

AITKIN COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022



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INTRODUCTORY SECTION

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**AITKIN COUNTY, MINNESOTA
ORGANIZATION OFFICIALS
AS OF DECEMBER 31, 2022**

		<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	Sarah Pratt	Indefinite
Land Commissioner	Dennis Thompson	Indefinite
Veterans Service Officer	Penny Harms	Indefinite

* Chair
** Vice Chair

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 August 15, 2023, 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.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 15, 2023

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022. 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 \$141,378,996, of which \$119,036,850 is the net investment in capital assets, and \$8,023,435 is restricted to specific purposes, and the remaining balance of \$14,318,711 is unrestricted.
- Business-type activities have a total net position of \$2,261,532, of which, investment in capital assets represents \$2,621,323 of the total, \$2,036 is restricted for specific uses, and the remaining deficit of \$361,827 is unrestricted.
- Aitkin County's net position from current year activity increased by \$4,172,373 for the year ended December 31, 2022. Of the increase, \$4,469,973 was in governmental activities, and there was a decrease of \$297,600 in business-type activities.
- The cost of governmental activities increased by \$4,566,936 to \$37,350,759 for the current fiscal year. Program revenues of \$21,927,460 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$19,893,272.
- Governmental funds' fund balances increased by \$3,747,810 from current year activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

Fund Financial Statements

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

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

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022, with comparative amounts for 2021.

**Table 1
Net Position**

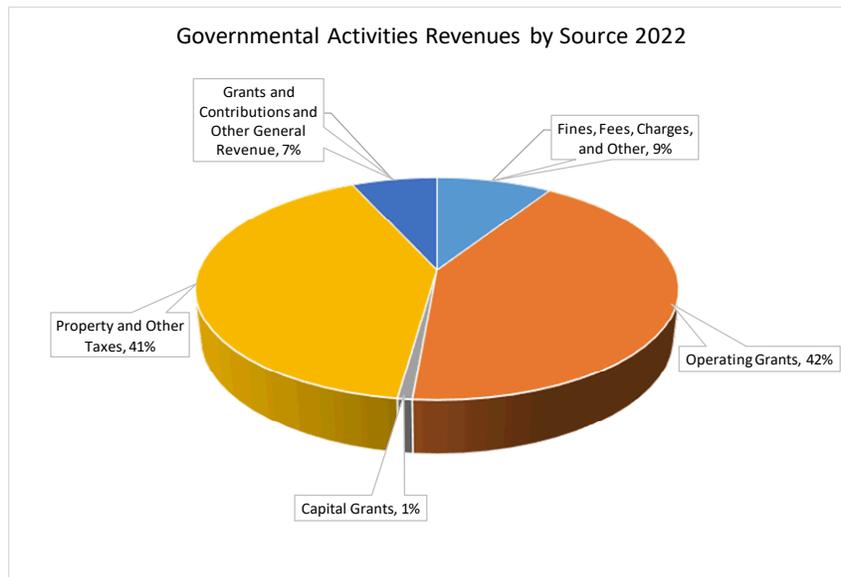
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$ 36,603,614	\$ 35,113,225	\$ 35,149	\$ 15,905	\$ 36,638,763	\$ 35,129,130
Capital Assets	128,711,384	126,323,401	2,621,323	2,757,579	131,332,707	129,080,980
Total Assets	<u>165,314,998</u>	<u>161,436,626</u>	<u>2,656,472</u>	<u>2,773,484</u>	<u>167,971,470</u>	<u>164,210,110</u>
Deferred Outflows of Resources	<u>8,543,762</u>	<u>6,528,438</u>	<u>144,567</u>	<u>85,541</u>	<u>8,688,329</u>	<u>6,613,979</u>
Liabilities						
Current Liabilities	4,115,381	5,370,867	56,425	47,840	4,171,806	5,418,707
Long-Term Liabilities	27,896,982	16,901,857	474,196	138,256	28,371,178	17,040,113
Total Liabilities	<u>32,012,363</u>	<u>22,272,724</u>	<u>530,621</u>	<u>186,096</u>	<u>32,542,984</u>	<u>22,458,820</u>
Deferred Inflows of Resources	<u>467,401</u>	<u>8,783,317</u>	<u>8,886</u>	<u>113,797</u>	<u>476,287</u>	<u>8,897,114</u>
Net Position						
Net Investment in Capital Assets	119,036,850	116,396,264	2,621,323	2,757,579	121,658,173	119,153,843
Restricted	8,023,435	9,509,797	2,036	2,036	8,025,471	9,511,833
Unrestricted	14,318,711	11,002,962	(361,827)	(200,483)	13,956,884	10,802,479
Total Net Position	<u>\$ 141,378,996</u>	<u>\$ 136,909,023</u>	<u>\$ 2,261,532</u>	<u>\$ 2,559,132</u>	<u>\$ 143,640,528</u>	<u>\$ 139,468,155</u>

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE COUNTY AS A WHOLE (CONTINUED)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Fines, Fees, Charges, and Other	\$ 3,826,186	\$ 3,973,284	\$ 569,697	\$ 199,011	\$ 4,395,883	\$ 4,172,295
Operating Grants	17,753,136	14,131,700	53,769	15,066	17,806,905	14,146,766
Capital Grants	348,138	197,160	-	-	348,138	197,160
General Revenues						
Property Taxes	15,434,382	14,910,733	-	-	15,434,382	14,910,733
Other Taxes	1,807,458	1,985,053	-	-	1,807,458	1,985,053
Grants and Contributions	1,784,447	1,754,371	-	-	1,784,447	1,754,371
Other General Revenues	1,055,020	1,486,628	-	-	1,055,020	1,486,628
Total Revenues	<u>42,008,767</u>	<u>38,438,929</u>	<u>623,466</u>	<u>214,077</u>	<u>42,632,233</u>	<u>38,653,006</u>
Expenses						
General Government	7,865,245	6,960,261	-	-	7,865,245	6,960,261
Public Safety	8,248,295	5,320,296	-	-	8,248,295	5,320,296
Highways and Streets	9,953,971	9,318,805	-	-	9,953,971	9,318,805
Sanitation	379,909	199,613	-	-	379,909	199,613
Human Services	6,051,840	5,376,395	-	-	6,051,840	5,376,395
Health	1,002,918	836,924	-	-	1,002,918	836,924
Culture and Recreation	1,186,319	1,143,874	-	-	1,186,319	1,143,874
Conservation of Natural Resources	2,058,767	2,966,657	1,109,101	582,515	3,167,868	3,549,172
Economic Development	181,035	363,714	-	-	181,035	363,714
Interest	422,460	297,284	-	-	422,460	297,284
Total Expenses	<u>37,350,759</u>	<u>32,783,823</u>	<u>1,109,101</u>	<u>582,515</u>	<u>38,459,860</u>	<u>33,366,338</u>
Increase (Decrease) in Net Position Before Transfers	4,658,008	5,655,106	(485,635)	(368,438)	4,172,373	5,286,668
Transfers	(188,035)	(194,828)	188,035	194,828	-	-
Change in Net Position	4,469,973	5,460,278	(297,600)	(173,610)	4,172,373	5,286,668
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 141,378,996</u>	<u>\$ 136,909,023</u>	<u>\$ 2,261,532</u>	<u>\$ 2,559,132</u>	<u>\$ 143,640,528</u>	<u>\$ 139,468,155</u>



**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities

The cost of all activities this year was \$37,350,759. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County property taxes was \$15,434,382, because some of the cost was paid by those who directly benefited from the programs (\$3,826,186) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18,101,274). Total revenues exceeded expenses, increasing net position \$4,469,973 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	
	2022	2021	2022	2021
General Government	\$ 7,865,245	\$ 6,960,261	\$ 5,826,928	\$ 4,788,498
Public Safety	8,248,295	5,320,296	6,438,377	3,992,853
Highways and Streets	9,953,971	9,318,805	623,852	1,971,412
Human Services	6,051,840	5,376,395	2,078,210	1,754,151
Conservation of Natural Resources	2,058,767	2,966,657	670,981	1,807,827
Other	3,172,641	2,841,409	(215,049)	166,938
Totals	<u>\$ 37,350,759</u>	<u>\$ 32,783,823</u>	<u>\$ 15,423,299</u>	<u>\$ 14,481,679</u>

Business-Type Activities and Enterprise Fund

The revenues of the County's business-type activities and Long Lake Conservation Center Enterprise Fund increased by 191%, income from fees increased 186%, and expenses increased by 90% as this was the first full year of them being fully open after the pandemic.

The County's Funds

As the County completed the year, its governmental funds reported a combined fund balance of \$29,122,868, which is above last year's total of \$25,375,058.

Revenues for the County's governmental funds were \$42,847,133, while expenditures were \$39,390,528. The increase of \$3,456,605 in fund balance resulted primarily from the following: an increase in the Road and Bridge Fund's fund balance of \$1,265,166 due to greater than anticipated intergovernmental revenue; an increase in the General Fund's fund balance of \$1,437,329 due to greater than anticipated intergovernmental revenue, and an increase in the Health and Human Services Fund's fund balance of \$645,368 due to greater than anticipated intergovernmental revenue and less than anticipated expenditures.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 \$1,437,329, primarily due to greater than anticipated intergovernmental revenue.

Road and Bridge Fund

The Road and Bridge Fund accounts for financial activity related to the construction and maintenance of the County road system, including County state-aid highways and County roads. The fund balance in the Road and Bridge Fund increased \$1,265,166, due primarily to greater than anticipated intergovernmental revenue.

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 \$645,368 due primarily to greater than anticipated intergovernmental revenue and less than anticipated expenditures.

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 increased \$223,203 due primarily due to insurance proceeds of \$409,381 from a wind storm offset by transfers out.

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 \$939,265 at the end of 2022 and will be paid over the next 17 years.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$719,298 over the final budget amounts. Revenues were over budget by \$3,339,626 with the significant positive variances for intergovernmental revenues accounting for \$4,612,905 of the increase, offset by investment earnings being \$1,091,927 under budget due to the market conditions.

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the County had \$131,332,707 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 \$2,251,727, or 1.74 percent, over the last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,761,244	\$ 3,725,773	\$ 15,400	\$ 15,400	\$ 3,776,644	\$ 3,741,173
Construction in Progress	712,759	556,911	-	-	712,759	556,911
Buildings	18,318,240	18,067,713	2,574,291	2,728,199	20,892,531	20,795,912
Machinery, Furniture, and Equipment	4,461,597	4,042,172	31,632	13,980	4,493,229	4,056,152
Land Improvements	11,958	17,938	-	-	11,958	17,938
Infrastructure	101,445,586	99,912,894	-	-	101,445,586	99,912,894
Totals	\$ 128,711,384	\$ 126,323,401	\$ 2,621,323	\$ 2,757,579	\$ 131,332,707	\$ 129,080,980

This year's major additions were directly related to vehicle purchases and infrastructure.

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

Debt

At year-end, the County had \$9,491,816 in debt outstanding, versus \$9,925,394 last year, a decrease of 4.37 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	
	2022	2021
General Obligation Bonds	\$ 9,347,569	\$ 9,755,519
Direct Borrowing - AgBMP Septic Loans	144,247	169,875
Total Outstanding Debt	\$ 9,491,816	\$ 9,925,394

**AITKIN COUNTY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 2024 budget, tax rates, and fees that will be charged for the business-type activities.

- Market Value increases are still affecting the Net Tax Capacity, but not at as large of rate as 2023.
- Enbridge Pipeline was figured into the County's Net Tax Capacity in 2023, so adjustments due to Enbridge will not be as significant moving forward.
- Aitkin County's demographic population has a high median age, creating increased demands for services across several service areas.
- 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.
- The labor market is very tight, and the county will need to address market comparisons to remain competitive.

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

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 28,785,871	\$ -	\$ 28,785,871
Petty Cash and Change Funds	6,750	1,000	7,750
Cash with Fiscal Agent	71,342	-	71,342
Taxes Receivable:			
Delinquent	375,003	-	375,003
Special Assessments Receivable:			
Delinquent	12,439	-	12,439
Accounts Receivable - Net	2,738,905	19,478	2,758,383
Accrued Interest Receivable	66,807	-	66,807
Loan Receivable	72,905	-	72,905
Due from Other Governments	2,464,116	-	2,464,116
Prepaid Items	4,586	-	4,586
Prepaid Supplies	468,993	12,635	481,628
Investment in Joint Venture	1,535,897	-	1,535,897
Restricted Assets:			
Cash and Pooled Investments	-	2,036	2,036
Capital Assets:			
Nondepreciable	4,474,003	15,400	4,489,403
Depreciable - Net of Accumulated Depreciation	124,237,381	2,605,923	126,843,304
Total Assets	<u>165,314,998</u>	<u>2,656,472</u>	<u>167,971,470</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	8,389,826	140,032	8,529,858
Deferred OPEB Outflows	153,936	4,535	158,471
Total Deferred Outflows of Resources	<u>8,543,762</u>	<u>144,567</u>	<u>8,688,329</u>

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 622,292	\$ 6,355	\$ 628,647
Salaries Payable	643,968	18,363	662,331
Contracts Payable	326,965	-	326,965
Due to Other Governments	535,010	-	535,010
Timber Permit Bonds	63,132	-	63,132
Accrued Interest Payable	126,319	-	126,319
Long-Term Liabilities:			
Compensated Absences Payable - Due Within One Year	1,271,325	29,042	1,300,367
Total Other Postemployment Benefits Liability - Due Within One Year	92,870	2,665	95,535
General Obligation Bonds Payable - Due Within One Year	405,000	-	405,000
Direct Borrowing Payable - Due Within One Year	28,500	-	28,500
Total Other Postemployment Benefits Liability - Due in More than One Year	749,349	15,784	765,133
General Obligation Bonds Payable - Due in More than One Year	8,942,569	-	8,942,569
Direct Borrowing Payable - Due in More than One Year	115,747	-	115,747
Net Pension Liability	18,089,317	458,412	18,547,729
Total Liabilities	<u>32,012,363</u>	<u>530,621</u>	<u>32,542,984</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	5,180	-	5,180
Deferred Pension Inflows	431,477	7,978	439,455
Deferred OPEB Inflows	30,744	908	31,652
Total Deferred Inflows of Resources	<u>467,401</u>	<u>8,886</u>	<u>476,287</u>
NET POSITION			
Net Investment in Capital Assets	119,036,850	2,621,323	121,658,173
Restricted - Nonexpendable	457,819	-	457,819
Restricted for:			
General Government	906,780	-	906,780
Public Safety	431,199	-	431,199
Highways and Streets	552,321	-	552,321
Health and Human Services	129,862	-	129,862
Sanitation	353,121	-	353,121
Conservation of Natural Resources	2,172,661	-	2,172,661
Economic Development	729,029	-	729,029
Unorganized Road, Bridge, and Fire	425,191	-	425,191
Opioid Epidemic Response	1,189,354	-	1,189,354
Debt Service	676,098	-	676,098
Other Purposes	-	2,036	2,036
Unrestricted	14,318,711	(361,827)	13,956,884
Total Net Position	<u>\$ 141,378,996</u>	<u>\$ 2,261,532</u>	<u>\$ 143,640,528</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General Government	\$ 7,865,245	\$ 1,324,057	\$ 714,260	\$ -
Public Safety	8,248,295	777,669	1,032,199	50
Highways and Streets	9,953,971	1,004,736	7,977,295	348,088
Sanitation	379,909	12,821	-	-
Human Services	6,051,840	568,520	3,405,110	-
Health	1,002,918	50,808	119,841	-
Culture and Recreation	1,186,319	33,022	40,000	-
Conservation of Natural Resources	2,058,767	14,553	1,373,233	-
Economic Development	181,035	40,000	3,091,198	-
Interest	422,460	-	-	-
Total Governmental Activities	<u>37,350,759</u>	<u>3,826,186</u>	<u>17,753,136</u>	<u>348,138</u>
Business-Type Activities:				
Long Lake Conservation Center	<u>1,109,101</u>	<u>569,697</u>	<u>53,769</u>	<u>-</u>
Total Primary Government	<u>\$ 38,459,860</u>	<u>\$ 4,395,883</u>	<u>\$ 17,806,905</u>	<u>\$ 348,138</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, 2022**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,826,928)	\$ -	\$ (5,826,928)
(6,438,377)	-	(6,438,377)
(623,852)	-	(623,852)
(367,088)	-	(367,088)
(2,078,210)	-	(2,078,210)
(832,269)	-	(832,269)
(1,113,297)	-	(1,113,297)
(670,981)	-	(670,981)
2,950,163	-	2,950,163
(422,460)	-	(422,460)
(15,423,299)	-	(15,423,299)
-	(485,635)	(485,635)
(15,423,299)	(485,635)	(15,908,934)
15,434,382	-	15,434,382
32,523	-	32,523
13,757	-	13,757
1,761,178	-	1,761,178
1,784,447	-	1,784,447
(934,659)	-	(934,659)
1,936,399	-	1,936,399
53,280	-	53,280
(188,035)	188,035	-
19,893,272	188,035	20,081,307
4,469,973	(297,600)	4,172,373
136,909,023	2,559,132	139,468,155
\$ 141,378,996	\$ 2,261,532	\$ 143,640,528

See accompanying Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**AITKIN COUNTY, MINNESOTA
BALANCE SHEET
DECEMBER 31, 2022**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Trust Fund</u>
Cash and Pooled Investments	\$ 15,260,998	\$ 2,231,362	\$ 6,404,604	\$ 2,354,740
Petty Cash and Change Funds	3,750	-	3,000	-
Cash with Fiscal Agent	71,342	-	-	-
Taxes Receivable:				
Delinquent	232,923	59,211	64,680	-
Special Assessments:				
Delinquent	-	-	-	-
Accounts Receivable - Net	23,276	300	100,092	1,675,972
Accrued Interest Receivable	66,807	-	-	-
Loans Receivable	72,905	-	-	-
Due from Other Funds	295,142	16,307	-	-
Due from Other Governments	257,436	1,494,975	709,761	1,944
Prepaid Items	-	-	4,586	-
Prepaid Supplies	-	468,993	-	-
Total Assets	<u>\$ 16,284,579</u>	<u>\$ 4,271,148</u>	<u>\$ 7,286,723</u>	<u>\$ 4,032,656</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 336,283	\$ 154,103	\$ 111,387	\$ 6,564
Salaries Payable	357,033	89,711	165,369	13,749
Contracts Payable	11,420	315,545	-	-
Due to Other Funds	-	-	-	663,997
Due to Other Governments	33,417	4,625	290,507	206,311
Timber Permit Bonds	-	-	-	63,132
Total Liabilities	<u>738,153</u>	<u>563,984</u>	<u>567,263</u>	<u>953,753</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Received for Future Years	3,253	820	867	-
Unavailable Revenue	322,271	636,383	218,275	1,601,480
Total Deferred Inflows of Resources	<u>325,524</u>	<u>637,203</u>	<u>219,142</u>	<u>1,601,480</u>
FUND BALANCES				
Nonspendable:				
Prepaid Supplies	-	468,993	-	-
Prepaid Items	-	-	4,586	-
Environmental Uses	-	-	-	-
Restricted for:				
Missing Heirs	-	-	-	2,149
Debt Service	71,342	-	-	-
Recorder's Technology	360,822	-	-	-
Prosecutorial Purposes	5,000	-	-	-
Enhanced 911	220,058	-	-	-
Law Enforcement	5,000	-	-	-
Administering the Carrying of Weapons	206,141	-	-	-

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022**

ASSETS	<u>Opioid Remediation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash and Pooled Investments	\$ 250,089	\$ 2,284,078	\$ 28,785,871
Petty Cash and Change Funds	-	-	6,750
Cash with Fiscal Agent	-	-	71,342
Taxes Receivable:			
Delinquent	-	18,189	375,003
Special Assessments:			
Delinquent	-	12,439	12,439
Accounts Receivable - Net	939,265	-	2,738,905
Accrued Interest Receivable	-	-	66,807
Loans Receivable	-	-	72,905
Due from Other Funds	-	368,855	680,304
Due from Other Governments	-	-	2,464,116
Prepaid Items	-	-	4,586
Prepaid Supplies	-	-	468,993
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,189,354</u>	<u>\$ 2,683,561</u>	<u>\$ 35,748,021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 13,955	\$ 622,292
Salaries Payable	-	18,106	643,968
Contracts Payable	-	-	326,965
Due to Other Funds	-	16,307	680,304
Due to Other Governments	-	150	535,010
Timber Permit Bonds	-	-	63,132
Total Liabilities	<hr/>	<hr/>	<hr/>
	-	48,518	2,871,671
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	-	240	5,180
Unavailable Revenue	939,265	30,628	3,748,302
Total Deferred Inflows of Resources	<hr/>	<hr/>	<hr/>
	939,265	30,868	3,753,482
FUND BALANCES			
Nonspendable:			
Prepaid Supplies	-	-	468,993
Prepaid Items	-	-	4,586
Environmental Uses	-	457,819	457,819
Restricted for:			
Missing Heirs	-	-	2,149
Debt Service	-	712,886	784,228
Recorder's Technology	-	-	360,822
Prosecutorial Purposes	-	-	5,000
Enhanced 911	-	-	220,058
Law Enforcement	-	-	5,000
Administering the Carrying of Weapons	-	-	206,141

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Trust Fund</u>
FUND BALANCES (CONTINUED)				
Restricted for (Continued):				
Conservation of Natural Resources	\$ 144,481	\$ -	\$ -	\$ -
Loans Receivable	72,905	-	-	-
Solid Waste	353,121	-	-	-
Recorder's Equipment Purchases	441,348	-	-	-
County Development	-	-	-	729,029
Law Library	-	-	-	95,646
Unclaimed Property	-	-	-	1,815
Administering Forfeited Tax Sale	-	-	-	298,893
Unorganized Road, Bridge, and Fire	-	-	-	-
Ditch Maintenance and Repairs	-	-	-	-
Opioid Remediation	-	-	-	-
Committed for:				
Court Administration - Attorney Services	71,152	-	-	-
Court Administration - Office Equipment	16,850	-	-	-
Auditor - Computer Office Equipment	3,000	-	-	-
Auditor - Scanning	11,000	-	-	-
Extension - Summer Intern	4,800	-	-	-
Extension - Supplies and Technology	2,000	-	-	-
Central Services - Training	109,000	-	-	-
Central Services - IFS Equipment	10,010	-	-	-
Central Services - Scanning	6,471	-	-	-
IT - Staff Training	15,068	-	-	-
IT - Networking Equipment	60,827	-	-	-
IT - Services	20,000	-	-	-
HR - Staff Training	4,480	-	-	-
Elections - Voting Equipment	141,602	-	-	-
Attorney - Murder Trial	10,000	-	-	-
Maintenance - Equipment	3,356	-	-	-
Buildings - Capital	38,500	-	-	-
Veterans Service Officer	1,900	-	-	-
Sheriff - Buildings and Structures	120,000	-	-	-
Sheriff - Radios	29,000	-	-	-
Sheriff - Enforcement Squad Cars	163,849	-	-	-
Sheriff - Aitkin County Search and Rescue	31,732	-	-	-
Sheriff - Technology	38,590	-	-	-
Sheriff - Canine Replacement	10,000	-	-	-
Sheriff - Snowmobile	8,000	-	-	-
Sheriff - Forfeiture	14,450	-	-	-
STS Van	30,000	-	-	-
Community Corrections	1,374	-	-	-
FBL Vehicle Replacement	17,500	-	-	-
Economic Development - Business Development	10,415	-	-	-
Economic Development - Broadband	8,493	-	-	-
Assigned for:				
General Government	20,000	-	-	349,891
Highways and Streets	-	2,600,968	-	-
Sanitation	45,000	-	-	-
Health and Human Services	-	-	6,495,732	-
Forest Development	-	-	-	-
Unassigned	12,262,265	-	-	-
Total Fund Balances	<u>15,220,902</u>	<u>3,069,961</u>	<u>6,500,318</u>	<u>1,477,423</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,284,579</u>	<u>\$ 4,271,148</u>	<u>\$ 7,286,723</u>	<u>\$ 4,032,656</u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)	Opioid Remediation	Nonmajor Funds	Total
FUND BALANCES (CONTINUED)			
Restricted for (Continued):			
Conservation of Natural Resources	\$ -	\$ -	\$ 144,481
Loans Receivable	-	-	72,905
Solid Waste	-	-	353,121
Recorder's Equipment Purchases	-	-	441,348
County Development	-	-	729,029
Law Library	-	-	95,646
Unclaimed Property	-	-	1,815
Administering Forfeited Tax Sale	-	-	298,893
Unorganized Road, Bridge, and Fire	-	425,191	425,191
Ditch Maintenance and Repairs	-	54,902	54,902
Opioid Remediation	250,089	-	250,089
Committed for:			
Court Administration - Attorney Services	-	-	71,152
Court Administration - Office Equipment	-	-	16,850
Auditor - Computer Office Equipment	-	-	3,000
Auditor - Scanning	-	-	11,000
Extension - Summer Intern	-	-	4,800
Extension - Supplies and Technology	-	-	2,000
Central Services - Training	-	-	109,000
Central Services - IFS Equipment	-	-	10,010
Central Services - Scanning	-	-	6,471
IT - Staff Training	-	-	15,068
IT - Networking Equipment	-	-	60,827
IT - Services	-	-	20,000
HR - Staff Training	-	-	4,480
Elections - Voting Equipment	-	-	141,602
Attorney - Murder Trial	-	-	10,000
Maintenance - Equipment	-	-	3,356
Buildings - Capital	-	-	38,500
Veterans Service Officer	-	-	1,900
Sheriff - Buildings and Structures	-	-	120,000
Sheriff - Radios	-	-	29,000
Sheriff - Enforcement Squad Cars	-	-	163,849
Sheriff - Aitkin County Search and Rescue	-	-	31,732
Sheriff - Technology	-	-	38,590
Sheriff - Canine Replacement	-	-	10,000
Sheriff - Snowmobile	-	-	8,000
Sheriff - Forfeiture	-	-	14,450
STS Van	-	-	30,000
Community Corrections	-	-	1,374
FBL Vehicle Replacement	-	-	17,500
Economic Development - Business Development	-	-	10,415
Economic Development - Broadband	-	-	8,493
Assigned for:			
General Government	-	-	369,891
Highways and Streets	-	-	2,600,968
Sanitation	-	-	45,000
Health and Human Services	-	-	6,495,732
Forest Development	-	971,665	971,665
Unassigned	-	(18,288)	12,243,977
Total Fund Balances	250,089	2,604,175	29,122,868
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,189,354	\$ 2,683,561	\$ 35,748,021

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, 2022**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 29,122,868

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. 128,711,384

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. 3,748,302

Investment in joint venture is not available to pay for current-period expenditures and, therefore, is not reported in the governmental funds. 1,535,897

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	\$ (842,219)	
Deferred Inflows of Resources - OPEB Related	(30,744)	
Deferred Outflows of Resources - OPEB Related	<u>153,936</u>	(719,027)

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	(18,089,317)	
Deferred Inflows of Resources - Pension Related	(431,477)	
Deferred Outflows of Resources - Pension Related	<u>8,389,826</u>	(10,130,968)

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	(9,235,000)	
Unamortized Bond Premium	(112,569)	
Direct Borrowing - Septic Loans	(144,247)	
Compensated Absences	(1,271,325)	
Accrued Interest Payable	<u>(126,319)</u>	<u>(10,889,460)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 141,378,996

**AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

	General	Road and Bridge	Health and Human Services	Trust Fund
REVENUES				
Taxes	\$ 9,706,184	\$ 2,407,042	\$ 2,550,076	\$ -
Licenses and Permits	475,669	-	-	-
Intergovernmental	8,114,791	9,180,440	4,068,400	315,203
Charges for Services	956,222	1,004,655	617,644	26,915
Gifts and Contributions	7,505	-	-	-
Investment Earnings	(941,927)	-	-	-
Miscellaneous	971,595	-	216,091	1,456,359
Total Revenues	<u>19,290,039</u>	<u>12,592,137</u>	<u>7,452,211</u>	<u>1,798,477</u>
EXPENDITURES				
CURRENT				
General Government	7,062,065	-	-	74,767
Public Safety	7,582,208	-	-	-
Highways and Streets	-	11,484,485	-	-
Sanitation	368,592	-	-	-
Human Services	-	-	5,873,835	-
Health	2,875	-	968,258	-
Culture and Recreation	981,922	-	-	-
Conservation of Natural Resources	552,337	-	-	1,635,485
Economic Development	595,063	-	-	-
INTERGOVERNMENTAL				
Highways and Streets	-	624,272	-	-
DEBT SERVICE				
Principal	25,628	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>17,170,690</u>	<u>12,108,757</u>	<u>6,842,093</u>	<u>1,710,252</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,119,349	483,380	610,118	88,225
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	23,950	-	-	409,381
Proceeds from Sale of Capital Assets	7,371	38,538	-	-
Transfers In	-	795,044	35,250	-
Transfers Out	(713,341)	(51,796)	-	(274,403)
Total Other Financing Sources (Uses)	<u>(682,020)</u>	<u>781,786</u>	<u>35,250</u>	<u>134,978</u>
NET CHANGE IN FUND BALANCE	1,437,329	1,265,166	645,368	223,203
Fund Balance - January 1	<u>13,783,573</u>	<u>1,804,795</u>	<u>5,854,950</u>	<u>1,254,220</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 15,220,902</u></u>	<u><u>\$ 3,069,961</u></u>	<u><u>\$ 6,500,318</u></u>	<u><u>\$ 1,477,423</u></u>

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Opioid Remediation	Nonmajor Funds	Total
REVENUES			
Taxes	\$ -	\$ 777,960	\$ 15,441,262
Licenses and Permits	-	50	475,719
Intergovernmental	-	294,540	21,973,374
Charges for Services	-	-	2,605,436
Gifts and Contributions	-	-	7,505
Investment Earnings	-	7,268	(934,659)
Miscellaneous	250,132	384,319	3,278,496
Total Revenues	250,132	1,464,137	42,847,133
EXPENDITURES			
CURRENT			
General Government	-	2,871	7,139,703
Public Safety	-	31,518	7,613,726
Highways and Streets	-	8,096	11,492,581
Sanitation	-	-	368,592
Human Services	-	-	5,873,835
Health	43	-	971,176
Culture and Recreation	-	-	981,922
Conservation of Natural Resources	-	812,117	2,999,939
Economic Development	-	-	595,063
INTERGOVERNMENTAL			
Highways and Streets	-	-	624,272
DEBT SERVICE			
Principal	-	395,000	420,628
Interest	-	309,091	309,091
Total Expenditures	43	1,558,693	39,390,528
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	250,089	(94,556)	3,456,605
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	-	-	433,331
Proceeds from Sale of Capital Assets	-	-	45,909
Transfers In	-	288,608	1,118,902
Transfers Out	-	(267,397)	(1,306,937)
Total Other Financing Sources (Uses)	-	21,211	291,205
NET CHANGE IN FUND BALANCE			
	250,089	(73,345)	3,747,810
Fund Balance - January 1	-	2,677,520	25,375,058
FUND BALANCE - DECEMBER 31	\$ 250,089	\$ 2,604,175	\$ 29,122,868

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, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,747,810

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

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

Unavailable Revenue - December 31	\$ 3,748,302	
Unavailable Revenue - January 1	<u>(4,748,047)</u>	(999,745)

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	8,316,585	
Current Year Depreciation	<u>(5,928,602)</u>	2,387,983

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.

Principal Repayments		
General Obligation Bonds	395,000	
Direct Borrowing - Septic Loans	<u>25,628</u>	420,628

The increase in joint venture does not provide current financial resources and is not reported as revenue or expenditures in the funds. 166,314

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 Accrued Interest Payable	(126,319)	
Change in Compensated Absences	69,095	
Amortization of Premium	12,950	
Change in Deferred Outflows of Resources - Pensions	2,009,887	
Change in Deferred Outflows of Resources - Other Postemployment Benefits	5,437	
Change in Total Other Postemployment Benefits	(107,255)	
Change in Net Pension Liability	(11,430,265)	
Change in Deferred Inflows of Resources - Pensions	8,307,565	
Change in Deferred Inflows of Resources - Other Postemployment Benefits	<u>5,888</u>	<u>(1,253,017)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,469,973

PROPRIETARY FUND

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF NET POSITION
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

Petty Cash and Change Funds	\$	1,000
Accounts Receivable		19,478
Inventories		12,635
Total Current Assets		33,113

RESTRICTED ASSETS

Cash and Pooled Investments		2,036
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NONCURRENT ASSETS

Capital Assets:		
Nondepreciable		15,400
Depreciable - Net		2,605,923
Total Noncurrent Assets		2,621,323
Total Assets		2,656,472

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows		140,032
Deferred OPEB Outflows		4,535
Total Deferred Outflows of Resources		144,567

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		6,355
Salaries Payable		18,363
Compensated Absences Payable - Current		29,042
Other Postemployment Benefits Liability - Due in Less than One Year		2,665
Total Current Liabilities		56,425

NONCURRENT LIABILITIES

Net Pension Liability		458,412
Other Postemployment Benefits Liability - Due in More than One Year		15,784
Total Noncurrent Liabilities		474,196
Total Liabilities		530,621

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows		7,978
Deferred OPEB Inflows		908
Total Deferred Inflows of Resources		8,886

NET POSITION

Investment in Capital Assets		2,621,323
Restricted for:		
Publications		2,036
Unrestricted		(361,827)
Total Net Position		\$ 2,261,532

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, 2022**

OPERATING REVENUES

Tenant Rent	\$ 20,460
Program Packages	503,101
Resale	41,088
Miscellaneous	5,048
Total Operating Revenues	569,697

OPERATING EXPENSES

Personal Services	424,478
Employee Benefits and Payroll Taxes	287,611
Other Services and Charges	6,889
Supplies	124,998
Utilities	56,889
Advertising	5,920
Insurance	14,737
Staff Training	811
Postage	255
Depreciation	161,002
Resale	25,511
Total Operating Expenses	1,109,101

OPERATING LOSS

(539,404)

NONOPERATING REVENUES (EXPENSES)

Intergovernmental	4,526
Gifts and Contributions	49,243
Total Nonoperating Revenues	53,769

LOSS BEFORE TRANSFERS

(485,635)

Transfers In

188,035

CHANGE IN NET POSITION

(297,600)

Net Position - January 1

2,559,132

NET POSITION - DECEMBER 31

\$ 2,261,532

**AITKIN COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 552,144
Payments to Suppliers	(241,267)
Payments to Employees	(527,935)
Net Cash Used by Operating Activities	(217,058)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interfund Borrowing	188,035
Intergovernmental	4,526
Contributions	49,243
Net Cash Provided by Noncapital Financing Activities	241,804

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(24,746)
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NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents - Beginning of Year	3,036
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CASH AND CASH EQUIVALENTS - END OF YEAR

	\$ 3,036
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**RECONCILIATION OF OPERATING LOSS TO
CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	\$ (539,404)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	161,002
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Accounts Receivable	(17,553)
Inventory	(1,691)
Deferred OPEB Outflows	(1,947)
Deferred Pension Outflows	(57,079)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:	
Accounts Payable	(3,566)
Salaries Payable	2,047
Compensated Absences Payable	8,927
Net Pension Liability	337,900
Deferred Pension Inflows	(105,181)
Total Other Postemployment Benefits Payable	(783)
Deferred OPEB Inflows	270
Net Cash Used by Operating Activities	\$ (217,058)

**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	\$ 3,036

See accompanying Notes to Financial Statements.

FIDUCIARY FUNDS

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**AITKIN COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
DECEMBER 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Pooled Investments	\$ 19,950	\$ 1,214,749
Due from Other Governments	-	13,090
Taxes for Other Governments	-	422,624
Total Assets	19,950	1,650,463
LIABILITIES		
Due to Other Governments	-	1,019,063
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Collected for Subsequent Period	-	2,790
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	\$ 19,950	\$ 628,610

See accompanying Notes to Financial Statements.

AITKIN COUNTY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Contributions - Individuals	\$ 380,740	\$ 214,429
Intergovernmental	-	67,304
Property Tax Collections for Other Governments	-	12,404,466
Fee Collections for Other Governments and Organizations	-	6,341
License and Fees Collected for State	-	7,688,791
Recoveries	-	305,658
Miscellaneous	-	4,385
Total Additions	380,740	20,691,374
DEDUCTIONS		
Beneficiary Payments to Individuals	378,675	154,824
Payments of Property Tax to Other Governments	-	12,445,580
Payments to State	-	7,953,672
Payments to Other Entities	-	70,744
Miscellaneous	-	1,393
Total Deductions	378,675	20,626,213
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	2,065	65,161
Fiduciary Net Position - Beginning of Year	17,885	563,449
FIDUCIARY NET POSITION - END OF YEAR	\$ 19,950	\$ 628,610

See accompanying Notes to Financial Statements.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022. 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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 17 years. These programs will be funded primarily through miscellaneous revenues from the settlements.

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, VCET, and Child Abuse Prevention Council; as an agent for state revenue payments; as an agent for the license center; as an agent for the Collaborative and estate recoveries; and as an agent for the inmates of the Aitkin County Jail.

C. Measurement Focus and Basis of Accounting

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 leases are reported as other financing sources, as applicable.

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, 2022. 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 2022 were a deficit of \$934,659.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 \$186,219. 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 2017 through 2022. 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 Long Lake Conservation Center Enterprise Fund uses the first in/first out method. Inventories in proprietary funds and at the government-wide level are reported as expenses when consumed.

The Road and Bridge Fund has prepaid supplies held for consumption.

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund, other governmental funds that have personnel services, and the Long Lake Conservation Center Enterprise Fund.

9. Other Postemployment Benefits Liability (OPEB Liability)

For 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022 was \$3,904,874.

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

16. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease asset and liabilities for leases that were previously classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material leases.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

Ditch Special Revenue Fund

Six 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, 2022:

Account Balances	\$ 54,902
Account Deficits	(18,288)
Fund Balance	<u>\$ 36,614</u>

B. Expenditures in Excess of Budget

The following governmental funds had expenditures in excess of budget for the year ended December 31, 2022:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 17,170,690	\$ 16,451,392	\$ 719,298
Special Revenue Funds:			
Road and Bridge	12,108,757	10,104,821	2,003,936
Trust Fund	1,710,252	1,443,241	267,011

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Government-Wide Statement of Net Position

Governmental Activities:	
Cash and Pooled Investments	\$ 28,785,871
Petty Cash and Change Funds	6,750
Cash with Fiscal Agent	71,342
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	1,234,699
Total Cash and Investments	\$ 30,101,698

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, 2022, the County's deposits were not exposed to custodial credit risk.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County’s policy to invest only in securities that meet the ratings requirements set by state statute.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, 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, 2022, and information relating to potential investment risk:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Rating	Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
Negotiable Certificates of Deposit	N/R	N/A	11.69% *	N/A	\$ 927,026
U.S. Government Agency Securities					
Federal Home Loan Bank Bonds	AAA	Moody's		3/3/2026	1,067,400
Federal Home Loan Bank Bonds	AAA	Moody's		11/25/2025	894,990
Federal Home Loan Bank Bonds	AAA	Moody's		4/28/2026	917,640
Federal Home Loan Bank Bonds	AAA	Moody's		5/12/2026	907,550
Federal Home Loan Bank Bonds	AAA	Moody's		5/27/2026	907,500
Federal Home Loan Bank Bonds	AAA	Moody's		3/16/2026	1,784,400
Federal Home Loan Bank Bonds	AAA	Moody's		6/30/2026	1,782,460
Federal Home Loan Bank Bonds	AAA	Moody's		7/13/2026	890,590
Federal Home Loan Bank Bonds	AAA	Moody's		10/13/2026	884,140
Federal Home Loan Bank Bonds	AAA	Moody's		11/24/2026	906,350
Total Federal Home Loan Mortgage Bank Bonds			N/A**		10,943,020
Federal Home Loan Mortgage Corporation Pool	AAA	Moody's	N/A**	11/24/2023	959,230
Total U.S. Government Agency Securities					11,902,250
Investment Pools					
MAGIC Fund	N/R	N/A	N/A**	N/A	10,773,825
Total Investments					23,603,101
Deposits					6,419,505
Petty Cash and Change Funds					7,750
Cash with Fiscal Agent					71,342
Total Cash and Investments					<u>\$ 30,101,698</u>

N/A - Not Applicable

N/R - Not Rated

* No individual issuer in excess of 5%

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measure

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

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

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

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

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

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ -	\$ 959,230	\$ -	\$ 959,230
Federal Home Loan Bank	-	10,943,020	-	10,943,020
Negotiable CD's	-	927,026	-	927,026
Total Investments at Fair Value	<u>\$ -</u>	<u>\$ 12,829,276</u>	<u>\$ -</u>	<u>12,829,276</u>
Investments Measured at Amortized Cost:				
MAGIC Portfolio				<u>10,773,825</u>
Total Investments				23,603,101
Deposits				
Petty Cash				6,419,505
Cash with Fiscal Agent				7,750
Total Deposits and Investments				<u>71,342</u> <u>\$ 30,101,698</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables, net of uncollectible amounts, as of December 31, 2022, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 375,003	\$ -
Special Assessments	12,439	-
Accounts	2,738,905	895,845
Accrued Interest	66,807	-
Loans	72,905	44,405
Due from Other Governments	2,464,116	-
Total Governmental Activities	\$ 5,730,175	\$ 940,250

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, 2022, is \$186,219. 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 \$44,405 of loans receivable not scheduled to be collected during the subsequent year relates to the long-term portion of the balance outstanding. The \$895,845 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets Not Depreciated				
Land	\$ 3,725,773	\$ 35,471	\$ -	\$ 3,761,244
Construction in Progress	556,911	4,760,803	4,604,955	712,759
Total Capital Assets Not Depreciated	4,282,684	4,796,274	4,604,955	4,474,003
Capital Assets Depreciated				
Buildings	28,175,803	2,406,412	23,000	30,559,215
Machinery, Furniture, and Equipment	12,917,764	1,375,797	511,804	13,781,757
Land Improvements	29,898	-	-	29,898
Infrastructure	140,006,011	4,343,057	-	144,349,068
Total Capital Assets Depreciated	181,129,476	8,125,266	534,804	188,719,938
Less: Accumulated Depreciation for				
Buildings	10,108,090	2,155,885	23,000	12,240,975
Machinery, Furniture, and Equipment	8,875,592	956,372	511,804	9,320,160
Land Improvements	11,960	5,980	-	17,940
Infrastructure	40,093,117	2,810,365	-	42,903,482
Total Accumulated Depreciation	59,088,759	5,928,602	534,804	64,482,557
Total Capital Assets Depreciated, Net	122,040,717	2,196,664	-	124,237,381
Governmental Activities Capital Assets, Net	<u>\$ 126,323,401</u>	<u>\$ 6,992,938</u>	<u>\$ 4,604,955</u>	<u>\$ 128,711,384</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	152,053	24,746	-	176,799
Total Capital Assets Depreciated	6,594,234	24,746	-	6,618,980
Less: Accumulated Depreciation for				
Buildings	3,713,982	153,908	-	3,867,890
Machinery, Furniture, and Equipment	138,073	7,094	-	145,167
Total Accumulated Depreciation	3,852,055	161,002	-	4,013,057
Total Capital Assets Depreciated, Net	2,742,179	(136,256)	-	2,605,923
Governmental Activities Capital Assets, Net	<u>\$ 2,757,579</u>	<u>\$ (136,256)</u>	<u>\$ -</u>	<u>\$ 2,621,323</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$	590,092
Public Safety		241,349
Highways and Streets, Including Depreciation of Infrastructure Assets		3,442,211
Sanitation		3,609
Human Services		39,392
Culture and Recreation		26,830
Conservation of Natural Resources		1,585,119
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>5,928,602</u>
Business-Type Activities:		
Long Lake Conservation Center	<u>\$</u>	<u>161,002</u>

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Trust Fund	\$ 295,142
Road and Bridge Fund	Nonmajor Governmental Funds	16,307
Nonmajor Governmental Funds	Trust Fund	<u>368,855</u>
Total Due To/From Other Funds		<u>\$ 680,304</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, consisted of the following:

Interfund Transfer	Amount	Description
Transfer to Road and Bridge Fund from		
Trust Fund	\$ 37,591	Support Maintenance Costs
General Fund	560,000	Revenue Loss
Nonmajor Governmental Funds	197,453	Snowplowing and Road Maintenance
Total Transferred to Road and Bridge Fund	<u>795,044</u>	
Transfer to Health and Human Services Fund from		
General Fund	35,250	Staff Costs and Computer Equipment
Transfer to Nonmajor Governmental Funds from		
Road and Bridge Fund	51,796	Gas Tax Allocation
Trust Fund	236,812	Support Surveyor Staff Costs
Total Transferred to Nonmajor Governmental Funds	<u>288,608</u>	
Transfers to Long Lake Conservation Center		
Enterprise Fund from:		
General Fund	118,091	Routine Support Costs
Nonmajor Governmental Funds	69,944	Routine Support Costs
Total Transferred to Long Lake Conservation Center Enterprise Fund	<u>188,035</u>	
Total Interfund Transfers	<u>\$ 1,306,937</u>	

C. Liabilities and Deferred Inflows of Resources

1. Due To Other Governments

Aitkin County was deemed responsible for repaying Anoka Metro Regional Treatment Center for a balance of \$297,367. The County Board approved monthly payments of \$500 to pay off the outstanding balance until paid in full. The outstanding balance as of December 31, 2022 is \$259,367.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022
General Obligation Bonds					
2018 G.O. Capital Improvement Bonds	2039	\$ 375,000 - 690,000	2.5-5.0	\$ 10,390,000	\$ 9,235,000
Plus: Unamortized Bond Premium					112,569
Total General Obligation Bonds, Net					<u>\$ 9,347,569</u>
Direct Borrowing - Septic Loans Payable					
AgBMP Septic Loans	2032	\$2,995 - 14,491	0.00	\$ 487,049	<u>\$ 144,247</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

Year Ending December 31,	General Obligation Bonds		Direct Borrowing AgBMP Septic Loans	
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	485,000	218,953	14,170	-
2028 - 2032	2,630,000	887,396	45,308	-
2033 - 2037	3,040,000	463,024	-	-
2038 - 2039	1,355,000	44,278	-	-
Totals	<u>\$ 9,235,000</u>	<u>\$ 2,686,786</u>	<u>\$ 144,247</u>	<u>\$ -</u>

4. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 9,630,000	\$ -	\$ 395,000	\$ 9,235,000	\$ 405,000
Issuance Premiums	125,519	-	12,950	112,569	-
Direct Borrowing - Septic Loans	169,875	-	25,628	144,247	28,500
Compensated Absences	1,340,420	1,599,421	1,668,516	1,271,325	1,271,325
Governmental Activities Long-Term Liabilities	<u>\$ 11,265,814</u>	<u>\$ 1,599,421</u>	<u>\$ 2,102,094</u>	<u>\$ 10,763,141</u>	<u>\$ 1,704,825</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 20,115	\$ 31,574	\$ 22,647	\$ 29,042	\$ 29,042

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, 2022. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	\$ 4,491,695	\$ 749,964

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, 2022 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	\$ 232,924	\$ 70,686	\$ -	\$ 18,661	\$ 322,271	\$ 3,253	\$ 325,524
Road and Bridge	59,211	552,321	-	24,851	636,383	820	637,203
Health and Human Services	64,680	129,862	-	23,733	218,275	867	219,142
Trust Fund	-	-	1,601,480	-	1,601,480	-	1,601,480
Opioid Remediation	-	-	-	939,265	939,265	-	939,265
Nonmajor Governmental Funds:							
Ditch	12,439	-	-	-	12,439	-	12,439
Debt Service	18,189	-	-	-	18,189	240	18,429
Total	<u>\$ 387,443</u>	<u>\$ 752,869</u>	<u>\$ 1,601,480</u>	<u>\$ 1,006,510</u>	<u>\$ 3,748,302</u>	<u>\$ 5,180</u>	<u>\$ 3,753,482</u>

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Retirement Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 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 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022 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, 2022, were \$808,119. 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 2022 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, 2022, were \$253,965. 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 2022 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, 2022, were \$118,497. The County's contributions were equal to the required contributions as set by state statute.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the County reported a liability of \$11,460,288 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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County's totaled \$336,112.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1447% at the end of the measurement period and 0.1411% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability		\$ 11,460,288
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		<u>336,112</u>
Total		<u><u>\$ 11,796,400</u></u>

For the year ended December 31, 2022, the County recognized pension expense of \$1,470,808 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$50,223 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, 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	\$ 95,726	\$ 122,423
Changes in Actuarial Assumptions	2,593,671	46,611
Net Difference Between Projected and Actual Investment Earnings	198,783	-
Changes in Proportion	153,314	30,411
Contributions Paid to PERA Subsequent to the Measurement Date	459,316	-
Total	<u>\$ 3,500,810</u>	<u>\$ 199,445</u>

The \$459,316 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	\$ 1,039,667
2024	1,081,142
2025	(315,171)
2026	1,036,411

2. Police and Fire Fund Pension Costs

At December 31, 2022, the County reported a liability of \$5,139,246 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1181% at the end of the measurement period and 0.1110% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$224,585.

County's Proportionate Share of the Net Pension Liability	\$	5,139,246
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		<u>224,585</u>
Total		<u><u>\$ 5,363,831</u></u>

The State of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the County recognized pension expense of \$370,007 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$43,564 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 nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$10,629 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2022, 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	\$ 313,897	\$ -
Changes in Actuarial Assumptions	3,025,238	30,894
Net Difference Between Projected and Actual Investment Earnings	68,882	-
Changes in Proportion	112,855	124,100
Contributions Paid to PERA Subsequent to the Measurement Date	135,141	-
Total	<u>\$ 3,656,013</u>	<u>\$ 154,994</u>

The \$135,141 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, 2023. 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
2023	\$ 637,210
2024	627,552
2025	576,096
2026	1,080,997
2027	444,023

3. Correctional Plan Pension Costs

At December 31, 2022, the County reported a liability of \$1,948,197 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.586% at the end of the measurement period and 0.626% for the beginning of the period.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

For the year ended December 31, 2022 the County recognized pension expense of \$663,767 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2022, 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	\$ -	\$ 64,233
Changes in Actuarial Assumptions	1,261,708	2,897
Net Difference Between Projected and Actual Investment Earnings	53,849	-
Changes in Proportion	-	17,886
Contributions Paid to PERA Subsequent to the Measurement Date	57,478	-
Total	<u>\$ 1,373,035</u>	<u>\$ 85,016</u>

The \$57,478 reported as deferred outflows of resources related to pensions resulting from Aitkin County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	\$ 552,938
2024	577,052
2025	(55,956)
2026	156,507

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 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	\$ 11,460,288	\$ 5,139,246	\$ 1,948,197	\$ 18,547,731
Deferred Outflows of Resources				
Related to Pensions	3,500,810	3,656,013	1,373,035	8,529,858
Deferred Inflows of Resources				
Related to Pensions	199,445	154,994	85,016	439,455
Pension Expense	1,521,031	413,571	663,767	2,598,369

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, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 27 years of service. 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 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

G. Actuarial Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP 2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.5% per annum thereafter.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

H. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 PENSION PLANS (CONTINUED)

H. Discount Rate (Continued)

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

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:

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	\$ 18,102,125	\$ 11,460,286	\$ 6,012,956
	1% Decrease 4.40%	Current Discount Rate 5.40%	1% Increase 6.40%
County's Proportionate Share of the Police and Fire Fund Net Pension Liability (Asset)	\$ 7,777,589	\$ 5,139,246	\$ 3,006,303
	1% Decrease 4.42%	Current Discount Rate 5.42%	1% Increase 6.42%
County's Proportionate Share of the Correctional Fund Net Pension Liability (Asset)	\$ 3,431,651	\$ 1,948,197	\$ 781,869

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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 calendar year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 8,533	\$ 8,533	5%	5%	5%

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2024. If a retiree elected the early retirement incentive, the County will pay 100% of the premium. A total of 11 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, 2022 valuation, there were 11 retirees, 175 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, 2022, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2022. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Salary	Service Graded Table
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years then to 4.00% Over 48 Years

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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-2021 Generational Improvement Scale. The actuarial assumptions used in the January 1, 2022 valuation were based on the PERA actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2020.

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 health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The retirement, withdrawal, and salary increase rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

D. Changes in Total OPEB Liability

	Total OPEB Liability
Balance as of January 1, 2022	\$ 754,196
Changes for the Year:	
Service Cost	44,882
Interest	14,860
Assumption Changes	(8,510)
Plan Changes	133,775
Differences between Expected and Actual Experience	34,158
Benefit Payments	(112,693)
Net Change in Total OPEB Liability	106,472
Balance as of December 31, 2022	\$ 860,668

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Changes in Total OPEB Liability (Continued)

Of the \$860,668 total OPEB liability, \$95,535 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	\$ 905,161	\$ 860,668	\$ 818,366

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 (5.50% Decreasing to 4.00% then 3.00%)</u>	<u>Current Trend Rates (6.50% Decreasing to 5.00% then 4.00%)</u>	<u>1% Increase (7.50% Decreasing to 6.00% then 5.00%)</u>
Total OPEB Liability	\$ 805,593	\$ 860,668	\$ 923,676

For the year ended December 31, 2022, the County recognized OPEB expense of \$201,005. At December 31, 2022, the County reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	\$ 35,610	\$ 14,156
Liability Gain or Loss	27,326	17,496
Contributions Subsequent to the Measurement Date	95,535	-
Total	<u>\$ 158,471</u>	<u>\$ 31,652</u>

\$95,535 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, 2023. 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>
2023	\$ 7,488
2024	7,492
2025	11,176
2026	5,128

AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

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

Northern Counties Land Use Coordinating Board

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

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

Aitkin County provided \$2,000 to this organization during 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

B. Joint Ventures (Continued)

Joint Counties Natural Resources Board

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

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

In the event of dissolution of the Joint Counties Natural Resources Board, the net position of the Joint Counties Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Aitkin County provided \$1,000 to this organization during 2022. 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 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Complete financial information can be obtained from:

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

Snake River Watershed Management Board

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

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

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

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022. 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 \$140,116 to this organization during 2022. 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 2022 was \$242,535. There is no accumulation of significant financial resources or fiscal stress related to this entity.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022. 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, 2022. The City of Aitkin has opted to report the activities of the Aitkin Municipal Airport Commission as a discrete component unit in its annual financial report.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 \$1,535,897 on December 31, 2022, and is reported as an investment in joint venture on the government-wide statement of net position and appropriations in 2022 were \$34,600. 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

Aitkin-Itasca-Mille Lacs Drug Task Force (VCET)

The Aitkin-Itasca-Mille Lacs Drug Task Force (VCET) was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59, to investigate, identify, and disrupt illegal drug activity within the Counties of Aitkin, Itasca, and Mille Lacs and the Cities of Aitkin and Grand Rapids. The participating agencies promote cooperative law enforcement through multi-jurisdictional investigations in Northern Minnesota.

The joint powers are the Counties of Aitkin, Itasca, and Mille Lacs and the Cities of Aitkin, and Grand Rapids. Control of the Aitkin-Itasca-Mille Lacs Drug Task Force is vested in a Board of Directors composed of the sheriff of each member county, the police chief of each city, and at least one county attorney from a member county as the advisor to the Task Force.

Funding is provided by grants and contributions from participating members. Aitkin County contributed no funding in 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Aitkin County is the fiscal agent for the Aitkin-Itasca-Mille Lacs Drug Task Force.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

B. Joint Ventures (Continued)

Rum River Watershed Partnership

The Rum River Watershed Partnership was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59, to prepare, develop, adopt, implement, and administer a comprehensive local water management plan and carry out implementation actions, programs, and projects toward achievement of goals and objectives of such plans.

The joint powers are the Counties of Aitkin, Benton, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, and Sherburne, the Mille Lacs Band of Ojibwe, and the Soil and Water Conservation Districts of Aitkin, Anoka, Benton, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, and Sherburne Counties, and the Lower Rum River and Upper Rum River Watershed Management Organizations. Control of the Rum River Watershed Partnership is vested in a Board of Directors composed of one individual selected by each party. Each board member has one vote.

Anoka Soil and Water Conservation District is the fiscal agent for the Rum River Watershed Partnership. Funding is provided by grants and contributions from participating members. Aitkin County contributed no funding in 2022. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

Anoka Soil and Water Conservation District
1318 McKay Drive Northeast
Ham Lake, Minnesota 55304

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, Mahnommen, 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

D. Related Organizations

Aitkin County Housing and Redevelopment Authority

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

E. Tax-Forfeited Land

The County manages approximately 221,200 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land contracts 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. § 469.174-179. 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 2022</u>
Housing	TIF 2	McGregor	12/31/2033	\$ 11,987	\$ 16,201
Housing	TIF 1-9	Aitkin	12/31/2041	26,834	29,435

REQUIRED SUPPLEMENTARY INFORMATION

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**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,206,504	\$ 10,206,504	\$ 9,706,184	\$ (500,320)
Licenses and Permits	332,790	332,790	475,669	142,879
Intergovernmental	3,501,886	3,501,886	8,114,791	4,612,905
Charges for Services	1,021,153	1,021,153	956,222	(64,931)
Gifts and Contributions	1,600	1,600	7,505	5,905
Investment Earnings	150,000	150,000	(941,927)	(1,091,927)
Miscellaneous	736,480	736,480	971,595	235,115
Total Revenues	<u>15,950,413</u>	<u>15,950,413</u>	<u>19,290,039</u>	<u>3,339,626</u>
EXPENDITURES				
CURRENT				
General Government:				
Commissioners	272,022	272,022	277,805	(5,783)
Courts	91,000	91,000	37,123	53,877
County Administration	207,862	207,862	217,421	(9,559)
Human Resources	358,095	358,095	385,740	(27,645)
County Auditor	652,979	652,979	593,506	59,473
Motor Vehicle	223,998	223,998	200,282	23,716
County Treasurer	321,807	321,807	306,825	14,982
County Assessor	866,180	866,180	875,966	(9,786)
Elections	198,068	198,068	230,261	(32,193)
Data Processing	722,240	722,240	640,976	81,264
Central Services	237,797	237,797	196,655	41,142
County Attorney	1,241,867	1,241,867	1,235,689	6,178
County Recorder	473,609	473,609	490,530	(16,921)
Planning and Zoning	569,269	569,269	557,423	11,846
Buildings and Plant	77,000	77,000	118,538	(41,538)
Maintenance	515,693	515,693	515,888	(195)
Veterans Service Officer	167,011	167,011	168,702	(1,691)
Motor Pool	11,181	11,181	10,880	301
Housing and Development	2,000	2,000	1,855	145
Total General Government	<u>7,209,678</u>	<u>7,209,678</u>	<u>7,062,065</u>	<u>147,613</u>

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CURRENT (CONTINUED)				
Public Safety:				
County Sheriff	\$ 2,891,175	\$ 2,891,175	\$ 2,760,025	\$ 131,150
VCET	-	-	243,722	(243,722)
Boat and Water Safety	159,023	159,023	112,921	46,102
Snowmobile	42,806	42,806	50,060	(7,254)
Coroner	81,500	81,500	79,400	2,100
E-911 System	-	-	136,497	(136,497)
Corrections (Jail)	3,294,128	3,294,128	2,886,856	407,272
Community Corrections (Sheriff)	987,982	987,982	1,139,167	(151,185)
Crime Victim	92,361	92,361	90,388	1,973
Civil Defense	54,681	54,681	48,479	6,202
Other Public Safety	25,557	25,557	34,693	(9,136)
Total Public Safety	7,629,213	7,629,213	7,582,208	47,005
Sanitation:				
Solid Waste	380,032	380,032	365,691	14,341
Environmental Health	-	-	2,901	(2,901)
Total Sanitation	380,032	380,032	368,592	11,440
Health:				
Water Wells	5,500	5,500	2,875	2,625
Culture and Recreation:				
Parks	559,279	559,279	673,962	(114,683)
Regional Library	304,585	304,585	304,975	(390)
Tourism	10,000	10,000	2,985	7,015
Total Culture and Recreation	873,864	873,864	981,922	(108,058)
Conservation of Natural Resources:				
Cooperative Extension	85,571	85,571	78,347	7,224
Soil and Water Conservation	88,268	88,268	440,422	(352,154)
Agricultural Society/County Fair	32,924	32,924	33,568	(644)
Total Conservation of Natural Resources	206,763	206,763	552,337	(345,574)

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
Economic Development:				
Airports	\$ 34,600	\$ 34,600	\$ 34,600	\$ -
Other	111,742	111,742	560,463	(448,721)
Total Economic Development	<u>146,342</u>	<u>146,342</u>	<u>595,063</u>	<u>(448,721)</u>
Debt Service:				
Principal	-	-	25,628	(25,628)
Total Expenditures	<u>16,451,392</u>	<u>16,451,392</u>	<u>17,170,690</u>	<u>(719,298)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(500,979)	(500,979)	2,119,349	2,620,328
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	46,000	46,000	23,950	(22,050)
Proceeds from Sale of Capital Assets	5,000	5,000	7,371	2,371
Transfers In	325,000	325,000	-	(325,000)
Transfers Out	<u>(74,950)</u>	<u>(74,950)</u>	<u>(713,341)</u>	<u>(638,391)</u>
Total Other Financing Sources (Uses)	<u>301,050</u>	<u>301,050</u>	<u>(682,020)</u>	<u>(983,070)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (199,929)</u>	<u>\$ (199,929)</u>	1,437,329	<u>\$ 1,637,258</u>
Fund Balance - January 1			<u>13,783,573</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 15,220,902</u>	

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,536,691	\$ 2,536,691	\$ 2,407,042	\$ (129,649)
Intergovernmental	6,099,737	6,099,737	9,180,440	3,080,703
Charges for Services	925,510	925,510	1,004,655	79,145
Total Revenues	<u>9,561,938</u>	<u>9,561,938</u>	<u>12,592,137</u>	<u>3,030,199</u>
EXPENDITURES				
CURRENT				
Highways and Streets:				
Administration	588,318	588,318	597,421	(9,103)
Engineering	611,235	611,235	570,820	40,415
Maintenance	3,847,668	3,847,668	4,342,710	(495,042)
Construction	4,023,600	4,023,600	4,967,092	(943,492)
Equipment and Maintenance Shops	576,000	576,000	1,006,442	(430,442)
Total Highways and Streets	<u>9,646,821</u>	<u>9,646,821</u>	<u>11,484,485</u>	<u>(1,837,664)</u>
INTERGOVERNMENTAL				
Highways and Streets	458,000	458,000	624,272	(166,272)
Total Expenditures	<u>10,104,821</u>	<u>10,104,821</u>	<u>12,108,757</u>	<u>(2,003,936)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(542,883)	(542,883)	483,380	1,026,263
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	5,000	5,000	38,538	33,538
Transfers In	537,883	537,883	795,044	257,161
Transfers Out	-	-	(51,796)	(51,796)
Total Other Financing Sources (Uses)	<u>542,883</u>	<u>542,883</u>	<u>781,786</u>	<u>238,903</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,265,166	<u>\$ 1,265,166</u>
Fund Balance - January 1			<u>1,804,795</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 3,069,961</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,684,304	\$ 2,684,304	\$ 2,550,076	\$ (134,228)
Intergovernmental	3,564,679	3,564,679	4,068,400	503,721
Charges for Services	444,050	444,050	617,644	173,594
Miscellaneous	248,000	248,000	216,091	(31,909)
Total Revenues	<u>6,941,033</u>	<u>6,941,033</u>	<u>7,452,211</u>	<u>511,178</u>
EXPENDITURES				
CURRENT				
Human Services:				
Income Maintenance	2,019,876	2,019,876	1,839,837	180,039
Social Services	4,408,700	4,408,700	4,033,998	374,702
Total Human Services	<u>6,428,576</u>	<u>6,428,576</u>	<u>5,873,835</u>	<u>554,741</u>
Health:				
Women, Infants, and Children	9,105	9,105	8,385	720
Nursing Service	46,535	46,535	86,820	(40,285)
Maternal and Child Health	10,595	10,595	11,033	(438)
Miscellaneous	876,082	876,082	862,020	14,062
Total Health	<u>942,317</u>	<u>942,317</u>	<u>968,258</u>	<u>(25,941)</u>
Total Expenditures	<u>7,370,893</u>	<u>7,370,893</u>	<u>6,842,093</u>	<u>528,800</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(429,860)	(429,860)	610,118	1,039,978
OTHER FINANCING SOURCES				
Transfers In	-	-	35,250	35,250
NET CHANGE IN FUND BALANCE	<u>\$ (429,860)</u>	<u>\$ (429,860)</u>	645,368	<u>\$ 1,075,228</u>
Fund Balance - January 1			<u>5,854,950</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 6,500,318</u>	

See accompanying Notes to Required Supplementary Information.

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
TRUST SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 317,500	\$ 317,500	\$ 315,203	\$ (2,297)
Charges for Services	30,000	30,000	26,915	(3,085)
Miscellaneous	1,350,000	1,350,000	1,456,359	106,359
Total Revenues	<u>1,697,500</u>	<u>1,697,500</u>	<u>1,798,477</u>	<u>100,977</u>
EXPENDITURES				
CURRENT				
General Government:				
Law Library	30,000	30,000	30,661	(661)
Maintenance	-	-	44,106	(44,106)
Total General Government	<u>30,000</u>	<u>30,000</u>	<u>74,767</u>	<u>(44,767)</u>
Conservation of Natural Resources:				
County Development	87,000	87,000	120,279	(33,279)
Forfeited Tax	1,326,241	1,326,241	1,515,206	(188,965)
Total Conservation of Natural Resources	<u>1,413,241</u>	<u>1,413,241</u>	<u>1,635,485</u>	<u>(222,244)</u>
Total Expenditures	<u>1,443,241</u>	<u>1,443,241</u>	<u>1,710,252</u>	<u>(267,011)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	254,259	254,259	88,225	(166,034)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	409,381	409,381
Transfers Out	(424,947)	(424,947)	(274,403)	150,544
Total Other Financing Sources (Uses)	<u>(424,947)</u>	<u>(424,947)</u>	<u>134,978</u>	<u>559,925</u>
NET CHANGE IN FUND BALANCE	<u>\$ (170,688)</u>	<u>\$ (170,688)</u>	223,203	<u>\$ 393,891</u>
Fund Balance - January 1			<u>1,254,220</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 1,477,423</u>	

See accompanying Notes to Required Supplementary Information.

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

	Measurement Date January 1, 2022	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	\$ 44,882	\$ 35,952	\$ 30,735	\$ 37,088	\$ 37,112
Interest	14,860	21,684	28,755	22,251	20,684
Assumption Changes	(8,510)	30,230	43,686	(22,052)	-
Plan Changes	133,775	-	-	84,077	-
Differences Between Actual and Expected Experience	34,158	-	(43,746)	-	-
Benefit Payments	(112,693)	(90,252)	(57,101)	(8,537)	(12,000)
Net Change in Total OPEB Liability	106,472	(2,386)	2,329	112,827	45,796
Total OPEB Liability - Beginning	754,196	756,582	754,253	641,426	595,630
Total OPEB Liability - Ending	<u>\$ 860,668</u>	<u>\$ 754,196</u>	<u>\$ 756,582</u>	<u>\$ 754,253</u>	<u>\$ 641,426</u>
 Covered Employee Payroll	 \$ 10,460,751	 \$ 10,369,279	 \$ 10,042,885	 \$ 10,706,791	 \$ 10,085,813
County's OPEB Liability as a Percentage of Covered Employee Payroll	8%	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
2022	0.1447%	\$ 11,460,288	\$ 336,112	\$ 11,796,400	\$ 10,780,997	106.30%	76.67%
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
2022	0.118%	\$ 5,139,246	\$ 224,585	\$ 5,363,831	\$ 1,434,831	358.18%	70.50%
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 Position as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2022	0.586%	\$ 1,948,197	\$ 1,350,941	144.21%	74.58%
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
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2022**

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
2022	\$ 808,119	\$ 808,119	\$ -	\$ 10,774,920	7.50%
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
2022	\$ 253,965	\$ 253,965	\$ -	\$ 1,434,831	17.70%
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
2022	\$ 118,497	\$ 118,497	\$ -	\$ 1,354,251	8.75%
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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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 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, 2022. 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	\$ 17,170,690	\$ 16,451,392	\$ 719,298
Special Revenue Funds:			
Road and Bridge	12,108,757	10,104,821	2,003,936
Trust Fund	1,710,252	1,443,241	267,011

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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, 2022.

General Employees Plan

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2021

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.

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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

General Employees Plan (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued):

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

Changes in Plan Provisions:

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

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.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions: (Continued):

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed 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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

General Employees Fund (Continued)

2015 (Continued)

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.

Police and Fire Plan

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

Police and Fire Plan (Continued)

2021 (Continued)

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.

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 already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Plan (Continued)

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%.
- 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.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Police and Fire Plan (Continued)

2016 (Continued)

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%.

Correctional Plan

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP 2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.5% per annum thereafter.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

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 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.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

Correctional Plan (Continued)

2021 (Continued)

Changes in Actuarial Assumptions (Continued):

- 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.

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

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

Correctional Plan (Continued)

2018 (Continued)

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.

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.

**AITKIN COUNTY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

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

Correctional Plan (Continued)

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:

2022:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The retirement, withdrawal, and salary increase rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

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%.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**AITKIN COUNTY, MINNESOTA
DESCRIPTION OF FUNDS – NONMAJOR
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

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, 2022**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
ASSETS				
Cash and Pooled Investments	\$ 647,196	\$ 428,656	\$ 37,281	\$ 1,113,133
Taxes Receivable:				
Delinquent	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	12,439	12,439
Due from Other Funds	353,809	15,046	-	368,855
Total Assets	<u>\$ 1,001,005</u>	<u>\$ 443,702</u>	<u>\$ 49,720</u>	<u>\$ 1,494,427</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,084	\$ 2,871	\$ -	\$ 13,955
Salaries Payable	18,106	-	-	18,106
Due to Other Funds	-	15,640	667	16,307
Due to Other Governments	150	-	-	150
Total Liabilities	<u>29,340</u>	<u>18,511</u>	<u>667</u>	<u>48,518</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	-	425,191	-	425,191
Ditch Maintenance and Repairs	-	-	54,902	54,902
Assigned for:				
Forest Development	971,665	-	-	971,665
Unassigned	-	-	(18,288)	(18,288)
Total Fund Balances	<u>971,665</u>	<u>425,191</u>	<u>36,614</u>	<u>1,433,470</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,001,005</u>	<u>\$ 443,702</u>	<u>\$ 49,720</u>	<u>\$ 1,494,427</u>

**AITKIN COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2022**

	<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	\$ 713,126	\$ 457,819	\$ 2,284,078
Taxes Receivable:			
Delinquent	18,189	-	18,189
Special Assessments Receivable:			
Delinquent	-	-	12,439
Due from Other Funds	-	-	368,855
Total Assets	<u>\$ 731,315</u>	<u>\$ 457,819</u>	<u>\$ 2,683,561</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 13,955
Salaries Payable	-	-	18,106
Due to Other Funds	-	-	16,307
Due to Other Governments	-	-	150
Total Liabilities	<u>-</u>	<u>-</u>	<u>48,518</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Received for Future Years	240	-	240
Unavailable Revenue	18,189	-	30,628
Total Deferred Inflows of Resources	<u>18,429</u>	<u>-</u>	<u>30,868</u>
FUND BALANCES			
Nonspendable for:			
Environmental Uses	-	457,819	457,819
Restricted for:			
Debt Service	712,886	-	712,886
Unorganized Road, Bridge, and Fire	-	-	425,191
Ditch Maintenance and Repairs	-	-	54,902
Assigned for:			
Forest Development	-	-	971,665
Unassigned	-	-	(18,288)
Total Fund Balances	<u>712,886</u>	<u>457,819</u>	<u>2,604,175</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 731,315</u>	<u>\$ 457,819</u>	<u>\$ 2,683,561</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds			
	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Total
REVENUES				
Taxes	\$ -	\$ 72,905	\$ -	\$ 72,905
Licenses and Permits	50	-	-	50
Intergovernmental	234,328	15,527	-	249,855
Investment Earnings	-	-	359	359
Miscellaneous	369,240	15,079	-	384,319
Total Revenues	<u>603,618</u>	<u>103,511</u>	<u>359</u>	<u>707,488</u>
EXPENDITURES				
CURRENT				
General Government	-	2,871	-	2,871
Public Safety	-	31,518	-	31,518
Highways and Streets	-	8,096	-	8,096
Conservation of Natural Resources	811,450	-	667	812,117
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>811,450</u>	<u>42,485</u>	<u>667</u>	<u>854,602</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(207,832)	61,026	(308)	(147,114)
OTHER FINANCING SOURCES (USES)				
Transfers In	236,812	51,796	-	288,608
Transfers Out	(63,035)	(197,453)	-	(260,488)
Total Other Financing Sources (Uses)	<u>173,777</u>	<u>(145,657)</u>	<u>-</u>	<u>28,120</u>
NET CHANGE IN FUND BALANCE	(34,055)	(84,631)	(308)	(118,994)
Fund Balance - January 1	<u>1,005,720</u>	<u>509,822</u>	<u>36,922</u>	<u>1,552,464</u>
FUND BALANCE - DECEMBER 31	<u>\$ 971,665</u>	<u>\$ 425,191</u>	<u>\$ 36,614</u>	<u>\$ 1,433,470</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

	<u>Debt Service Fund</u> <u>Debt Service</u>	<u>Permanent Fund</u> <u>Environmental</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes	\$ 705,055	\$ -	\$ 777,960
Licenses and Permits	-	-	50
Intergovernmental	44,685	-	294,540
Investment Earnings	-	6,909	7,268
Miscellaneous	-	-	384,319
Total Revenues	<u>749,740</u>	<u>6,909</u>	<u>1,464,137</u>
EXPENDITURES			
CURRENT			
General Government	-	-	2,871
Public Safety	-	-	31,518
Highways and Streets	-	-	8,096
Conservation of Natural Resources	-	-	812,117
Debt Service:			
Principal	395,000	-	395,000
Interest	309,091	-	309,091
Total Expenditures	<u>704,091</u>	<u>-</u>	<u>1,558,693</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,649	6,909	(94,556)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	288,608
Transfers Out	-	(6,909)	(267,397)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(6,909)</u>	<u>21,211</u>
NET CHANGE IN FUND BALANCE	45,649	-	(73,345)
Fund Balance - January 1	<u>667,237</u>	<u>457,819</u>	<u>2,677,520</u>
FUND BALANCE - DECEMBER 31	<u>\$ 712,886</u>	<u>\$ 457,819</u>	<u>\$ 2,604,175</u>

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FOREST DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and Permits	\$ 200	\$ 200	\$ 50	\$ (150)
Intergovernmental	213,067	213,067	234,328	21,261
Miscellaneous	257,000	257,000	369,240	112,240
Total Revenues	<u>470,267</u>	<u>470,267</u>	<u>603,618</u>	<u>133,351</u>
EXPENDITURES				
CURRENT:				
Conservation of Natural Resources:				
Reforestation	364,428	364,428	335,456	28,972
Forest Road	-	-	27	(27)
Land Surveying	503,805	503,805	475,967	27,838
Total Expenditures	<u>868,233</u>	<u>868,233</u>	<u>811,450</u>	<u>56,783</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(397,966)	(397,966)	(207,832)	190,134
OTHER FINANCING SOURCES (USES)				
Transfers In	489,894	489,894	236,812	(253,082)
Transfers Out	(244,947)	(244,947)	(63,035)	181,912
Total Other Financing Sources (Uses)	<u>244,947</u>	<u>244,947</u>	<u>173,777</u>	<u>(71,170)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (153,019)</u>	<u>\$ (153,019)</u>	(34,055)	<u>\$ 118,964</u>
Fund Balance - January 1			<u>1,005,720</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 971,665</u>	

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 76,200	\$ 76,200	\$ 72,905	\$ (3,295)
Intergovernmental	-	-	15,527	15,527
Miscellaneous	-	-	15,079	15,079
Total Revenues	<u>76,200</u>	<u>76,200</u>	<u>103,511</u>	<u>27,311</u>
EXPENDITURES				
CURRENT:				
General Government:				
Other General Government	2,700	2,700	2,871	(171)
Public Safety:				
Emergency Services	27,500	27,500	31,518	(4,018)
Highways and Streets:				
Other Highways and Streets	46,000	46,000	8,096	37,904
Total Expenditures	<u>76,200</u>	<u>76,200</u>	<u>42,485</u>	<u>33,715</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	61,026	61,026
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	51,796	51,796
Transfers Out	-	-	(197,453)	(197,453)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(145,657)</u>	<u>(145,657)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(84,631)</u>	<u>\$ (84,631)</u>
Fund Balance - January 1			<u>509,822</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 425,191</u>	

**AITKIN COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 743,573	\$ 743,573	\$ 705,055	\$ (38,518)
Intergovernmental	-	-	44,685	44,685
Total Revenues	<u>743,573</u>	<u>743,573</u>	<u>749,740</u>	<u>6,167</u>
EXPENDITURES				
Debt Service:				
Principal	395,000	395,000	395,000	-
Interest	<u>309,090</u>	<u>309,090</u>	<u>309,091</u>	<u>(1)</u>
Total Debt Service	<u>704,090</u>	<u>704,090</u>	<u>704,091</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 39,483</u>	<u>\$ 39,483</u>	45,649	<u>\$ 6,166</u>
Fund Balance - January 1			<u>667,237</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 712,886</u>	

**AITKIN COUNTY, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 ENVIRONMENTAL PERMANENT FUND
 YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 13,600	\$ 13,600	\$ 6,909	\$ (6,691)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(13,600)	(13,600)	(6,909)	6,691
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - January 1			<u>457,819</u>	
FUND BALANCE - DECEMBER 31			<u>\$ 457,819</u>	

FIDUCIARY FUNDS

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**AITKIN COUNTY, MINNESOTA
DESCRIPTION OF FUNDS – FIDUCIARY FUNDS
DECEMBER 31, 2022**

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.

The VCET Fund is used to account for the activity of the Aitkin-Itasca-Mille Lacs Drug Task Force joint powers agreement that the County is the fiscal host for.

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 CUSTODIAL FUNDS
 DECEMBER 31, 2022**

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ASSETS				
Cash and Pooled Investments	\$ 697,081	\$ 5,818	\$ 160,808	\$ 61,312
Due from Other Governments	-	-	-	-
Taxes for Other Governments	380,621	-	42,003	-
Total Assets	1,077,702	5,818	202,811	61,312
LIABILITIES				
Due to Other Governments	694,291	-	152,930	61,312
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Collected for Subsequent Period	2,790	-	-	-
NET POSITION				
Restricted for:				
Individuals, Organizations, and Other Governments	\$ 380,621	\$ 5,818	\$ 49,881	\$ -

**AITKIN COUNTY, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 CUSTODIAL FUNDS (CONTINUED)
 DECEMBER 31, 2022**

Custodial Funds					Total Custodial Funds
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	VCET	
\$ 110,530	\$ 50,534	\$ 19,049	\$ 77,102	\$ 32,515	\$ 1,214,749
-	-	-	13,090	-	13,090
-	-	-	-	-	422,624
<u>110,530</u>	<u>50,534</u>	<u>19,049</u>	<u>90,192</u>	<u>32,515</u>	<u>1,650,463</u>
110,530	-	-	-	-	1,019,063
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,790</u>
<u>\$ -</u>	<u>\$ 50,534</u>	<u>\$ 19,049</u>	<u>\$ 90,192</u>	<u>\$ 32,515</u>	<u>\$ 628,610</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Custodial Funds			
	Taxes and Penalties	County Triad	State Revenue	License Center
ADDITIONS				
Contributions - Individuals	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Property Tax Collections for Other Governments	12,404,466	-	-	-
Fee Collections for Other Governments and Organizations	-	-	-	-
License and Fees Collected for State	-	-	3,551,624	4,137,167
Recoveries	-	-	-	-
Miscellaneous	-	4,000	385	-
Total Additions	<u>12,404,466</u>	<u>4,000</u>	<u>3,552,009</u>	<u>4,137,167</u>
DEDUCTIONS				
Beneficiary Payments to Individuals	-	-	-	-
Payments of Property Tax to Other Governments	12,445,580	-	-	-
Payments to State	-	-	3,510,847	4,137,167
Payments to Other Entities	-	-	-	-
Miscellaneous	-	1,393	-	-
Total Deductions	<u>12,445,580</u>	<u>1,393</u>	<u>3,510,847</u>	<u>4,137,167</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(41,114)	2,607	41,162	-
Fiduciary Net Position - Beginning of Year	<u>421,735</u>	<u>3,211</u>	<u>8,719</u>	<u>-</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 380,621</u>	<u>\$ 5,818</u>	<u>\$ 49,881</u>	<u>\$ -</u>

**AITKIN COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Custodial Funds					Total Custodial Funds
Estate Recoveries	Jail Canteen	Child Abuse Prevention Council	Collaborative	VCET	
\$ -	\$ 155,385	\$ -	\$ -	\$ 59,044	\$ 214,429
-	-	-	67,304	-	67,304
-	-	-	-	-	12,404,466
-	-	6,341	-	-	6,341
-	-	-	-	-	7,688,791
305,658	-	-	-	-	305,658
-	-	-	-	-	4,385
<u>305,658</u>	<u>155,385</u>	<u>6,341</u>	<u>67,304</u>	<u>59,044</u>	<u>20,691,374</u>
-	128,295	-	-	26,529	154,824
-	-	-	-	-	12,445,580
305,658	-	-	-	-	7,953,672
-	-	2,994	67,750	-	70,744
-	-	-	-	-	1,393
<u>305,658</u>	<u>128,295</u>	<u>2,994</u>	<u>67,750</u>	<u>26,529</u>	<u>20,626,213</u>
-	27,090	3,347	(446)	32,515	65,161
-	23,444	15,702	90,638	-	563,449
<u>\$ -</u>	<u>\$ 50,534</u>	<u>\$ 19,049</u>	<u>\$ 90,192</u>	<u>\$ 32,515</u>	<u>\$ 628,610</u>

OTHER SCHEDULES

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**AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2022**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>
APPROPRIATIONS AND SHARED REVENUE			
State:			
Highway Users Tax	\$ 8,649,407	\$ -	\$ 8,649,407
PERA Rate Reimbursement	44,409	-	44,409
Disparity Reduction Aid	10,540	-	10,540
Police Aid	167,775	-	167,775
County Program Aid	835,689	-	835,689
Market Value Credit	186,044	-	186,044
SCORE	72,420	-	72,420
Out of Home Placement	13,406	-	13,406
Riparian Aid	40,000	-	40,000
Taconite Credit	628,108	-	628,108
Enhanced 911	176,403	-	176,403
Aquatic Invasive Species	270,096	-	270,096
Total Appropriations and Shared Revenue	<u>11,094,297</u>	<u>-</u>	<u>11,094,297</u>
REIMBURSEMENT FOR SERVICES			
State:			
Minnesota Department of Human Services	981,154	-	981,154
PAYMENTS			
Local:			
Payments in Lieu of Taxes	1,560,875	-	1,560,875
GRANTS			
State:			
Minnesota Department/Board of:			
Corrections	360,144	-	360,144
Public Safety	174,507	-	174,507
Trial Courts	69,622	-	69,622
Health	243,584	-	243,584
Natural Resources	945,159	-	945,159
Human Services	685,055	-	685,055
Peace Officers Board	20,296	-	20,296
Veterans Affairs	10,000	-	10,000
Water and Soil Resources	96,388	-	96,388
Total State	<u>2,604,755</u>	<u>-</u>	<u>2,604,755</u>

AITKIN COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Governmental Funds	Enterprise Fund	Total Primary Government
GRANTS (CONTINUED)			
Federal:			
U.S. Department of:			
Agriculture	\$ 331,214	\$ 4,526	\$ 335,740
Education	2,810	-	2,810
Federal Election Assistance Commission	28,028	-	28,028
Interior	2,080	-	2,080
Justice	82,278	-	82,278
Transportation	353,530	-	353,530
Treasury	2,901,350	-	2,901,350
Health and Human Services	1,814,214	-	1,814,214
Housing and Urban Development	189,848	-	189,848
Homeland Security	26,941	-	26,941
Total Federal	5,732,293	4,526	5,736,819
 Total State and Federal Grants	 8,337,048	 4,526	 8,341,574
 Total Intergovernmental Revenue	 \$ 21,973,374	 \$ 4,526	 \$ 20,417,025

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2022**

	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	27,077	1,294	11,861	40,232
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	11,694	163	-	11,857
Total	\$ 37,281	\$ 12,439	\$ 13,361	\$ 63,081

**AITKIN COUNTY, MINNESOTA
BALANCE SHEET BY DITCH
DITCH SPECIAL REVENUE FUND (CONTINUED)
DECEMBER 31, 2022**

	Liabilities			Deferred Inflows of Resources	Fund Balances	Total Liabilities, Deferred Inflows, of Resources, and Fund Balance
	Due to Other Ditches	Due to Other Funds	Total	Unavailable Revenue	Restricted/ (Unassigned)	
County Ditches:						
5						
20	\$ 7,250	\$ 667	\$ 7,917	\$ -	\$ (8,357)	\$ (440)
23	-	-	-	-	(143)	(143)
24	-	-	-	-	(965)	(965)
28	-	-	-	369	1,500	1,869
29	1,287	-	1,287	-	(1,472)	(185)
30	-	-	-	-	80	80
34	-	-	-	1,294	38,938	40,232
36	65	-	65	978	(65)	978
37	65	-	65	1,208	2,690	3,963
42	2,173	-	2,173	8,427	(5,619)	4,981
43	935	-	935	-	(1,360)	(425)
43	76	-	76	-	(76)	-
66	1,510	-	1,510	-	(231)	1,279
Judicial Ditch:						
2	-	-	-	163		11,857
Total	\$ 13,361	\$ 667	\$ 14,028	\$ 12,439	\$ 36,614	\$ 63,081

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

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	SERVS2022	\$ 4,526	\$ -
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	79,067	-
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	222MN101S2514	214,692	-
Total U.S. Department of Agriculture			298,285	-
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development, Business and Community Division Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CARE-21-0011-O-FY21	189,848	-
U.S. Department of 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 Missing Children's Assistance	16.543	Not Available A-CVS-2022- AITKINAO-172	1,500	-
Crime Victim Assistance	16.575		94,570	-
Total U.S. Department of Justice			96,070	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	001-070-008	348,088	-
Passed Through Minnesota Department of Public Safety and the City of Aitkin State and Community Highway Safety (Part of Highway Safety Cluster)	20.600	F-SAFE22-2022- ATKNCOTZD	2,161	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-SAFE22-2022- ATKNCOTZD	1,561	-
National Priority Safety Programs (Part of Highway Safety Cluster)	20.616	F-SAFE22-2022- ATKNCOTZD	1,720	-
Total U.S. Department of Transportation			353,530	-
U.S. Department of Treasury				
Direct				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	2,851,350	-
Local Assistance and Tribal Consistency Fund	21.032	Not Applicable	50,000	-
Total U.S. Department of the Treasury			2,901,350	-
U.S. Federal Election Assistance Commission				
Passed Through Office of Minnesota Secretary of State 2018 HAVA Election Security Grants	90.404	Not Provided	28,028	-
U.S. Department of Education				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board Special Education-Grants for Infants and Families	84.181	BO4MC32551	2,137	-
U.S. Department of Health and Human Services				
Passed Through Aitkin-Itasca-Koochiching Community Health Services Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	24,400	-
COVID-19 Immunization Cooperative Agreements	93.268	NH23IP922628	35,946	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	44,675	-
Temporary Assistance for Needy Families	93.558	2201MNTANF	37,349	-
(Total Temporary Assistance for Needy Families 93.558 \$199,655)				
Medical Assistance Program (Part of Medicaid Cluster)	93.778	2205MN5ADM	11,912	-
(Total Medical Assistance Program 93.778 \$668,011)				
Maternal and Child Health Services Block Grant to the States	93.994	B0447426	22,742	-

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, 2022**

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				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2101MNFPS	\$ 2,045	\$ -
Temporary Assistance for Needy Families	93.558	2201MNTANF	162,306	-
(Total Temporary Assistance for Needy Families 93.558 \$199,655)				
Child Support Enforcement	93.563	2201MNCSES	\$ 76,475	-
Child Support Enforcement		2201MNCES	322,112	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2101MNFPS	353	-
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	2201MNCDF	3,024	-
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	2,999	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	1,812	-
Foster Care Title IV-E	93.658	2201MNFOS	85,117	-
Social Services Block Grant	93.667	2201MNSOSR	137,158	-
Child Abuse and Neglect State Grants	93.669	2101MNCAN	3,542	-
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	7,650	-
Children's Health Insurance Program	93.767	2205MN5021	738	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	2205MN5ADM	650,082	-
(Total Medical Assistance Program 93.778 \$668,011)		2205MN5MAP	6,017	-
Total U.S. Department of Health and Human Services			1,638,454	-
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G70CGBLA19	6,732	-
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4658	20,209	-
Total U.S. Department of Homeland Security			26,941	-
Total Expenditures of Federal Awards			<u>\$ 5,536,723</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	3,024
Medicaid Cluster	668,011
SNAP Cluster	214,692
Highway Planning and Construction Cluster	348,088
Highway Safety Cluster	3,881
Child Nutrition Cluster	4,526

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, 2022

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, 2022. 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, 2022**

NOTE 4 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,736,819
Grants received more than 60 days after year-end, unavailable in 2022	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	47,872
Maternal and Child Health Services Block Grant to the States	9,369
Crime Victim Assistance	13,792
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	158
Public Health Emergency Preparedness	15,369
Community-Based Child Abuse Prevention Grants	560
COVID-19 Immunization Cooperative Agreements	13,450
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	3,402
Medical Assistance Program	1,755
Temporary Assistance for Needy Families	11,028
MaryLee Allen Promoting Safe and Stable Families Program	538
Special Education-Grants for Infants and Families	2,100
Stephanie Tubbs Jones Child Welfare Services Program	959
Grants unavailable in 2021, recognized as revenue in 2022	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	(85,327)
Maternal and Child Health Services Block Grant to the States	(16,355)
Child Abuse and Neglect State Grants	(516)
Public Health Emergency Preparedness	(8,955)
MaryLee Allen Promoting Safe and Stable Families Program	(257)
Temporary Assistance for Needy Families	(34,146)
Community-Based Child Abuse Prevention Grants	(539)
Stephanie Tubbs Jones Child Welfare Services Program	(752)
Special Education-Grants for Infants and Families	(2,773)
Medical Assistance Program	(36,981)
COVID-19 Immunization Cooperative Agreements	(63,924)
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	(69,251)
Children's Health Insurance Program	(672)
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,536,723</u>

**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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2023.

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 2022-001 and 2022-002 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 2022-003 and 2022-004 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
August 15, 2023



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, 2022. 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, 2022.

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
August 15, 2023

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**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

AUDIT ADJUSTMENTS (2022-001)

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

Condition: As part of the audit, we proposed material audit adjustments to adjust unearned revenue, record accruals, adjust GASB 84 fiduciary activities, and to record conversion entries related to capital assets, compensated absences, net pension liability 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, 2021-001.

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, 2022**

Section II – Financial Statement Findings (Continued)

FINANCIAL REPORTING PROCESS (2022-002)

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, 2021-002.

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, 2022**

Section II – Financial Statement Findings (Continued)

COMPUTER RISK MANAGEMENT (2022-003)

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, 2021-003.

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, 2022**

Section II – Financial Statement Findings (Continued)

SEGREGATION OF DUTIES (2022-004)

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, 2021-004.

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, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Items for Consideration – Minnesota Legal Compliance

PUBLISHING OF CLAIMS (2022-005)

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, 2021-006.

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 as deemed cost beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

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

DITCH SPECIAL REVENUE FUND (2022-006)

Condition: During our testing, it was noted that six 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, 2021-007.

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 and cost beneficial.

**AITKIN COUNTY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section V – Previously Reported Item Resolved

ELIGIBILITY REVIEW (2021-005)

The County did not have appropriate controls over the review of MAXIS cases and METS cases.

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



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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2023.

In connection with our audit, we noted that Aitkin County failed to comply with provisions of the miscellaneous provisions section 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 2022-005 to 2022-006. 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, claims and disbursements, 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.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 15, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.