	29,574	122,040,717
Governmental Activities				
Capital Assets, Net	<u>\$ 122,903,218</u>	<u>\$ 23,324,527</u>	<u>\$ 19,904,344</u>	<u>\$ 126,323,401</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	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	150,053	2,000	-	152,053
Total Capital Assets Depreciated	6,592,234	2,000	-	6,594,234
Less: Accumulated Depreciation for				
Buildings	3,560,074	153,908	-	3,713,982
Machinery, Furniture, and Equipment	131,960	6,113	-	138,073
Total Accumulated Depreciation	3,692,034	160,021	-	3,852,055
Total Capital Assets Depreciated, Net	2,900,200	(158,021)	-	2,742,179
Governmental Activities				
Capital Assets, Net	<u>\$ 2,915,600</u>	<u>\$ (158,021)</u>	<u>\$ -</u>	<u>\$ 2,757,579</u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:		
General Government	\$	594,434
Public Safety		197,312
Highways and Streets, Including Depreciation of Infrastructure Assets		3,200,487
Sanitation		4,417
Human Services		39,393
Culture and Recreation		17,814
Conservation of Natural Resources		<u>23,784</u>
Total Depreciation Expense - Governmental Activities	\$	<u>4,077,641</u>
Business-Type Activities:		
Long Lake Conservation Center	\$	<u>160,021</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Trust Fund	\$ 208,105
Road and Bridge Fund	Nonmajor Governmental Funds	7,547
Nonmajor Governmental Funds	Trust Fund	<u>240,303</u>
Total Due To/From Other Funds		<u>\$ 455,955</u>

The due from other funds above relate to: (1) the annual Trust fund apportionment that distributes the current year activity for Trust funds to the necessary funds based on state statute; and (2) charges for annual maintenance services provided by road and bridge fund.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, consisted of the following:

Interfund Transfer	Amount	Description
Transfer to Road and Bridge Fund from Trust Fund	\$ 248,478	Support Maintenance Costs
Nonmajor governmental funds	5,521	Assessment and Maintenance of Ditches
Total Transferred to Road and Bridge Fund	253,999	
Transfer to Health and Human Services Fund from General Fund	117,695	Pandemic staff costs and computer equipment
Transfer to Capital Projects Fund from General Fund	397,108	Closing of Capital Projects Fund
Trust Fund	850,000	Closing of Capital Projects Fund
Total Transferred to Capital Projects Fund	1,247,108	
Transfer to Nonmajor Governmental Funds from Road and Bridge Fund	33,370	Gas Tax Allocation
Trust Fund	219,133	Support Surveyor Staff Costs
Total Transferred to Nonmajor Governmental Funds	252,503	
Transfers to Long Lake Conservation Center Enterprise Fund from:		
General Fund	181,326	Pandemic shortfalls
Nonmajor governmental funds	13,502	Support Maintenance Costs
Total Transferred to Long Lake Conservation Center Enterprise Fund	194,828	
Total Interfund Transfers	\$ 2,066,133	

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, 2021 is \$265,367.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021
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	\$ 9,630,000 125,519
Total General Obligation Bonds, Net					<u>\$ 9,755,519</u>
Direct Borrowing - Septic Loans Payable					
AgBMP Septic Loans	2031	\$ 2,500 - 19,287	0.00	\$ 474,549	<u>\$ 169,875</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. In the event of default, all loans will become due and payable.

3. Debt Service Requirements

Governmental Activities

<u>Year Ending December 31,</u>	General Obligation Bonds		Direct Borrowing AgBMP Septic Loans	
2022	\$ 395,000	\$ 309,090	\$ 26,188	\$ -
2023	405,000	297,090	28,500	-
2024	420,000	280,515	24,413	-
2025	440,000	259,015	16,933	-
2026	460,000	236,515	14,923	-
2027 - 2031	2,560,000	959,847	56,483	-
2032 - 2036	2,950,000	555,501	2,435	-
2037 - 2039	2,000,000	98,303	-	-
Totals	<u>\$ 9,630,000</u>	<u>\$ 2,995,876</u>	<u>\$ 169,875</u>	<u>\$ -</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 10,015,000	\$ -	\$ 385,000	\$ 9,630,000	\$ 395,000
Issuance Premiums	149,025	-	23,506	125,519	-
Direct Borrowing - Septic Loans	158,358	46,382	34,865	169,875	26,188
Compensated Absences	<u>1,374,666</u>	<u>1,428,681</u>	<u>1,462,927</u>	<u>1,340,420</u>	<u>1,340,420</u>
Governmental Activities Long-Term Liabilities	<u>\$ 11,697,049</u>	<u>\$ 1,475,063</u>	<u>\$ 1,906,298</u>	<u>\$ 11,265,814</u>	<u>\$ 1,761,608</u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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	\$ 3,219	\$ 26,054	\$ 9,158	\$ 20,115	\$ 20,115

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

5. Construction Commitments

The County has active construction projects as of December 31, 2021. The projects include the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
County Road Projects	\$ 10,493,023	\$ 216,991
Courthouse Stairs Project	156,400	72,000
Total	<u>\$ 10,649,423</u>	<u>\$ 288,991</u>

6. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes/special assessments, grants, forfeiture tax, and other receivables not collected soon enough after year-end to pay liabilities of the current period as well as property taxes collected prior to the year for which they were levied. Deferred inflows of resources at December 31, 2021 are summarized below by fund:

	Taxes/Special Assessments	Grants	Forfeiture Tax	Other	Sub-Total	Property Taxes Received for Future	Grand Total
Major Governmental Funds:							
General	\$ 203,850	\$ 150	-	\$ 18,196	\$ 222,196	\$ 4,663	\$ 226,859
Road and Bridge	53,693	1,250,705	-	24,770	1,329,168	1,224	1,330,392
Health and Human Services	61,728	450,689	-	2,091	514,508	1,390	515,898
Trust Fund	-	-	1,374,482	-	1,374,482	-	1,374,482
Opioid Remediation	-	-	-	1,278,921	1,278,921	-	1,278,921
Nonmajor Governmental Funds:							
Ditch	12,439	-	-	-	12,439	-	12,439
Debt Service	16,333	-	-	-	16,333	366	16,699
Total	<u>\$ 348,043</u>	<u>\$ 1,701,544</u>	<u>\$ 1,374,482</u>	<u>\$ 1,323,978</u>	<u>\$ 4,748,047</u>	<u>\$ 7,643</u>	<u>\$ 4,755,690</u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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

2. Public Employees Police and Fire Plan

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

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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. 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 is 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 ten 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021 and Aitkin 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, 2021, were \$776,097. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the County was required to contribute 17.70% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$248,733. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83% of their annual covered salary in fiscal year 2021 and the County was required to contribute 8.75% for Correctional Plan members. The County's contributions to the Correctional Fund for the year ended December 31, 2021, were \$118,146. The County's contributions were equal to the required contributions as set by state statute.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the County reported a liability of \$6,025,602 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's totaled \$183,998.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1411% at the end of the measurement period and 0.1421% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$	6,025,602
State of Minnesota's Proportionate Share of the Net		
Pension Liability Associated with the County		183,998
Total	\$	<u><u>6,209,600</u></u>

For the year ended December 31, 2021, the County recognized pension expense (revenue) of (\$44,865) for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$14,846 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2021, 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	\$ 37,020	\$ 184,400
Changes in Actuarial Assumptions	3,679,108	133,290
Net Collective Difference Between Projected and Actual Investment Earnings	-	5,218,426
Changes in Proportion	6,371	121,846
Contributions Paid to PERA Subsequent to the Measurement Date	425,127	-
Total	<u>\$ 4,147,626</u>	<u>\$ 5,657,962</u>

The \$425,127 reported as deferred outflows of resources related to pensions resulting from Aitkin County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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>	Pension Expense Amount
2022	\$ (347,479)
2023	(102,506)
2024	(62,142)
2025	(1,423,336)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the County reported a liability of \$856,802 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1110% at the end of the measurement period and 0.1091% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2021, the County recognized pension expense (revenue) of (\$112,561) for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$7,016 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$9,990 for the year ended December 31, 2021 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	\$	856,802
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		38,523
Total	\$	895,325

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2021, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 164,559	\$ -
Changes in Actuarial Assumptions	1,259,276	470,760
Net Collective Difference Between Projected and Actual Investment Earnings	-	1,637,132
Changes in Proportion	45,648	173,184
Contributions Paid to PERA Subsequent to the Measurement Date	138,441	-
Total	<u>\$ 1,607,924</u>	<u>\$ 2,281,076</u>

The \$138,441 reported as deferred outflows of resources related to pensions resulting from Aitkin County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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
2022	\$ (610,656)
2023	(138,366)
2024	(148,024)
2025	(195,492)
2026	280,945

3. Correctional Plan Pension Costs

At December 31, 2021, the County reported an asset of \$102,840 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.626% at the end of the measurement period and 0.641% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

For the year ended December 31, 2021 the County recognized pension expense (revenue) of (\$280,351) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2021, 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	\$ -	\$ 58,653
Changes in Actuarial Assumptions	643,745	9,639
Net Collective Difference Between Projected and Actual Investment Earnings	-	825,642
Changes in Proportion	-	19,229
Contributions Paid to PERA Subsequent to the Measurement Date	63,597	-
Total	<u>\$ 707,342</u>	<u>\$ 913,163</u>

The \$63,597 reported as deferred outflows of resources related to pensions resulting from Aitkin County contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Pension Expense Amount
2022	\$ (42,630)
2023	(13,915)
2024	11,548
2025	(224,421)

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

E. Summary

The aggregate amount of net pension liability, net pension asset deferred outflows of resources, deferred inflows of resources, and pension expense (revenue) 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	\$ 6,025,602	\$ 856,802	\$ -	\$ 6,882,404
Net Pension Asset	-	-	102,840	102,840
Deferred Outflows of Resources Related to Pensions	4,147,626	1,607,924	707,342	6,462,892
Deferred Inflows of Resources Related to Pensions	5,657,962	2,281,076	913,163	8,852,201
Pension Expense (Revenue)	(30,019)	(105,545)	(280,351)	(415,915)

F. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by 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 Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
Totals	<u>100.0 %</u>	

G. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

G. Actuarial Assumptions (Continued)

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

G. Actuarial Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

G. Actuarial Assumptions (Continued)

Correctional Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

H. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

I. Pension Liability Sensitivity

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

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PENSION PLANS (CONTINUED)

I. Pension Liability Sensitivity (Continued)

Description	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
County's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 12,289,152	\$ 6,025,602	\$ 885,977
County's Proportionate Share of the Police and Fire Fund Net Pension Liability (Asset)	2,720,203	856,802	(670,724)
County's Proportionate Share of the Correctional Fund Net Pension Liability (Asset)	1,070,278	(102,840)	(1,033,833)

J. 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 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	Rate
\$ 8,423	\$ 8,423	5%	5%	5%

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 defined benefit 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. A total of 10 employees elected to take the incentive, and they will receive the early retirement incentive until they reach the age of 63. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of the January 1, 2020 valuation, 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, 2021, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

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	6.25% Decreasing to 5.00% Over 5 Years then to 4.00% Over 48 Years

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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 PERA actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016.

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is equal to the 20-Year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.

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

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

D. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of January 1, 2021	\$ 756,582
Changes for the Year:	
Service Cost	35,952
Interest	21,684
Assumption Changes	30,230
Benefit Payments	\$ (90,252)
Net Change in Total OPEB Liability	(2,386)
Balance as of December 31, 2021	\$ 754,196

Of the \$754,196 total OPEB liability, \$100,693 is due within one year. 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:

<u>Discount Rate Sensitivity</u>	<u>1% Decrease (1.00%)</u>	<u>Discount Rate (2.00%)</u>	<u>1% Increase (3.00%)</u>
Total OPEB Liability	\$ 794,525	\$ 754,196	\$ 715,889

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 or 1% higher than the current healthcare cost trend rates:

<u>Medical Trend Rate Sensitivity</u>	<u>1% Decrease (5.25% Decreasing to 4.00% then 3.00%)</u>	<u>Current Trend Rates (6.25% Decreasing to 5.00% then 4.00%)</u>	<u>1% Increase (7.25% Decreasing to 6.00% then 5.00%)</u>
Total OPEB Liability	\$ 695,826	\$ 754,196	\$ 821,292

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Changes in Total OPEB Liability (Continued)

For the year ended December 31, 2021, the County recognized OPEB expense of \$59,994. At December 31, 2021, the County reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 50,394	\$ 11,024
Liability Gain or Loss	-	26,246
Contributions Subsequent to the Measurement Date	100,693	-
Total	<u>\$ 151,087</u>	<u>\$ 37,270</u>

\$100,693 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized over 4 years and will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>OPEB Expense Amount</u>
2022	\$ 2,358
2023	2,358
2024	2,362
2025	6,046

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.

AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 RISK MANAGEMENT (CONTINUED)

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 2021. 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021. 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 \$1,000 to this organization during 2021. 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, Mahnommen, 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 no funding to this organization during 2021. 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:

Lake of the Woods County
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 2021. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021. 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021. 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 \$143,715 to this organization during 2021. 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 2021 was \$233,577. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021. 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, 2021. 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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 \$1,369,583 on December 31, 2021, and is reported as an investment in joint venture on the government-wide statement of net position and appropriations in 2021 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.

Minnesota Rural Counties

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Becker, Beltrami, Big Stone, Clay, Clearwater, Cottonwood, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomon, Marshall, McLeod, Mille Lacs, Morrison, Norman, Pennington, Polk, Pope, Red Lake, Renville, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, and Wilkin Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of 12 appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each county also appoints a delegate and alternate to the Board of Directors. Aitkin County's responsibility does not extend beyond making these appointments. Aitkin County has no operational or financial control over the Caucus.

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.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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.

NOTE 9 TAX ABATEMENTS

The County has two pay-as-you-go tax increment financing districts with local businesses pursuant to Minn. Stat. § 469.174-1799. The County is currently collecting tax increments that are paid through the property tax collection processes. The requirement for businesses to receive the excess tax increments from the County is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The two TIF districts that exist in Aitkin County boundaries are listed below.

<u>Purpose</u>	<u>Name</u>	<u>City</u>	<u>Decertification Date</u>	<u>Captured Net Tax Capacity</u>	<u>Excess Tax Increment Paid During 2021</u>
Housing	TIF 2	McGregor	12/31/2033	\$ 11,987	\$ 16,639
Housing	TIF 1-9	Aitkin	12/31/2042	26,834	32,705

NOTE 10 SUBSEQUENT EVENT

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Aitkin County, the amount to be received as a result of this litigation is \$1,278,921, to be received over 18 years, which has been recorded as due from other governments in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

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**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,634,288	\$ 9,634,288	\$ 9,206,683	\$ (427,605)
Licenses and Permits	372,770	372,770	592,027	219,257
Intergovernmental	3,514,228	3,514,228	5,324,229	1,810,001
Charges for Services	1,027,136	1,027,136	1,064,070	36,934
Gifts and Contributions	100	100	15,025	14,925
Investment Earnings	300,000	300,000	(98,829)	(398,829)
Miscellaneous	661,436	661,436	655,772	(5,664)
Total Revenues	15,509,958	15,509,958	16,758,977	1,249,019
EXPENDITURES				
CURRENT				
General Government:				
Commissioners	261,142	261,142	260,228	914
Courts	91,500	91,500	43,345	48,155
County Administration	201,081	201,081	186,430	14,651
Human Resources	353,836	353,836	321,466	32,370
County Auditor	607,637	607,637	587,477	20,160
Motor Vehicle	202,611	202,611	214,402	(11,791)
County Treasurer	306,942	306,942	288,228	18,714
County Assessor	892,681	892,681	825,247	67,434
Elections	67,900	67,900	20,908	46,992
Data Processing	712,747	712,747	705,101	7,646
Central Services	237,381	237,381	235,453	1,928
County Attorney	1,157,037	1,157,037	1,039,773	117,264
County Recorder	396,871	396,871	418,748	(21,877)
Planning and Zoning	482,063	482,063	498,370	(16,307)
Buildings and Plant	60,000	60,000	175,763	(115,763)
Maintenance	498,373	498,373	486,864	11,509
Veterans Service Officer	160,334	160,334	159,735	599
Motor Pool	9,700	9,700	7,398	2,302
Housing and Development	2,000	2,000	1,855	145
Total General Government	6,701,836	6,701,836	6,476,791	225,045

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Public Safety:				
County Sheriff	\$ 2,704,395	\$ 2,704,395	\$ 2,547,481	\$ 156,914
Boat and Water Safety	119,983	119,983	88,017	31,966
Snowmobile	54,284	54,284	39,521	14,763
Coroner	81,500	81,500	77,813	3,687
E-911 System	-	-	131,045	(131,045)
Corrections (Jail)	3,242,036	3,242,036	3,002,690	239,346
Community Corrections (Sheriff)	970,114	970,114	783,005	187,109
Crime Victim	88,965	88,965	81,390	7,575
Civil Defense	53,274	53,274	78,314	(25,040)
Other Public Safety	31,868	31,868	37,385	(5,517)
Total Public Safety	<u>7,346,419</u>	<u>7,346,419</u>	<u>6,866,661</u>	<u>479,758</u>
Sanitation:				
Solid Waste	357,124	357,124	342,311	14,813
Environmental Health	83,396	83,396	46,010	37,386
Total Sanitation	<u>440,520</u>	<u>440,520</u>	<u>388,321</u>	<u>52,199</u>
Health:				
Water Wells	5,500	5,500	3,167	2,333
Culture and Recreation:				
Parks	697,965	697,965	835,728	(137,763)
Regional Library	294,277	294,277	295,116	(839)
Tourism	10,000	10,000	2,285	7,715
Total Culture and Recreation	<u>1,002,242</u>	<u>1,002,242</u>	<u>1,133,129</u>	<u>(130,887)</u>
Conservation of Natural Resources:				
Cooperative Extension	83,671	83,671	76,419	7,252
Soil and Water Conservation	88,268	88,268	381,065	(292,797)
Agricultural Society/County Fair	25,050	25,050	25,912	(862)
Total Conservation of Natural Resources	<u>196,989</u>	<u>196,989</u>	<u>483,396</u>	<u>(286,407)</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Economic Development:				
Airports	\$ 28,707	\$ 28,707	\$ 28,707	\$ -
Other	53,711	53,711	453,671	(399,960)
Total Economic Development	<u>82,418</u>	<u>82,418</u>	<u>482,378</u>	<u>(399,960)</u>
Debt Service:				
Principal	-	-	34,865	(34,865)
Total Expenditures	<u>15,775,924</u>	<u>15,775,924</u>	<u>15,868,708</u>	<u>(92,784)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(265,966)	(265,966)	890,269	1,156,235
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	6,000	6,000	11,332	5,332
Loans Issued	-	-	46,382	46,382
Proceeds From Sale of Capital Assets	22,500	22,500	8,897	(13,603)
Transfers In	125,000	125,000	-	(125,000)
Transfers Out	(74,950)	(74,950)	(696,129)	(621,179)
Total Other Financing Sources (Uses)	<u>78,550</u>	<u>78,550</u>	<u>(629,518)</u>	<u>(708,068)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (187,416)</u>	<u>\$ (187,416)</u>	260,751	<u>\$ 448,167</u>
Fund Balance - January 1			<u>13,522,822</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 13,783,573</u>	

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,492,586	\$ 2,492,586	\$ 2,371,566	\$ (121,020)
Intergovernmental	7,712,210	7,712,210	5,996,780	(1,715,430)
Charges for Services	434,780	434,780	1,139,050	704,270
Miscellaneous	246,000	246,000	23,293	(222,707)
Total Revenues	<u>10,885,576</u>	<u>10,885,576</u>	<u>9,530,689</u>	<u>(1,354,887)</u>
EXPENDITURES				
CURRENT				
Highways and Streets:				
Administration	570,550	570,550	597,231	(26,681)
Engineering	569,342	569,342	534,854	34,488
Maintenance	3,186,949	3,186,949	3,809,598	(622,649)
Construction	5,499,950	5,499,950	6,240,462	(740,512)
Equipment and Maintenance Shops	793,885	793,885	900,406	(106,521)
Total Highways and Streets	<u>10,620,676</u>	<u>10,620,676</u>	<u>12,082,551</u>	<u>(1,461,875)</u>
INTERGOVERNMENTAL				
Highways and Streets	418,200	418,200	419,081	(881)
Total Expenditures	<u>11,038,876</u>	<u>11,038,876</u>	<u>12,501,632</u>	<u>(1,462,756)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(153,300)	(153,300)	(2,970,943)	(2,817,643)
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale of Capital Assets	3,000	3,000	28,218	25,218
Transfers In	192,800	192,800	253,999	61,199
Transfers Out	(42,500)	(42,500)	(33,370)	9,130
Total Other Financing Sources (Uses)	<u>153,300</u>	<u>153,300</u>	<u>248,847</u>	<u>95,547</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	(2,722,096)	<u>\$ (2,722,096)</u>
Fund Balance - January 1			4,450,159	
Increase (Decrease) in Inventories			<u>76,732</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 1,804,795</u>	

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,830,711	\$ 2,830,711	\$ 2,694,426	\$ (136,285)
Intergovernmental	3,284,540	3,284,540	3,555,303	270,763
Charges for Services	383,650	383,650	558,535	174,885
Miscellaneous	236,250	236,250	225,133	(11,117)
Total Revenues	<u>6,735,151</u>	<u>6,735,151</u>	<u>7,033,397</u>	<u>298,246</u>
EXPENDITURES				
CURRENT				
Human Services:				
Income Maintenance	1,937,374	1,937,374	1,821,088	116,286
Social Services	4,448,950	4,448,950	3,758,048	690,902
Total Human Services	<u>6,386,324</u>	<u>6,386,324</u>	<u>5,579,136</u>	<u>807,188</u>
Health:				
Women, Infants, and Children	11,635	11,635	6,515	5,120
Nursing Service	45,750	45,750	67,979	(22,229)
Maternal and Child Health	12,500	12,500	13,769	(1,269)
Miscellaneous	828,942	828,942	796,783	32,159
Total Health	<u>898,827</u>	<u>898,827</u>	<u>885,046</u>	<u>13,781</u>
Total Expenditures	<u>7,285,151</u>	<u>7,285,151</u>	<u>6,464,182</u>	<u>820,969</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(550,000)	(550,000)	569,215	1,119,215
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	117,695	117,695
NET CHANGE IN FUND BALANCE	<u>\$ (550,000)</u>	<u>\$ (550,000)</u>	686,910	<u>\$ 1,236,910</u>
Fund Balance - January 1			<u>5,168,040</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 5,854,950</u>	

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA MINNESOTA
BUDGETARY COMPARISON SCHEDULE
TRUST SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 317,000	\$ 317,000	\$ 416,498	\$ 99,498
Charges for Services	30,000	30,000	32,927	2,927
Miscellaneous	1,400,000	1,400,000	1,431,244	31,244
Total Revenues	<u>1,747,000</u>	<u>1,747,000</u>	<u>1,880,669</u>	<u>133,669</u>
EXPENDITURES				
CURRENT				
General Government:				
Law Library	30,000	30,000	28,986	1,014
Conservation of Natural Resources:				
County Development	275,000	275,000	119,693	155,307
Forfeited Tax	864,335	864,335	1,548,658	(684,323)
Total Conservation of Natural Resources	<u>1,139,335</u>	<u>1,139,335</u>	<u>1,668,351</u>	<u>(529,016)</u>
Total Expenditures	<u>1,169,335</u>	<u>1,169,335</u>	<u>1,697,337</u>	<u>(528,002)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	577,665	577,665	183,332	(394,333)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	400	400	356	(44)
Transfers In	-	-	-	-
Transfers Out	(226,937)	(226,937)	(1,317,611)	(1,090,674)
Total Other Financing Sources (Uses)	<u>(226,537)</u>	<u>(226,537)</u>	<u>(1,317,255)</u>	<u>(1,090,718)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 351,128</u>	<u>\$ 351,128</u>	(1,133,923)	<u>\$ (1,485,051)</u>
Fund Balance - January 1			<u>2,388,143</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 1,254,220</u>	

See accompanying Notes to Required Supplementary Information.

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

	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability				
Service Cost	\$ 35,952	\$ 30,735	\$ 37,088	\$ 37,112
Interest	21,684	28,755	22,251	20,684
Assumption Changes	30,230	43,686	(22,052)	-
Plan Changes	-	-	84,077	-
Differences Between Actual and Expected Experience	-	(43,746)	-	-
Benefit Payments	(90,252)	(57,101)	(8,537)	(12,000)
Net Change in Total OPEB Liability	(2,386)	2,329	112,827	45,796
Total OPEB Liability - Beginning	756,582	754,253	641,426	595,630
Total OPEB Liability - Ending	<u>\$ 754,196</u>	<u>\$ 756,582</u>	<u>\$ 754,253</u>	<u>\$ 641,426</u>
 Covered Employee Payroll	 \$ 10,369,279	 \$ 10,042,885	 \$ 10,706,791	 \$ 10,085,813
County's OPEB Liability as a Percentage of Covered Employee Payroll	7%	8%	7%	6%

Note 1: The County implemented GASB Statement No. 75 in 2018. 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 (ASSET)**

PERA 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
2021	0.1411%	\$ 6,025,602	\$ 183,998	\$ 6,209,600	\$ 10,157,947	59.32%	87.00%
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%

PERA 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
2021	0.111%	\$ 856,802	\$ 38,523	\$ 895,325	\$ 1,312,350	65.29%	93.66%
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%

PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN

Measurement Date	Employer's Portion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2021	0.626%	\$ (102,840)	\$ 1,384,153	(7.43%)	101.61%
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.

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA MINNESOTA
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2021**

PERA 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
2021	\$ 776,097	\$ 776,097	\$ -	\$ 10,347,960	7.50%
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%

PERA 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
2021	\$ 248,733	\$ 248,733	\$ -	\$ 1,405,271	17.70%
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%

PERA 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
2021	\$ 118,146	\$ 118,146	\$ -	\$ 1,350,240	8.75%
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.

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

NOTE 1 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual budgets are not adopted for the Capital Projects Fund, Opioid Remediation Special Revenue Fund, and Ditch Special Revenue Fund. 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, 2021. 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	\$ 15,868,708	\$ 15,775,924	\$ 92,784
Special Revenue Funds:			
Road and Bridge	12,501,632	11,038,876	1,462,756
Trust Fund	1,697,337	1,169,335	528,002

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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, 2021.

General Employees Plan

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes 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 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.

AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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

General Employees Plan (Continued)

2020 (Continued)

Changes in Plan Provisions:

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

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement 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 starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- 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.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

General Employees Fund (Continued)

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 postretirement 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.

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 postretirement 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.

2015

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Police and Fire Plan

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provision:

- There have been no changes since the prior valuation.

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 MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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 MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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 postretirement 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 postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- 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.

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions:

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

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Correctional Plan

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes 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.

**AITKIN COUNTY, MINNESOTA MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Correctional Plan (Continued)

2019 (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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 postretirement 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 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50% per year with a provision to reduce to 1.00% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 2.50%, 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 1.50%.
- 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 30.00% for vested and nonvested, deferred members. The CSA has been changed to 35.00% for vested members and 1.00% 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 MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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.

2015

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

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:

2021

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

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

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GOVERNMENTAL FUNDS

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**AITKIN COUNTY, MINNESOTA
DESCRIPTION OF FUNDS – NONMAJOR
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

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, 2021**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
ASSETS				
Cash and Pooled Investments	\$ 788,951	\$ 513,900	\$ 36,922	\$ 1,339,773
Taxes Receivable:				
Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	12,439	12,439
Due from Other Funds	233,913	6,390	-	240,303
Total Assets	<u>\$ 1,022,864</u>	<u>\$ 520,290</u>	<u>\$ 49,361</u>	<u>\$ 1,592,515</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 144	\$ 2,921	\$ -	\$ 3,065
Salaries Payable	16,350	-	-	16,350
Due to Other Funds	-	7,547	-	7,547
Due to Other Governments	650	-	-	650
Total Liabilities	<u>17,144</u>	<u>10,468</u>	<u>-</u>	<u>27,612</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Received for Future Years	-	-	-	-
Unavailable Revenue	-	-	12,439	12,439
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>12,439</u>	<u>12,439</u>
FUND BALANCES				
Nonspendable for:				
Environmental Uses	-	-	-	-
Restricted for:				
Debt Service	-	-	-	-
Unorganized Road, Bridge, and Fire	-	509,822	-	509,822
Ditch Maintenance and Repairs	-	-	54,543	54,543
Assigned for:				
Forest Development	1,005,720	-	-	1,005,720
Unassigned	-	-	(17,621)	(17,621)
Total Fund Balances	<u>1,005,720</u>	<u>509,822</u>	<u>36,922</u>	<u>1,552,464</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,022,864</u>	<u>\$ 520,290</u>	<u>\$ 49,361</u>	<u>\$ 1,592,515</u>

**AITKIN COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2021**

	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	Total Nonmajor
	<u>Debt Service</u>	<u>Environmental</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and Pooled Investments	\$ 667,603	\$ 457,819	\$ 2,465,195
Taxes Receivable:			
Delinquent	16,333	-	16,333
Special Assessments Receivable:			
Delinquent	-	-	12,439
Due from Other Funds	-	-	240,303
Total Assets	<u>\$ 683,936</u>	<u>\$ 457,819</u>	<u>\$ 2,734,270</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 3,065
Salaries Payable	-	-	16,350
Due to Other Funds	-	-	7,547
Due to Other Governments	-	-	650
Total Liabilities	<u>-</u>	<u>-</u>	<u>27,612</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	366	-	366
Unavailable Revenue	16,333	-	28,772
Total Deferred Inflows of Resources	<u>16,699</u>	<u>-</u>	<u>29,138</u>
FUND BALANCES			
Nonspendable for:			
Environmental Uses	-	457,819	457,819
Restricted for:			
Debt Service	667,237	-	667,237
Unorganized Road, Bridge, and Fire	-	-	509,822
Ditch Maintenance and Repairs	-	-	54,543
Assigned for:			
Forest Development	-	-	1,005,720
Unassigned	-	-	(17,621)
Total Fund Balances	<u>667,237</u>	<u>457,819</u>	<u>2,677,520</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 683,936</u>	<u>\$ 457,819</u>	<u>\$ 2,734,270</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Special Revenue Funds			Total
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	
REVENUES				
Taxes	\$ -	\$ 84,339	\$ -	\$ 84,339
Licenses and Permits	38,967	-	-	38,967
Intergovernmental	179,525	31,423	-	210,948
Investment Earnings	-	-	9	9
Miscellaneous	388,785	13,119	-	401,904
Total Revenues	<u>607,277</u>	<u>128,881</u>	<u>9</u>	<u>736,167</u>
EXPENDITURES				
CURRENT				
General Government	-	2,921	-	2,921
Public Safety	-	30,512	-	30,512
Highways and Streets	-	222,827	-	222,827
Conservation of Natural Resources	821,317	-	-	821,317
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>821,317</u>	<u>256,260</u>	<u>-</u>	<u>1,077,577</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(214,040)	(127,379)	9	(341,410)
OTHER FINANCING SOURCES (USES)				
Transfers In	219,133	33,370	-	252,503
Transfers Out	-	-	(5,521)	(5,521)
Total Other Financing Sources (Uses)	<u>219,133</u>	<u>33,370</u>	<u>(5,521)</u>	<u>246,982</u>
NET CHANGE IN FUND BALANCE	5,093	(94,009)	(5,512)	(94,428)
Fund Balance - January 1	<u>1,000,627</u>	<u>603,831</u>	<u>42,434</u>	<u>1,646,892</u>
FUND BALANCE - DECEMBER 31	<u>\$ 1,005,720</u>	<u>\$ 509,822</u>	<u>\$ 36,922</u>	<u>\$ 1,552,464</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	<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>
REVENUES			
Taxes	\$ 706,785	\$ -	\$ 791,124
Licenses and Permits	-	-	38,967
Intergovernmental	47,947	-	258,895
Investment Earnings	-	13,503	13,512
Miscellaneous	-	-	401,904
Total Revenues	<u>754,732</u>	<u>13,503</u>	<u>1,504,402</u>
EXPENDITURES			
CURRENT			
General Government	-	-	2,921
Public Safety	-	-	30,512
Highways and Streets	-	-	222,827
Conservation of Natural Resources	-	-	821,317
Debt Service:			
Principal	385,000	-	385,000
Interest	320,790	-	320,790
Total Expenditures	<u>705,790</u>	<u>-</u>	<u>1,783,367</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,942	13,503	(278,965)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	252,503
Transfers Out	-	(13,502)	(19,023)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(13,502)</u>	<u>233,480</u>
NET CHANGE IN FUND BALANCE	48,942	1	(45,485)
Fund Balance - January 1	<u>618,295</u>	<u>457,818</u>	<u>2,723,005</u>
FUND BALANCE - DECEMBER 31	<u>\$ 667,237</u>	<u>\$ 457,819</u>	<u>\$ 2,677,520</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FOREST DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and Permits	\$ -	\$ -	\$ 38,967	\$ 38,967
Intergovernmental	182,000	182,000	179,525	(2,475)
Miscellaneous	243,500	243,500	388,785	145,285
Total Revenues	<u>425,500</u>	<u>425,500</u>	<u>607,277</u>	<u>181,777</u>
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Reforestation	334,558	334,558	378,828	(44,270)
Land Surveying	463,516	463,516	442,489	21,027
Total Expenditures	<u>798,074</u>	<u>798,074</u>	<u>821,317</u>	<u>(23,243)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(372,574)	(372,574)	(214,040)	158,534
OTHER FINANCING SOURCES (USES)				
Transfers In	453,874	453,874	219,133	(234,741)
Transfers Out	226,937	226,937	-	(226,937)
Total Other Financing Sources (Uses)	<u>680,811</u>	<u>680,811</u>	<u>219,133</u>	<u>(461,678)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 308,237</u>	<u>\$ 308,237</u>	5,093	<u>\$ (303,144)</u>
Fund Balance - January 1			<u>1,000,627</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 1,005,720</u>	

**AITKIN COUNTY, MINNESOTA MINNESOTA
BUDGETARY COMPARISON SCHEDULE
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 88,350	\$ 88,350	\$ 84,339	\$ (4,011)
Intergovernmental	-	-	31,423	31,423
Miscellaneous	-	-	13,119	13,119
Total Revenues	<u>88,350</u>	<u>88,350</u>	<u>128,881</u>	<u>40,531</u>
EXPENDITURES				
CURRENT:				
General Government:				
Other General Government	2,700	2,700	2,921	(221)
Public Safety:				
Emergency Services	39,650	39,650	30,512	9,138
Highways and Streets:				
Other Highways and Streets	46,000	46,000	222,827	(176,827)
Total Expenditures	<u>88,350</u>	<u>88,350</u>	<u>256,260</u>	<u>(167,910)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(127,379)	(127,379)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	33,370	33,370
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(94,009)	<u>\$ (94,009)</u>
Fund Balance - January 1			<u>603,831</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 509,822</u>	

**AITKIN COUNTY, MINNESOTA MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 745,516	\$ 745,516	\$ 706,785	\$ (38,731)
Intergovernmental	-	-	47,947	47,947
Total Revenues	<u>745,516</u>	<u>745,516</u>	<u>754,732</u>	<u>9,216</u>
EXPENDITURES				
Debt Service:				
Principal	385,000	385,000	385,000	-
Interest	<u>320,790</u>	<u>320,790</u>	<u>320,790</u>	-
Total Debt Service	<u>705,790</u>	<u>705,790</u>	<u>705,790</u>	-
NET CHANGE IN FUND BALANCE	<u>\$ 39,726</u>	<u>\$ 39,726</u>	48,942	<u>\$ 9,216</u>
Fund Balance - January 1			<u>618,295</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 667,237</u>	

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL PERMANENT FUND
YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ 13,600	\$ 13,600	\$ 13,503	\$ (97)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(13,600)</u>	<u>(13,600)</u>	<u>(13,502)</u>	<u>98</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1	<u>\$ 1</u>
Fund Balance - January 1			<u>457,818</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 457,819</u>	

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FIDUCIARY FUNDS

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**AITKIN COUNTY, MINNESOTA
DESCRIPTION OF FUNDS – FIDUCIARY FUNDS
DECEMBER 31, 2021**

The Taxes and Penalties Fund is used to account for the inflows of tax collections and the disbursement of taxes during the settlement process for municipalities within the County.

The County Triad Fund is used to account for funds of a group whose mission is to make communities safer for seniors.

The State Revenue Fund is used to account for the collection of fees on behalf of the state.

The License Center Fund is used to account for the collection of license fees on behalf of the state.

The Estate Recoveries Fund is used to hold the State's portion of estates from deceased parties within the County until such a time they can be analyzed and disbursed appropriately.

The Jail Canteen Fund is used to account for deposits and withdrawals made by inmates of the Aitkin County Jail.

The Child Abuse Prevention Council Fund is used to account for the financial resources of an unrelated council attempting to bring awareness to child abuse in the County.

The Collaborative Fund is used to account for an interagency agreement between the County and school districts for the purpose of planning and coordination of family services within the County.

**AITKIN COUNTY, MINNESOTA MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION –
CUSTODIAL FUNDS
DECEMBER 31, 2021**

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ASSETS				
Cash and Pooled Investments	\$ 581,036	\$ 3,211	\$ 148,736	\$ 62,796
Due from Other Governments	-	-	-	-
Taxes for Other Governments	421,735	-	-	-
Total Assets	<u>\$ 1,002,771</u>	<u>\$ 3,211</u>	<u>\$ 148,736</u>	<u>\$ 62,796</u>
LIABILITIES				
Accounts Payable	\$ 3,797	\$ -	\$ -	\$ -
Due to Other Governments	572,845	-	140,017	62,796
Total Liabilities	<u>576,642</u>	<u>-</u>	<u>140,017</u>	<u>62,796</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Collected for Subsequent Period	<u>4,394</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for:				
Individuals, Organizations, and Other Governments	<u>\$ 421,735</u>	<u>\$ 3,211</u>	<u>\$ 8,719</u>	<u>\$ -</u>

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 CUSTODIAL FUNDS (CONTINUED)
 DECEMBER 31, 2021**

Custodial Funds				
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	Total Custodial Funds
\$ 70,247	\$ 23,444	\$ 15,702	\$ 72,411	\$ 977,583
-	-	-	18,227	18,227
-	-	-	-	421,735
<u>\$ 70,247</u>	<u>\$ 23,444</u>	<u>\$ 15,702</u>	<u>\$ 90,638</u>	<u>\$ 1,417,545</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,797
70,247	-	-	-	845,905
<u>70,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>849,702</u>
-	-	-	-	4,394
<u>\$ -</u>	<u>\$ 23,444</u>	<u>\$ 15,702</u>	<u>\$ 90,638</u>	<u>\$ 563,449</u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ADDITIONS				
Contributions - Individuals	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Property Tax Collections for Other Governments	11,665,139	-	-	-
Fee Collections for Other Governments and Organizations	-	-	-	-
License and Fees Collected for State	-	-	3,809,449	4,148,128
Recoveries	-	-	-	-
Miscellaneous	-	-	385	-
Total Additions	<u>11,665,139</u>	<u>-</u>	<u>3,809,834</u>	<u>4,148,128</u>
DEDUCTIONS				
Beneficiary Payments to Individuals	-	-	-	-
Payments of Property Tax to Other Governments	11,589,180	-	-	-
Payments to State	-	-	3,809,502	4,148,128
Payments to Other Entities	-	-	-	-
Miscellaneous	-	236	-	-
Total Deductions	<u>11,589,180</u>	<u>236</u>	<u>3,809,502</u>	<u>4,148,128</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	75,959	(236)	332	-
Fiduciary Net Position - Beginning of Year	<u>345,776</u>	<u>3,447</u>	<u>8,387</u>	<u>-</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 421,735</u></u>	<u><u>\$ 3,211</u></u>	<u><u>\$ 8,719</u></u>	<u><u>\$ -</u></u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Custodial Funds				
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	Total Custodial Funds
\$ -	\$ 107,535	\$ -	\$ -	\$ 107,535
-	-	-	68,636	68,636
-	-	-	-	11,665,139
-	-	4,697	-	4,697
-	-	-	-	7,957,577
295,146	-	-	-	295,146
-	-	-	-	385
<u>295,146</u>	<u>107,535</u>	<u>4,697</u>	<u>68,636</u>	<u>20,099,115</u>
-	92,064	-	-	92,064
-	-	-	-	11,589,180
295,146	-	-	-	8,252,776
-	-	3,722	78,000	81,722
-	-	-	-	236
<u>295,146</u>	<u>92,064</u>	<u>3,722</u>	<u>78,000</u>	<u>20,015,978</u>
-	15,471	975	(9,364)	83,137
-	7,973	14,727	100,002	480,312
<u>\$ -</u>	<u>\$ 23,444</u>	<u>\$ 15,702</u>	<u>\$ 90,638</u>	<u>\$ 563,449</u>

OTHER SCHEDULES

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2021**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>
APPROPRIATIONS AND SHARED REVENUE			
State:			
Highway Users Tax	\$ 5,596,988	\$ -	\$ 5,596,988
PERA Rate Reimbursement	42,557	-	42,557
Disparity Reduction Aid	10,541	-	10,541
Police Aid	158,572	-	158,572
County Program Aid	853,074	-	853,074
Market Value Credit	192,949	-	192,949
SCORE	71,066	-	71,066
Out of Home Placement	2,607	-	2,607
Riparian Aid	40,000	-	40,000
Taconite Credit	645,011	-	645,011
Enhanced 911	132,054	-	132,054
Aquatic Invasive Species	270,739	-	270,739
Total Appropriations and Shared Revenue	<u>8,016,158</u>	<u>-</u>	<u>8,016,158</u>
REIMBURSEMENT FOR SERVICES			
State:			
Minnesota Department of Human Services	871,418	-	871,418
PAYMENTS			
Local:			
Payments in Lieu of Taxes	1,542,512	-	1,542,512
GRANTS			
State:			
Minnesota Department/Board of:			
Corrections	335,110	-	335,110
Public Safety	31,356	-	31,356
Trial Courts	71,388	-	71,388
Health	124,186	-	124,186
Natural Resources	1,068,889	-	1,068,889
Human Services	745,771	-	745,771
Minnesota Management and Budget	313,203	-	313,203
Peace Officers Board	18,547	-	18,547
Veterans Affairs	10,000	-	10,000
Water and Soil Resources	76,514	-	76,514
Total State	<u>2,794,964</u>	<u>-</u>	<u>2,794,964</u>

**AITKIN COUNTY, MINNESOTA MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

	Governmental Funds	Enterprise Fund	Total Primary Government
GRANTS (CONTINUED)			
Federal:			
U.S. Department of:			
Agriculture	\$ 272,427	\$ 391	\$ 272,818
Education	1,390	-	1,390
Interior	2,080	-	2,080
Justice	40,844	-	40,844
Transportation	199,914	-	199,914
Treasury	234,320	-	234,320
Health and Human Services	1,518,342	-	1,518,342
Homeland Security	57,336	-	57,336
Total Federal	2,326,653	391	2,327,044
 Total State and Federal Grants	 5,121,617	 391	 5,122,008
 Total Intergovernmental Revenue	 \$ 15,551,705	 \$ 391	 \$ 15,552,096

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2021**

	Assets			
	Cash	Special Assessments Receivable	Due from Other Ditches	Total
County Ditches:				
5	\$ (440)	\$ -	\$ -	\$ (440)
20	(143)	-	-	(143)
23	(965)	-	-	(965)
24	-	369	1,500	1,869
28	(185)	-	-	(185)
29	80	-	-	80
30	26,733	1,294	11,861	39,888
34	-	978	-	978
36	2,755	1,208	-	3,963
37	(3,446)	8,427	-	4,981
42	(425)	-	-	(425)
43	-	-	-	-
66	1,279	-	-	1,279
Judicial Ditch:				
2	11,679	163	-	11,842
Total	\$ 36,922	\$ 12,439	\$ 13,361	\$ 62,722

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND (CONTINUED)
DECEMBER 31, 2021**

	<u>Liabilities Due to Other Ditches</u>	<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>
County Ditches:				
5	\$ 7,250	\$ -	\$ (7,690)	\$ (440)
20	-	-	(143)	(143)
23	-	-	(965)	(965)
24	-	369	1,500	1,869
28	1,287	-	(1,472)	(185)
29	-	-	80	80
30	-	1,294	38,594	39,888
34	65	978	(65)	978
36	65	1,208	2,690	3,963
37	2,173	8,427	(5,619)	4,981
42	935	-	(1,360)	(425)
43	76	-	(76)	-
66	1,510	-	(231)	1,279
Judicial Ditch:				
2	-	163	11,679	11,842
Total	<u>\$ 13,361</u>	<u>\$ 12,439</u>	<u>\$ 36,922</u>	<u>\$ 62,722</u>

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**AITKIN COUNTY, MINNESOTA MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal 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	SERVS2021	\$ 391	\$ -
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00053	123,318	-
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	187,984	-
Passed Through Minnesota Department of Agriculture Farm to School Grant Program	10.575	179086	300	-
Total U.S. Department of Agriculture			311,993	-
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	2,080	-
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2020-AITKINAO	40,844	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	HSIP 0119(250) 8821224	\$ 871 <u>194,933</u>	195,804 -
Passed Through Minnesota Department of Public Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-SAFE19-2019- ATKNCOTZD	3,445	-
National Priority Safety Programs (Part of Highway Safety Cluster) Total U.S. Department of Transportation	20.616	F-SAFE19-2019- ATKNCOTZD	665 <u>199,914</u>	- -
U.S. Department of the Treasury				
Direct COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	234,320	-
U.S. Department of Education				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Special Education-Grants for Infants and Families	84.181	H181A140029/ H18	4,163	-
U.S. Department of Health and Human Services				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Public Health Emergency Preparedness	93.069	162145	22,370	-
COVID-19 Immunization Cooperative Agreements	93.268	NH23IP922628	74,741	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	69,251	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$201,117)	93.558	2101MNTANF	40,637	-
Medical Assistance Program (Part of Medicaid Cluster) (Total Medical Assistance Program 93.778 \$723,357)	93.778	2105MNSADM	36,981	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	22,148	-
Passed Through Minnesota Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	93.556	2101MNFPS	3,416	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$201,117)	93.558	2101MNTANF	160,480	-
Child Support Enforcement	93.563	2101MNCSES	62,096	-
Child Support Enforcement		2101MNCEST	<u>290,616</u>	352,712 -

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, 2021

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services (Continued)				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2101MNRCA	\$ 409	\$ -
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	2101MNCCDF	3,352	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,892	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	\$ 1,971	-
COVID-19 Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	<u>686</u>	-
Foster Care Title IV-E	93.658	2101MNFOST	104,934	-
Social Services Block Grant	93.667	2101MNSOSR	120,101	-
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	516	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	1,500	-
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	<u>1,380</u>	-
Children's Health Insurance Program	93.767	2105MN5021	945	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	2105MNSADM	679,697	-
(Total Medical Assistance Program 93.778 \$723,357)		2105MNSMAP	<u>6,679</u>	-
Total U.S. Department of Health and Human Services			<u>1,707,798</u>	-
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G70CGBLA19	6,819	-
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4069	31,241	-
Emergency Management Performance Grants	97.042	3601	<u>19,276</u>	-
Total U.S. Department of Homeland Security			<u>57,336</u>	-
Total Expenditures of Federal Awards			<u>\$ 2,558,448</u>	<u>\$ -</u>

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

Fish and Wildlife Cluster	\$ 2,080
CCDF Cluster	3,352
Medicaid Cluster	723,357
SNAP Cluster	187,984
Highway Planning and Construction Cluster	195,804
Highway Safety Cluster	665
Child Nutrition Cluster	391

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, 2021

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, 2021. 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. 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, 2021**

NOTE 4 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,327,044
Grants received more than 60 days after year-end, unavailable in 2021		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		85,327
Maternal and Child Health Services Block Grant to the States		16,355
Public Health Emergency Preparedness		8,955
Community-Based Child Abuse Prevention Grants		539
Children's Health Insurance Program		672
Immunization Cooperative Agreements		63,924
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		69,251
Medical Assistance Program		36,981
Temporary Assistance for Needy Families		34,146
MaryLee Allen Promoting Safe and Stable Families Program		257
Special Education-Grants for Infants and Families		2,773
Stephanie Tubbs Jones Child Welfare Services Program		752
Child Abuse and Neglect State Grants		516
Grants unavailable in 2020, recognized as revenue in 2021		
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)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	<u><u>2,558,448</u></u>

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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 (the County), as of and for the year ended December 31, 2021, 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 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not 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 County'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 2021-001 and 2021-002 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 2021-003 and 2021-004 to be significant deficiencies.

Report on 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 Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Aitkin County’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 County’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 County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2022



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

Opinion on Each Major Federal Program

We have audited Aitkin County's compliance with the types of compliance requirements identified as subject to audit 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, 2021. Aitkin County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Aitkin County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Aitkin County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Aitkin County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Aitkin County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Aitkin County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Aitkin County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Aitkin County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Aitkin County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Aitkin County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2022

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**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

AUDIT ADJUSTMENTS (2021-001)

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: As part of the audit, we proposed material audit adjustments to record unearned revenue, record accruals, adjust GASB 84 fiduciary activities, and to record conversion entries related to capital assets, compensated absences, net pension liability/asset and other postemployment benefits liability.

Criteria or Specific Requirement: 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.

Effect: The design of the internal controls over recording transactions and year-end accruals could affect the ability of the County to detect or prevent errors, a misappropriation of assets, or fraudulent activity.

Cause: The County has a limited number of personnel.

Repeat Finding: Yes, 2020-001.

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
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings (Continued)

FINANCIAL REPORTING PROCESS (2021-002)

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The County engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the County's internal control system. As part of its internal control over preparation of its financial statements, including disclosures, the County has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the County's activities and operations.

Criteria or Specific Requirement: 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.

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, 2020-002.

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
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings (Continued)

COMPUTER RISK MANAGEMENT (2021-003)

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: 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.

Criteria or Specific Requirement: 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.

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, 2020-003.

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
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings (Continued)

SEGREGATION OF DUTIES (2021-004)

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for various County departments. Also, some areas do not have proper review due to limited personnel resulting in the lack of some controls.

Criteria or Specific Requirement: 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.

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, 2020-005.

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
YEAR ENDED DECEMBER 31, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

CASEFILE REVIEW - ELIGIBILITY (2021-005)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Name: Medical Assistance Program (Medicaid Cluster)

Assistance Listing Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services and the Aitkin-Itasca-Koochiching Community Health Board

Federal Award Identification Number and Pass-Through Numbers: 2105MN5ADM, 2105MN5MAP

Award Period: Year Ended December 31, 2021

Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or Specific Requirement: Standard internal control procedures recommend internal reviews over casefile eligibility determinations to ascertain case workers are complying with state and federal requirements.

Condition: During our eligibility testing, we noted the County did not have adequate internal controls designed to ensure casefiles contained the proper documentation.

Questioned costs: Unable to be determined.

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

Cause: Lack of personnel.

Effect: Errors made in determining eligibility may not be discovered and benefits may be issued to clients who are not eligible.

Repeat Finding: Yes, 2020-007.

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
YEAR ENDED DECEMBER 31, 2021**

Section IV – Items for Consideration – Minnesota Legal Compliance

PUBLISHING OF CLAIMS (2021-006)

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

Criteria or Specific Requirement: 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.

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

Cause: Not known.

Repeat Finding: Yes, 2020-009.

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

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

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section IV – Items for Consideration – Minnesota Legal Compliance (Continued)

DITCH SPECIAL REVENUE FUND (2021-007)

Condition: During our testing, it was noted that 5 out of 14 ditches had negative cash balances.

Criteria or Specific Requirement: Minnesota Statutes §103E.655 subd. 2 requires active ditch systems to maintain sufficient funds to pay for project costs.

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, 2020-010.

Recommendation: We recommend the County eliminate the ditch negative cash balances 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.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section IV – Items for Consideration – Minnesota Legal Compliance (Continued)

PAYMENT OF CLAIMS WITHIN 35 DAYS (2021-008)

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

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

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

Cause: Not known.

Repeat Finding: No.

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

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

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

Section V – Previously Reported Item Resolved

ACCOUNTING POLICIES AND PROCEDURES MANUAL (2020-004)

The County did not have risk assessment and monitoring procedures over the significant internal controls documented.

Resolution: During current year testing, the county implemented a policy around this.

ELIGIBILITY REVIEW (2020-006)

The County did not have appropriate documentation kept for Medical Assistance Program (Medicaid Cluster) eligibility requirements.

Resolution: During current year testing, no similar instances were noted.

TIMELY REPORTING (2020-008)

The County had one of five monthly reports for the COVID-19 Coronavirus Relief Fund program that were not submitted timely to the Minnesota Office of Management and Budget.

Resolution: This was a one-time grant. No funding received in 2021.



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, 2021, 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 7, 2022.

In connection with our audit, we noted that Aitkin County failed to comply with provisions of the miscellaneous provisions and claims and disbursements sections 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 2021-006 to 2021-008. 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 depositories of public funds and public investments, contracting – bid laws, conflicts of interest, and public indebtedness 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.

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the findings identified in our audit. Aitkin County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2022



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