KANABEC COUNTY
MORA, MINNESOTA

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

KANABEC COUNTY
MORA, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019

KANABEC COUNTY
MORA, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

INTRODUCTORY SECTION

KANABEC COUNTY
MORA, MINNESOTA
ORGANIZATION
DECEMBER 31, 2019

Office	Name	Term From	Term To
County Board of Commissioners			
1st District	Dennis McNally	January 2019	January 2023
2nd District	Gene Anderson	January 2017	January 2021
3rd District	Les Nielsen	January 2019	January 2023
4th District	* Kathi Ellis	January 2017	January 2021
5th District	Craig Smith	January 2019	January 2023
Officers			
Elected			
Attorney	Barbara McFadden	January 2019	January 2023
Auditor-Treasurer	Denise Snyder	January 2019	January 2023
County Recorder	Lisa Holcomb	January 2019	January 2023
Sheriff	Brian Smith	January 2019	January 2023
Appointed			
Assessor	Tina Diedrich Von-Eschen	August 2016	January 2021
Coordinator	Kris McNally	Indefinite	
Court Administrator	Sharon Schubert	Indefinite	
Examiner of Titles	Grant Lundberg	Indefinite	
Public Works Director	Chad Gramentz	May 2019	May 2023
Court Services Director	Todd Eustice	Indefinite	
Surveyor	Tyler Kroschel	January 2019	January 2023

* Denotes Board Chair

This Page Has Been Intentionally Left Blank.

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Kanabec County
Mora, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Kanabec County, Minnesota (the County), as of and for the year ended December 31, 2019, and the related notes of the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The South Country Health Alliance (SCHA) is a joint venture discussed in Note 7.C. to the financial statements. The county's investment in SCHA, $2,662,034, represents 2.7 and 3.4%, respectively, of the assets and net position of the governmental activities. The financial statements of SCHA, were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health. We have applied procedures on the conversion adjustment to the financial statements of SCHA, which conform the financial reporting of the investment in joint venture to accounting principles accepted in the United State of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kanabec County, Minnesota as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the county's proportionate share of the net pension liability, the schedule of the county contributions, budgetary comparison information, and schedule of changes in the total other postemployment benefit liability, related ratios and notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kanabec County's basic financial statements. The combining statement of changes in assets and liabilities – all agency funds and the schedule of intergovernmental revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of changes in assets and liabilities – all agency funds, the schedule of intergovernmental revenue and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining statement of changes in assets and liabilities – all agency funds, the schedule of intergovernmental revenue, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020, on our consideration of Kanabec 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 the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kanabec County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 16, 2020

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

KANABEC COUNTY
MORA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019

This section of Kanabec County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2019. The management's discussion and analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year, 2019, and the prior year, 2018, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 include the following:

- County-wide net position (excluding the Welia Health component unit) increased $843,584 during 2019. This is primarily due to the County's continued investment into capital assets, financed by intergovernmental revenues.
- Overall fund-level revenues totaled $29,823,088 and were $1,754,043 less than expenditures. Primarily due to road and bridge and community health funds having expenditures in excess of budget.
- The General Fund's fund balance decreased $899,806 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

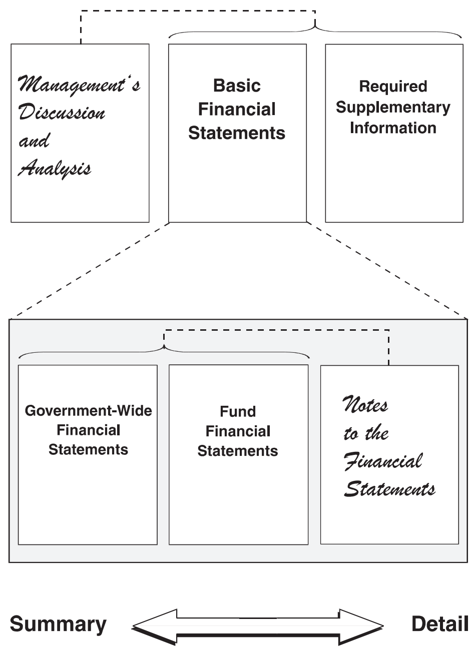
- The first two statements are Government-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the Government-wide statements.
    - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short-term as well as what remains for future spending.
    - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balances.	
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short- term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

GOVERNMENT-WIDE STATEMENTS

The Government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The two Government-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the County, you need to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.
- In the Government-wide financial statements, the County's activities are shown in one category, Governmental activities, which include the County's basic services. Property taxes and state aids finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

THE COUNTY HAS TWO KINDS OF FUNDS:

- Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide additional information that explains the relationship (or differences) between them.
- Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

NET POSITION

The County's net position was $77,909,376 on December 31, 2019 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities 2019	Governmental Activities 2018	Percent Change
Current and Other Assets	$ 17,082,192	$ 18,578,066	(8.1)%
Capital Assets	82,982,199	82,018,707	1.2
Total Assets	100,064,391	100,596,773	(0.5)
Deferred Outflows of Resources	2,694,396	4,566,948	(41.0)
Current Liabilities	2,106,983	2,461,436	(14.4)
Long-Term Liabilities (include current maturities)	17,767,221	19,355,819	(8.2)
Total Liabilities	19,874,204	21,817,255	(8.9)
Deferred Inflows of Resources	4,975,207	6,280,674	(20.8)
Net Position			
Net Investment In Capital Assets	74,597,333	72,994,819	2.2
Restricted	8,258,334	4,491,009	83.9
Unrestricted	(4,946,291)	(420,036)	(1077.6)
Total Net Position	$ 77,909,376	$ 77,065,792	1.1

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION

The Government-wide total revenues were $30,329,252 for the year ended December 31, 2019. Property taxes and intergovernmental revenues accounted for 80.1 percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total Percent
	2019	2018	Change
REVENUES			
Program Revenues			
Charges for Services	$ 4,980,182	$ 5,333,885	(6.6)%
Operating Grants and Contributions	8,608,217	8,459,854	1.8
Capital Grants and Contributions	2,206,732	2,171,108	1.6
General Revenues			
Property Taxes	12,015,663	11,280,804	6.5
Other Taxes	210,150	204,089	3.0
Unrestricted State Aid	1,463,543	1,458,976	0.3
Investment Earnings	137,205	147,752	(7.1)
Other	707,560	1,073,960	(34.1)
Total Revenues	30,329,252	30,130,428	0.7
EXPENSES			
General Government	7,900,645	7,905,092	(0.1)
Public Safety	5,942,803	5,407,662	9.9
Highways and Streets	5,647,784	5,232,258	7.9
Sanitation	155,147	132,471	17.1
Human Services	6,030,332	6,507,642	(7.3)
Health	3,197,512	3,059,630	4.5
Culture and Recreation	168,287	161,984	3.9
Economic Development	147,663	124,193	18.9
Conservation of Natural Resources	82,787	79,181	4.6
Interest	212,708	237,862	(10.6)
Total Expenses	29,485,668	28,847,975	2.2
CHANGES IN NET POSITION	843,584	1,282,453	(34.2)
Net Position - Beginning of Year	77,065,792	76,284,461	1.0
Change in Accounting Principle	-	(501,122)	100.0
Net Position - Beginning of Year, as Restated	77,065,792	75,783,339	1.7
NET POSITION - END OF YEAR	$ 77,909,376	$ 77,065,792	1.1

Total revenues surpassed expenses, increasing the net position $843,584 over last year.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION (CONTINUED)

The Government-wide cost of all governmental activities this year was $29,485,668.

- Some of the cost was paid by the users of the County's programs ($4,980,182).
- The federal and state governments subsidized certain programs with grants and contributions ($10,814,949).
- The remainder of the County's governmental activities costs, ($12,690,537), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid from the combination of $12,225,813 in property, wheelage, and other taxes, $1,463,543 of state aid, and $844,765 of investment earnings and other general revenues.

Figure A-3 Sources of County's Revenues for 2019

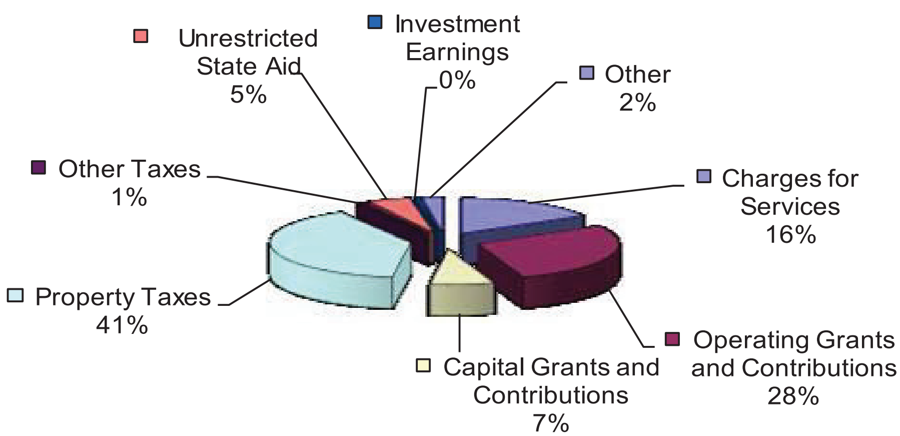
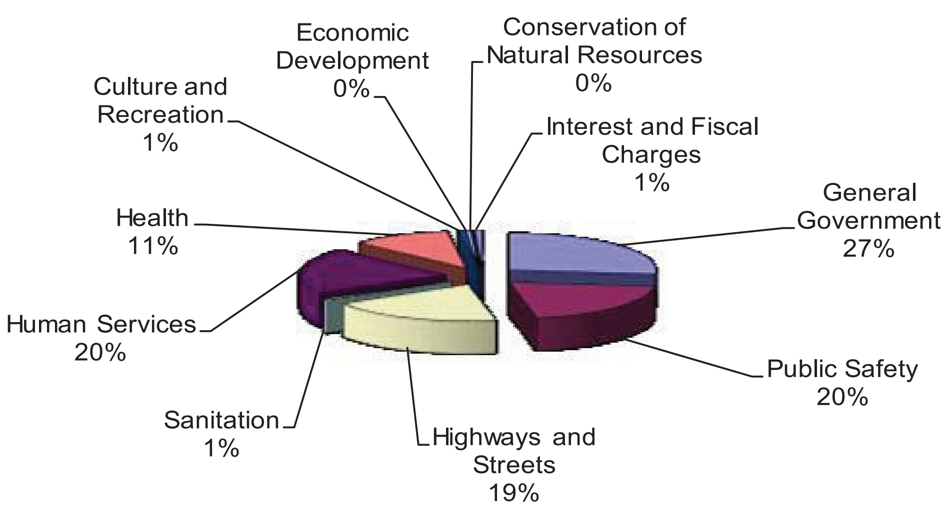


Figure A-4 County's Expenses for 2019



FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION (CONTINUED)

Table A-3
Expenses and Net Revenue (Cost) of Services

	Total Cost of Services 2019	Total Cost of Services 2018	Percentage Change	Net Revenue (Cost) of Services 2019	Net Revenue (Cost) of Services 2018	Percentage Change
GOVERNMENTAL ACTIVITIES						
General Government	$ 7,900,645	$ 7,905,092	(0.1)%	$ (4,788,394)	$ (4,335,838)	(10.4)%
Public Safety	5,942,803	5,407,662	9.9	(4,230,759)	(3,626,396)	(16.7)
Highways and Streets	5,647,784	5,232,258	7.9	(1,031,953)	(1,437,983)	28.2
Sanitation	155,147	132,471	17.1	(86,437)	(64,742)	(33.5)
Human Services	6,030,332	6,507,642	(7.3)	(2,421,130)	(2,726,474)	11.2
Health	3,197,512	3,059,630	4.5	(548,766)	(104,160)	(426.8)
Culture and Recreation	168,287	161,984	3.9	(168,287)	(161,984)	(3.9)
Economic Development	147,663	124,193	18.9	(119,998)	(108,508)	(10.6)
Conservation of Natural Resources	82,787	79,181	4.6	(82,787)	(79,181)	(4.6)
Interest	212,708	237,862	(10.6)	(212,026)	(237,862)	10.9
Total	$ 29,485,668	$ 28,847,975	2.2	$ (13,690,537)	$ (12,883,128)	(6.3)

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of $10,476,614.

Revenues for the County's governmental funds were $29,823,088 while total expenditures were $31,577,131.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

Revenue Source	Year Ended December 31, 2019	Year Ended December 31, 2018	Change Increase (Decrease)	Change Percent
Taxes	$ 6,373,066	$ 6,101,689	$ 271,377	4.4 %
Intergovernmental	2,500,127	2,904,739	(404,612)	(13.9)
Charges for Services	2,306,899	2,235,618	71,281	3.2
Interest	130,154	141,584	(11,430)	(8.1)
Miscellaneous and Other	1,102,963	1,222,213	(119,250)	(9.8)
Total General Fund Revenues	$ 12,413,209	$ 12,605,843	$ (192,634)	(1.5)

Total General Fund revenue decreased by $192,634 or 1.5 percent, from the previous year. The decrease is primarily due to the decrease in intergovernmental revenues in 2019 compared to 2018.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent
General Government	$ 6,079,581	$ 6,179,751	$ (100,170)	(1.6)%
Public Safety	6,508,244	6,262,296	245,948	3.9
Sanitation	155,147	132,471	22,676	17.1
Health	-	-	-	-
Conservation of Natural Resources	82,787	79,181	3,606	4.6
Intergovernmental	167,994	161,595	6,399	4.0
Capital Outlay	154,401	732,247	(577,846)	(78.9)
Debt Service	173,908	196,092	(22,184)	(11.3)
Total Expenditures	$ 13,322,062	$ 13,743,633	$ (421,571)	(3.1)

The General Fund had total fund balance of $3,616,777 at the end of the current fiscal year. The fund balance of the General Fund decreased $899,806 during the current fiscal year primarily due to less intergovernmental revenues and more expenditures in 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Actual revenues were $137,399 less than budget due to less grants received than was estimated.
- The actual expenditures were $464,176 more than budget due primarily to more than anticipated expenditures for general government.
- The County made no budget amendments in 2019 related to the General fund.

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of $4,067,446 at the end of the current fiscal year. The total change in fund balance of the Road and Bridge Fund was a decrease of $225,360 (before adjustments for inventory), during the current fiscal year primarily due to additional projects in 2019.

The Family Services Fund had total fund balance of $911,986 at the end of the current fiscal year. The fund balance of the Family Services Fund decreased a minimal $28,107 during the current fiscal year.

The Economic Development Fund had total fund balance of $39,019 at the end of the current fiscal year. This was primarily due to intergovernmental revenue increasing over the prior more than expenditures increased over the prior year.

OTHER MAJOR FUNDS ANALYSIS (CONTINUED)

The Community Health Fund had total fund balance of $717,360 at the end of the current fiscal year. The fund balance of the Community Health Fund decreased $264,810 during the current fiscal year due to timing of reimbursements from the federal and state governments.

The Forfeited Tax Fund had total fund balance of $(70,745) at the end of the current fiscal year. The fund balance of the Forfeited Tax Fund decreased $288,400 during the current fiscal year due to large decrease in forfeited land sales in 2019.

The Debt Service Fund had total fund balance of $1,195,130 at the end of the current fiscal year. The fund balance of the Debt Service Fund increased $46,658 during the current fiscal year, which is primarily due to levying 105% of the current principal and interest due in accordance with state statutes.

An annual levy is made to fund the bond payments for all previous bond issues.

CAPITAL ASSETS

By the end of 2019, the County had invested approximately $118,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-5). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements). Total depreciation expense for the year was $2,550,679.

Table A-6
The County's Capital Assets

	Governmental Activities 2019	Governmental Activities 2018	Percent Change
Land	$ 3,423,981	$ 3,423,981	- %
Construction-in-Progress	885,135	1,810,747	(51.1)
Infrastructure	83,561,850	79,614,827	5.0
Buildings	21,258,094	21,161,508	0.5
Machinery, Equipment, and Vehicles	8,834,288	8,646,272	2.2
Less: Accumulated Depreciation	(34,981,149)	(32,638,628)	7.2
Total	$ 82,982,199	$ 82,018,707	1.2

LONG-TERM LIABILITIES

At year-end, the County had $17,182,796 in long-term liabilities outstanding.

- The County's governmental activities total debt decreased $1,587,593, due primarily to the changes in assumptions related to the net pension liability and scheduled debt payments which are included in Note 4.F and Note 3 C., respectively.

Table A-7
The County's Long-Term Liabilities

	2019	2018	Percent Change
Governmental Activities			
Compensated Absences Payable	$ 600,946	$ 670,989	(10.4)%
General Obligation Bonds	7,445,575	8,761,889	(15.0)
Capital Leases Payable	146,798	229,595	(36.1)
Loans Payable	564,597	537,986	4.9
Net Pension Liability	8,424,880	8,569,930	(1.7)
Total	$ 17,182,796	$ 18,770,389	(8.5)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the state of Minnesota for a significant portion of its revenue. The state of the economy continues to increase the cost of services provided and general expenditures.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. A large amount of uncertainty remains in regards to the impact this event will have on local governments.

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 demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Coordinator, or Denise Snyder, County Auditor-Treasurer at (320) 679-6430. The County also recognizes Welia Health as a discrete component unit that issues its own financial statements and notes. If you have any questions concerning Welia Health, contact their finance department at 301 South Hwy 65, Mora, Minnesota 55051.

This Page Has Been Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Discretely Presented Component Unit
ASSETS		
Cash and Pooled Investments	$ 10,956,327	$ 14,653,568
Petty Cash and Change Funds	675	-
Investments	-	41,983,216
Taxes Receivable		
Delinquent	511,644	-
Special Assessments Receivable		
Unavailable	358,118	-
Delinquent	533	-
Accounts Receivable - Net	205,508	13,033,264
Accrued Interest Receivable	18,658	-
Due from Other Governments	1,865,477	-
Prepaid Items	45,048	750,375
Inventories	458,170	2,115,938
Investment in Joint Ventures	2,662,034	1,560,416
Restricted Assets		
Cash and Pooled Investments	-	4,131,318
Nondepreciable Capital Assets		
Land	3,423,981	1,996,692
Construction in Progress	885,135	897,410
Depreciable Capital Assets - Net of Depreciation		
Building	16,547,506	47,098,297
Improvements Other Than Buildings	-	1,964,953
Machinery, Vehicles, Furniture, and Equipment	2,859,816	16,738,080
Infrastructure	59,265,761	-
Total Assets	100,064,391	146,923,527
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	2,636,359	2,531,978
Other Postemployment Benefit Related	33,505	-
Loss on Refunding	24,532	-
Total Deferred Outflows of Resources	2,694,396	2,531,978

See accompanying Notes to Financial Statements.

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

	Governmental Activities	Discretely Presented Component Unit
LIABILITIES		
Accounts Payable	$ 527,158	$ 3,456,767
Salaries Payable	833,766	3,310,666
Contracts Payable	237,582	-
Due to Other Governments	165,689	-
Accrued Interest Payable	14,846	143,158
Unearned Revenue	284,946	-
Other Current Liabilities	-	1,090,462
Other Postemployment Benefits Liability - Due within One Year	42,996	-
Compensated Absences Payable - Due within One Year	542,421	-
General Obligation Bonds Payable - Due within One Year	810,000	300,000
Capital Lease Payable - Due within One Year	79,367	-
Revenue Bonds Payable - Due within One Year	-	932,717
Revenue Notes Payable - Due within One Year	-	164,257
Loans Payable - Due within One Year	89,147	-
Other Postemployment Benefits Liability - Due in More Than One Year	584,425	969,447
General Obligation Bonds Payable - Due in More Than One Year	6,635,575	615,391
Capital Lease Payable - Due in More Than One Year	67,431	-
Revenue Bonds Payable - Due in More Than One Year	-	55,590,873
Revenue Notes Payable - Due in More Than One Year	-	4,722,346
Compensated Absences Payable - Due in More Than One Year	58,525	-
Loans Payable - Due in More Than One Year	475,450	-
Net Pension Liability - Due in More Than One Year	8,424,880	20,970,647
Total Liabilities	19,874,204	92,266,731
DEFERRED INFLOWS OF RESOURCES		
Pension Related	4,956,157	4,110,244
Other Postemployment Benefit Related	19,050	-
Total Deferred Inflows of Resources	4,975,207	4,110,244
NET POSITION		
Net Investment in Capital Assets	74,597,333	5,755,815
Restricted for:		
General Government	366,484	-
Public Safety	168,309	-
Highways and Streets	4,443,895	-
Sanitation	2,028,750	-
Debt Service	1,250,896	3,976,258
Unrestricted	(4,946,291)	43,346,457
Total Net Position	$ 77,909,376	$ 53,078,530

See accompanying Notes to Financial Statements.

This Page Has Been Intentionally Left Blank.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Welia Health
FUNCTIONS/PROGRAMS						
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General Government	$ 7,900,645	$ 2,188,191	$ 924,060	$ -	$ (4,788,394)	$ -
Public Safety	5,942,803	710,088	1,001,956	-	(4,230,759)	-
Highways and Streets	5,647,784	437,921	1,971,178	2,206,732	(1,031,953)	-
Sanitation	155,147	-	68,710	-	(86,437)	-
Human Services	6,030,332	526,475	3,082,727	-	(2,421,130)	-
Health	3,197,512	1,116,217	1,532,529	-	(548,766)	-
Culture and Recreation	168,287	-	-	-	(168,287)	-
Economic Development	147,663	1,290	26,375	-	(119,998)	-
Conservation of Natural Resources	82,787	-	-	-	(82,787)	-
Interest	212,708	-	682	-	(212,026)	-
Total Governmental Activities	29,485,668	4,980,182	8,608,217	2,206,732	(13,690,537)	-
COMPONENT UNIT						
Welia Health	90,925,299	93,938,423	-	-	-	3,013,124
Total Reporting Entity	$ 120,410,967	$ 98,918,605	$ 8,608,217	$ 2,206,732	(13,690,537)	3,013,124
GENERAL REVENUES						
Property Taxes					12,015,663	-
Wheelage Tax					167,292	-
Mortgage Registry and Deed Tax					17,359	-
Gravel Tax					25,499	-
Tax Increments and Excess TIF					6,754	-
Payments in Lieu of Tax					111,599	-
Grants and Contributions not Restricted for a Particular Purpose					1,463,543	-
Investment Earnings					137,205	1,417,351
Miscellaneous					582,816	559,176
Gain on the Sale of Capital Assets					6,391	-
Total General Revenues					14,534,121	1,976,527
CHANGE IN NET POSITION					843,584	4,989,651
Net Position - Beginning of Year					77,065,792	48,088,879
NET POSITION - END OF YEAR					$ 77,909,376	$ 53,078,530

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge	Family Services
ASSETS			
Cash and Pooled Investments	$ 4,158,757	$ 4,286,179	$ 836,813
Petty Cash and Change Funds	500	175	-
Taxes Receivable - Delinquent	265,024	88,540	85,685
Special Assessments Receivable - Delinquent	533	-	-
Special Assessments Receivable - Unavailable	358,118	-	-
Accounts Receivable	40,260	128	12,869
Accrued Interest Receivable	18,051	-	-
Due from Other Funds	26,721	6,308	5,825
Due from Other Governments	214,899	845,073	460,632
Inventories	-	458,170	-
Prepaid Asset	45,048	-	-
Total Assets	$ 5,127,911	$ 5,684,573	$ 1,401,824
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 287,794	$ 85,812	$ 89,995
Salaries Payable	449,245	78,883	173,209
Contracts Payable	-	237,582	-
Due to Other Funds	6,308	-	38,192
Due to Other Governments	50,262	6,746	81,138
Unearned Revenue	-	284,946	-
Total Liabilities	793,609	693,969	382,534
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Tax Related	623,675	88,540	85,685
Unavailable Revenue - Grant Related	93,850	834,618	21,619
Total Deferred Inflows of Resources	717,525	923,158	107,304
Total Liabilities and Deferred Inflows of Resources	1,511,134	1,617,127	489,838

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2019

Economic Development Authority	Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ 51,672	$ 462,558	$ (34,175)	$ 1,194,523	$ 10,956,327
-	-	-	-	675
5,077	11,552	-	55,766	511,644
-	-	-	-	533
-	-	-	-	358,118
-	152,251	-	-	205,508
-	-	-	607	18,658
-	13,365	-	-	52,219
-	344,873	-	-	1,865,477
-	-	-	-	458,170
-	-	-	-	45,048
$ 56,749	$ 984,599	$ (34,175)	$ 1,250,896	$ 14,472,377
$ 5,477	$ 21,510	$ 36,570	$ -	$ 527,158
6,153	126,276	-	-	833,766
-	-	-	-	237,582
600	7,119	-	-	52,219
423	27,120	-	-	165,689
-	-	-	-	284,946
12,653	182,025	36,570	-	2,101,360
5,077	11,552	-	55,766	870,295
-	73,662	-	-	1,023,749
5,077	85,214	-	55,766	1,894,044
17,730	267,239	36,570	55,766	3,995,404

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2019

	General	Road and Bridge	Family Services
FUND BALANCES			
Nonspendable			
Inventory	$ -	$ 458,169	$ -
Prepaids	45,048	-	-
Restricted			
E-911	24,561	-	-
CWP Septic Loans	284,405	-	-
Attorney Forfeited Property	25,771	-	-
Sheriff's Forfeited Property	143,748	-	-
Land Office Technology Equipment	126,140	-	-
Law Library	13,879	-	-
Recorder's Equipment	61,080	-	-
Rural Addressing	438	-	-
SCORE	136,476	-	-
Transit MNDOT Fares	134,866	-	-
Landfill Closure/Post Closure	1,437,548	-	-
Water Planning	44,181	-	-
ORD 27	166	-	-
Debt Service	-	-	-
Gravel Pit Restoration	32,406	-	-
Committed			
Road and Bridge Fund Purposes	-	3,609,277	-
Family Services Fund Purposes	-	-	911,986
Community Health Fund Purposes	-	-	-
Economic Development Authority Fund Purposes	-	-	-
Regional Rail Fund Purposes	4,028	-	-
Assigned			
Vehicle Pool	121,458	-	-
Future Capital Equipment	523,616	-	-
Elections	76,635	-	-
Sheriff's Contingency	29,908	-	-
Transit Unemployment	316,826	-	-
Veterans Programs	10,743	-	-
Sheriff Community Programs	22,850	-	-
Unassigned	-	-	-
Total Fund Balance	3,616,777	4,067,446	911,986
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,127,911	$ 5,684,573	$ 1,401,824

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2019

Economic Development Authority	Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 458,169
-	-	-	-	45,048
-	-	-	-	24,561
-	-	-	-	284,405
-	-	-	-	25,771
-	-	-	-	143,748
-	-	-	-	126,140
-	-	-	-	13,879
-	-	-	-	61,080
-	-	-	-	438
-	-	-	-	136,476
-	-	-	-	134,866
-	-	-	-	1,437,548
-	-	-	-	44,181
-	-	-	-	166
-	-	-	1,195,130	1,195,130
-	-	-	-	32,406
-	-	-	-	3,609,277
-	-	-	-	911,986
-	717,360	-	-	717,360
39,019	-	-	-	39,019
-	-	-	-	4,028
-	-	-	-	121,458
-	-	-	-	523,616
-	-	-	-	76,635
-	-	-	-	29,908
-	-	-	-	316,826
-	-	-	-	10,743
-	-	-	-	22,850
-	-	(70,745)	-	(70,745)
39,019	717,360	(70,745)	1,195,130	10,476,973
$ 56,749	$ 984,599	$ (34,175)	$ 1,250,896	$ 14,472,377

See accompanying Notes to Financial Statements.

This Page Has Been Intentionally Left Blank.

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 10,585,665
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		82,982,199
Investment in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		2,662,034
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		1,894,044
The County's Other Postemployment Benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Liability	$ (627,421)	
Deferred Outflows of Resources - OPEB Related	33,505	
Deferred Inflows of Resources - OPEB Related	(19,050)	(612,966)
The County's net pension liability and related deferred inflows and outflows of resources are recorded on the statement of net position. Balances at year-end are:		
Net Pension Liability	(8,424,880)	
Deferred Outflows of Resources - Pension Related	2,636,359	
Deferred Inflows of Resources - Pension Related	(4,956,157)	(10,744,678)
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 Payable	(7,260,000)	
Loss on Refunding	24,532	
Loans Payable	(564,597)	
Unamortized Discounts	26,762	
Unamortized Premium	(212,337)	
Compensated Absences Payable	(600,946)	
Capital Lease Payable	(146,798)	
Accrued Interest Payable	(14,846)	(8,748,230)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 78,018,068

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge	Family Services
REVENUES			
Taxes	$ 6,373,066	$ 2,096,274	$ 1,974,704
Special Assessments	81,402	-	-
Licenses and Permits	115,512	34,469	-
Intergovernmental	2,500,127	4,233,319	3,377,972
Charges for Services	2,306,899	403,452	92,052
Fines and Forfeits	616	-	-
Gifts and Contributions	25,068	-	-
Interest on Investments	130,154	-	-
Miscellaneous	880,365	10,524	495,007
Total Revenues	12,413,209	6,778,038	5,939,735
EXPENDITURES			
CURRENT			
General Government	6,079,581	-	-
Public Safety	6,508,244	-	-
Highways and Streets	-	2,846,910	-
Sanitation	155,147	-	-
Human Services	-	-	5,967,842
Health	-	-	-
Economic Development	-	-	-
Conservation	82,787	-	-
Total Current	12,825,759	2,846,910	5,967,842
INTERGOVERNMENTAL			
Culture and Recreation	167,994	-	-
CAPITAL OUTLAY			
General Government	96,447	-	-
Public Safety	57,954	-	-
Highways and Streets	-	4,256,232	-
Total Capital Outlay	154,401	4,256,232	-
DEBT SERVICE			
Principal	158,755	2,087	-
Interest	15,153	169	-
Administrative (Fiscal) Charges	-	-	-
Total Debt Service	173,908	2,256	-
Total Expenditures	13,322,062	7,105,398	5,967,842
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(908,853)	(327,360)	(28,107)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	102,000	-
Transfers Out	(102,000)	-	-
Loan Proceeds	104,656	-	-
Proceeds from the Sale of Capital Assets	6,391	-	-
Total Other Financing Sources (Uses)	9,047	102,000	-
NET CHANGE IN FUND BALANCES	(899,806)	(225,360)	(28,107)
Fund Balance - Beginning of Year	4,516,583	4,270,451	940,093
Increase (Decrease) in Inventories	-	22,355	-
FUND BALANCE - END OF YEAR	$ 3,616,777	$ 4,067,446	$ 911,986

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Economic Development Authority	Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ 136,293	$ 304,738	$ -	$ 1,384,239	$ 12,269,314
-	-	-	-	81,402
-	-	-	-	149,981
14,534	1,665,491	-	147,216	11,938,659
1,290	935,363	-	-	3,739,056
-	-	-	-	616
12,375	9,054	-	-	46,497
-	-	-	7,051	137,205
-	13,456	61,006	-	1,460,358
164,492	2,928,102	61,006	1,538,506	29,823,088
-	-	349,406	-	6,428,987
-	-	-	-	6,508,244
-	-	-	-	2,846,910
-	-	-	-	155,147
-	-	-	-	5,967,842
-	3,192,912	-	-	3,192,912
147,663	-	-	-	147,663
-	-	-	-	82,787
147,663	3,192,912	349,406	-	25,330,492
-	-	-	-	167,994
-	-	-	-	96,447
-	-	-	-	57,954
-	-	-	-	4,256,232
-	-	-	-	4,410,633
-	-	-	1,290,000	1,450,842
-	-	-	201,353	216,675
-	-	-	495	495
-	-	-	1,491,848	1,668,012
147,663	3,192,912	349,406	1,491,848	31,577,131
16,829	(264,810)	(288,400)	46,658	(1,754,043)
-	-	-	-	102,000
-	-	-	-	(102,000)
-	-	-	-	104,656
-	-	-	-	6,391
-	-	-	-	111,047
16,829	(264,810)	(288,400)	46,658	(1,642,996)
22,190	982,170	217,655	1,148,472	12,097,614
-	-	-	-	22,355
$ 39,019	$ 717,360	$ (70,745)	$ 1,195,130	$ 10,476,973

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ (1,642,996)
Amounts reported for governmental activities in the statement of activities are different because:		
In the fund level, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenue. In the statement of net position, an asset is reported for the equity interest in joint ventures and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture.		
Equity Distribution		
Change in Investment in Joint Venture		257,422
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 depreciation expense.		
Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	$ 3,514,171	
Current Year Depreciation	(2,550,679)	963,492
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		259,154
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.		
Change in net pension liability	145,050	
Change in deferred pension outflows	(1,883,797)	
Change in net deferred pension inflows	1,324,517	(414,230)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance of loan proceeds:		(104,656)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.		
Principal Repayments		
General Obligation Bonds	1,290,000	
Capital Lease	82,797	
CWP Loan	78,045	1,450,842
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 governmental funds.		
Change in Accrued Interest Payable	5,640	
Change in Loss on Refunding	(2,725)	
Change in Other Postemployment Benefits	(47,071)	
Amortization of Discounts	(2,974)	
Amortization of Premiums	29,288	
Change in Accrued Compensated Absences	70,043	
Change in Inventories	22,355	74,556
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 843,584

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019

ASSETS		
Cash and Pooled Investments	$	1,349,952
LIABILITIES		
Funds Held in Trust	$	686,455
Due to Other Governments		663,497
Total Liabilities	$	1,349,952

See accompanying Notes to Financial Statements.

This Page Has Been Intentionally Left Blank.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kanabec County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Kanabec County was established March 13, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes §373. As required by accounting principles generally accepted in the United States of America, these financial statements present Kanabec County (Primary Government) and its component unit for which the County is financially accountable. 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. The County Coordinator, appointed by the board, serves as the clerk of the board but has no vote.

For financial reporting purposes, Kanabec County has included all funds, organizations, agencies, boards, commissions, and authorities, and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Kanabec County's financial statements to be misleading or incomplete. The Governmental Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on the organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by generally accepted accounting principles, these financial statements present Kanabec County (the Primary Government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Welia Health (the Hospital) (the System), also known as Kanabec Hospital, meets the criteria to be included as a discrete presentation. The Hospital is governed by the Hospital's board of directors as appointed by the County Board. Complete financial statements for the Hospital may be obtained at the Hospital's business office.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures which are described in Note 7.C. The County also participates in jointly-governed organizations which are described in Note 7.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government and its component units. 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, governmental activities are: (a) are presented on a consolidated basis by column; and (b) 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 statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

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 and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County has no funds which are classified as nonmajor.

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 required to be 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. Property taxes, committed through the Board approved levy, and restricted intergovernmental revenues are used to finance these projects.

The Family Services Special Revenue Fund is used to account for economic assistance and community social services programs. These programs are funded primarily by property taxes, committed through the Board approved levy, and restricted intergovernmental revenues.

The Economic Development Authority Fund is used to account for all funds collected per state statute for economic development.

The Community Health Fund is used to account for economic assistance and community social services programs. These programs are funded primarily by property taxes, committed through the Board approved levy, and restricted intergovernmental revenues.

The Forfeited Tax Special Revenue Fund is used to account for all funds collected per state statute for forfeited tax sales and rentals.

The Debt Service Fund is used to account for the payment of principal and interest payments on long-term debt which is financed by property tax revenue restricted through bond documents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

Kanabec 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 Minnesota Statutes §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares. Detailed information about the MAGIC Fund is available in a separately issued report that includes financial statements and required supplementary information. That report can be obtained on the Internet at www.magicfund.org.

2. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables, including those of the discretely presented component unit, if applicable, are shown net of an allowance for uncollectibles.

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 on 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 delinquent taxes receivable.

Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories at the government-wide level are recorded as expenses when consumed.

4. Restricted Assets

Certain funds of the County and its component unit 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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. 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 two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through backtrending (estimating the current replacement costs of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year).

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

Property, plant, and equipment of the Primary Government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25 to 75
Infrastructure	15 to 75
Machinery, Vehicles, Furniture, and Equipment	3 to 15

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about pension and other postemployment benefits and related deferred outflows of resources can be found in Notes 4 and 6, respectively, to the financial statements. A third type of deferred outflows relates to a deferred loss on refunding.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation, sick leave, and paid time off (PTO) 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 financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of known employee resignations and retirements.

8. Deferred Inflows of Resources

The County's governmental fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has three types of items which occurs relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting The second type relates to pension liabilities as described in Note 4 to the financial statements. The third type related to other postemployment benefit liabilities as described in Note 6 to the financial statements.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

10. Other Postemployment Benefits

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

11. Pensions

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. 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. Investments are reported at fair value.

12. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long-term receivables, as applicable. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The Board passed a resolution authorizing the County Auditor-Treasurer to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

13. Net Position

Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. The net investment in capital assets is the net value of capital assets reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted.

E. Revenues

1. Revenues

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is measurable and available to finance current expenditures.

2. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred inflows of resources and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

3. Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met and the funds become measurable and available.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restriction or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. State-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

4. Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income are recognized as revenue when earned.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget at the fund level for the year ended December 31, 2019:

	Actual	Budget	Excess
General Fund	$ 13,322,062	$ 12,857,886	$ 464,176
Road and Bridge Special Revenue Fund	7,105,398	6,367,697	737,701
Community Health Special Revenue Fund	3,192,912	3,185,101	7,811

These over-expenditures were funded by greater than anticipated revenues and existing fund balance.

Deficit Fund Balance

The forfeited tax fund has a deficit fund balance of $34,175; this deficit will be eliminated with future revenues.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Minnesota Statutes §§118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Custodial Credit Risk - Deposits
In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County investment policy requires that collateral or bond be obtained for all uninsured amounts and that necessary documentation be obtained to show compliance with Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes:

U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral he held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

At December 31, 2019, the County's deposits were fully collateralized.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

(a) 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-b4acked securities defined as “high risk” by Minnesota Statutes §118a.04, Subd. 6;

(b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(c) 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;

(d) Bankers’ acceptances of United States banks;

(e) 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

(f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2019, the County had the following investments:

Investment Type	Maturity	Fair Value	Rating	Concentration Risk
UBS Money Market	*	$ 53,978	NR	N/A
Municipal Securities:				
American Express Bank	9/12/2022	247,935	A3/A-2	7%
Comenity Bank	3/25/2024	104,196	A3/A-2	3
MAGIC Fund	*	3,061,512	NR	N/A
		$ 3,467,621		

NR = Not Rated
N/A = Not Subject To Concentration Risk Calculation
* = No Stated Maturity Date

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk
Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The County has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County investment policy limits the investment portfolio securities to those with maturities up to five years.

Credit Risk
Minnesota Statutes restrict the types of investments in which the County may invest. The County investment policy restricts its investment choices to only those complying with Minnesota Statutes. As of December 31, 2019, the County's investment in American Express Bank and Comenity Bank were rated A3/A-2 by Moody's and Standards and Poor's; investments in UBS Money Market and the MAGIC Fund were not rated.

Concentration Credit Risk
The County's investment policy places a limit of 15% on the amount the County may invest in any one issuer. More than 5% of the County's investments at December 31, 2019 were municipal securities with American Express Bank. These investments are more than 5% of the County's total investments.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County limits investments only to the extent that there is SIPC and excess SIPC coverage available.

The County's total cash and investments are reported as follows:

Primary Government	
Cash and Pooled Investments	$ 10,956,327
Petty Cash	675
Component Unit	
Welia Health	56,636,784
Restricted and Internally Designated Assets:	
Cash and Pooled Investments	4,131,318
Agency Funds Cash	1,349,952
Total Cash and Investments	$ 73,075,056

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Market Value
The County uses fair value measurements to record fair value adjustments to certain assets 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 fair value 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 recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets 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 are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Market Value (Continued)
Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investment by Fair Value				
Municipal Securities	$ -	$ 352,131	$ -	$ 352,131
Investments Measured at Amortized Cost				
External Investment Pool				3,061,512
Total Investments				3,413,643
Deposits				7,542,684
Petty Cash				675
Agency Funds				1,349,952
Welia Health				60,768,102
Total Investments				$ 73,075,056

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 to 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 reasonable practical.

2. Receivables

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

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	$ 511,644	$ -
Special Assessments	358,651	358,118
Accounts	205,508	-
Interest	18,658	-
Due From Other Governments	1,865,477	-
Total Governmental Activities	$ 2,959,938	$ 358,118

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	$ 3,423,981	$ -	$ -	$ 3,423,981
Construction-in-Progress	1,810,747	2,973,337	(3,898,949)	885,135
Total Capital Assets, Not Being Depreciated	5,234,728	2,973,337	(3,898,949)	4,309,116
Capital Assets, Being Depreciated				
Buildings	21,161,508	96,586	-	21,258,094
Machinery, Furniture, and Equipment	8,646,272	396,174	(208,158)	8,834,288
Infrastructure	79,614,827	3,947,023	-	83,561,850
Total Capital Assets, Being Depreciated	109,422,607	4,439,783	(208,158)	113,654,232
Less Accumulated Depreciation for				
Buildings	4,335,637	374,951	-	4,710,588
Machinery, Furniture, and Equipment	5,677,704	504,926	(208,158)	5,974,472
Infrastructure	22,625,287	1,670,802	-	24,296,089
Total Accumulated Depreciation	32,638,628	2,550,679	(208,158)	34,981,149
Total Capital Assets, Being Depreciated, Net	76,783,979	1,889,104	-	78,673,083
Governmental Activities Capital Assets, Net	$ 82,018,707	$ 4,862,441	$ (3,898,949)	$ 82,982,199

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental Activities:	
General Government	$ 486,030
Public Safety	171,757
Highways and Streets, Including Depreciation of Infrastructure Assets	1,892,892
Total Depreciation Expense - Governmental Activities	$ 2,550,679

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Due to Other Funds and Due from Other Funds as of December 31, 2019, expected to be repaid within one year, consisted of the following:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Family Services Fund	$ 24,827	Vehicle Usage, Office, and Salary Charges
	EDA Fund	600	Fees for Services Performed
	Community Health	1,294	Postage, Vehicle Use, and Telephone Service
	Total General Fund	26,721	
Road and Bridge Fund	General Fund	6,308	Fees for Services Performed
Family Services Fund	Community Health	5,825	Fees for Services Performed
Community Health	Family Services Fund	13,365	Fees for Services Performed
Total Due To/From Other Funds		$ 52,219	

2. Interfund Transfers

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

	Amount	Reason
Transfer from the General Fund to the Road and Bridge Fund	$ 102,000	Vehicle Pool Charges

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates Percent	Original Issues Amount	Outstanding Balance December 31, 2019
General Obligation Bonds					
2015A General Obligation Refunding Bonds	2027	$220,000 - $995,000	2.25 - 3.00	$ 8,485,000	$ 7,260,000
Subtotal					7,260,000
Add: Unamortized Premiums					212,337
Less: Unamortized Discounts					(26,762)
Total General Obligation Bonds					$ 7,445,575
Capital Leases					
Motorola Lease	2021	$47,420 - $56,049	3.40	$ 355,690	$ 110,255
Vehicle Leases - 2015	2020	$405	1.35	38,812	2,606
Vehicle Leases - 2016	2021	$274.02 - $441.93	1.25 - 1.35	78,958	17,857
Vehicle Leases - 2017	2022	$274.02- $321.21	1.25 - 1.35	44,091	16,080
Total Capital Leases					$ 146,798
Loans Payable					
Clean Water Partnership Loans (CWP Loans)	2026	$5,060 - $11,308	2.00	$ 665,175	$ 564,597

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Governmental Activities

Year Ending	General Obligation Bonds		CWP Loans	
December 31,	Principal	Interest	Principal	Interest
2020	$ 810,000	$ 201,353	$ 89,147	$ 8,263
2021	840,000	175,275	90,948	6,462
2022	865,000	150,975	46,448	4,861
2023	900,000	125,775	47,385	3,924
2024	925,000	99,825	48,337	2,971
2025-2029	2,920,000	211,863	242,332	4,052
Total	$ 7,260,000	$ 965,066	$ 564,597	$ 30,533

3. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 8,550,000	$ -	$ 1,290,000	$ 7,260,000	$ 810,000
Unamortized Discounts	(29,736)	-	(2,974)	(26,762)	-
Unamortized Premiums	241,625	-	29,288	212,337	-
Total Bonds Payable	8,761,889	-	1,316,314	7,445,575	810,000
Loans Payable	537,986	104,656	78,045	564,597	89,147
Capital Lease Payable	229,595	-	82,797	146,798	79,367
Compensated Absences Payable	670,989	1,208,557	1,278,600	600,946	542,421
Governmental Activity Long-Term Liabilities	$ 10,200,459	$ 1,313,213	$ 2,755,756	$ 8,757,916	$ 1,520,935

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities (Continued)

The General Obligation Bonds are liquidated by the debt service fund, and the loans payable, capital leases, and compensated absences are liquidated by the general, road and bridge, and family services funds.

The County participates in a program that resulted in entering into several loan agreements with the Minnesota Pollution Control Agency for financing septic systems. The revolving loans are secured by special assessments placed on the individual parcels requesting repair of septic systems.

4. Capital Leases

During 2017, the County entered into two capital leases to purchase vehicles. The leases totaled $44,091 and are payable through 2022.

During 2016, the County entered into four capital leases to purchase four vehicles. The five year leases totaled $78,958 and are payable through 2021.

During 2015, the County entered into two capital leases to purchase two vehicles. The five year leases totaled $38,812 and are payable through September of 2020. In addition, the County began leasing radio equipment through Motorola for the squad cars under a five year term for a total of $355,690 payable through 2021.

During 2014, the County entered into two capital leases to purchase copiers. These five year leases total $18,182 and are payable through May of 2019. In addition, the County began leasing a phone system under a five year term for a total $113,280 payable through 2019. The leases were paid in full in 2019 and the assets were disposed of.

At December 31, 2019, the County has total assets under capital lease of $518,380 with the related accumulated depreciation of $306,673. The remaining capital lease obligations are as follows:

Year Ending	Capital Lease Obligations	
December 31,	Principal	Interest
2020	$ 79,367	$ 10,483
2021	64,537	4,168
2022	2,894	780
Total	$ 146,798	$ 15,431

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 (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 the 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 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% of average salary for each of the first 10 years of service and 1.7% of average salary.

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. **General Employees Plan Benefits** (Continued)

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. **Police and Fire Plan Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. Correctional Fund Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019 were $564,611. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019 were $232,343. The County's contributions were equal to the required contributions as set by state statute.

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

3. Correctional Fund Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2018. The County's contributions to the Correctional Fund for the year ended December 31, 2019 were $123,605. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the County reported a liability of $6,678,761 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled $207,582, for a total net pension liability of $6,886,343 associated with the County. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.121% which was a decrease of 0.004% from its proportionate share measured as of June 30, 2018.

County's Proportionate Share of the Net Pension Liability	$	6,678,761
States Proportionate Share of the Net Pension Liability		207,582
Total	$	6,886,343

For the year ended December 31, 2019, the County recognized pension expense of $850,675 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional $15,539 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.

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. **General Employees Fund Pension Costs** (Continued)

At December 31, 2019, the System reported a liability of $20,970,647 for its proportionate share of the General Employees Fund's net pension liability. The System's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million to the fund in 2019. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the System totaled $651,805, for a total net pension liability of $21,622,452 associated with the System. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportionate share of the net pension liability was based on the System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the System's proportionate share was 0.3793% which was an increase of 0.0061% from its proportionate share measured as of June 30, 2018.

Welia Health's Proportionate Share of the Net Pension Liability	$	20,970,647
States Proportionate Share of the Net Pension Liability		651,805
Total	$	21,622,452

For the year ended December 31, 2019, the System recognized pension expense of $1,241,997 for its proportionate share of the General Employees Plan's pension expense. In addition, the System recognized an additional $48,814 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2019, the County System reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources from the following sources:

	Kanabec County		Welia Health	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 185,093	$ -	$ -	$ 2,125,623
Changes in Actuarial Assumptions	-	524,955	-	1,648,309
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	676,971	581,175	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	174,239	196,019	885,542	336,312
County Contributions Subsequent to the Measurement Date	280,188	-	1,065,261	-
Total	$ 639,520	$ 1,397,945	$ 2,531,978	$ 4,110,244

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. **General Employees Fund Pension Costs** (Continued)

$280,188 reported as deferred outflows of resources related to pensions resulting from County contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

$1,065,261 reported as deferred outflows of resources related to pensions resulting from System contributions to General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to General Employee Fund pensions will be recognized in pension expense as follows:

Year Ended June 30	Kanabec County Pension Expenses Amount	Welia Health Pension Expenses Amount
2020	$ (302,499)	$ (591,128)
2021	(547,833)	(1,761,272)
2022	(199,044)	(324,920)
2023	10,763	33,793

2. **Police and Fire Fund Pension Costs**

At December 31, 2019, the County reported a liability of $1,639,486 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.154% which was an increase of 0.013% from its proportionate share measured as of June 30, 2018. The County also recognized $20,790 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing $9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay $4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay $9 million until full funding is reached or July 1, 2048, whichever is earlier.

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. **Police and Fire Fund Pension Costs** (Continued)

For the year ended December 31, 2019, the County recognized pension expense of $408,805 for its proportionate share of the Police and Fire Fund's pension expense.

At December 31, 2019, the County reported its proportionate share of the Police and Fire Fund'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	$ 69,611	$ 249,547
Changes in Actuarial Assumptions	1,360,513	1,840,639
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	341,466
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	351,170	-
County Contributions Subsequent to the Measurement Date	87,315	-
Total	$ 1,868,609	$ 2,431,652

$87,315 reported as deferred outflows of resources related to pensions resulting from County contributions to the Police and Fire Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the Police and Fire Fund will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2020	$ (20,320)
2021	(144,428)
2022	(574,224)
2023	53,791
2024	34,823

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2019, the County reported a liability of $106,633 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.770% which was a decrease of 0.023% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of $236,352 for its proportionate share of the Correctional Plan's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	3,921	17,433
Changes in Actuarial Assumptions	-	946,727
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	137,213
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	76,511	25,187
County Contributions Subsequent to the Measurement Date	47,798	-
Total	$ 128,230	$ 1,126,560

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

$47,798 reported as deferred outflows of resources related to pensions resulting from County contributions to the Correctional Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the Correctional Plan will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2020	$ (536,579)
2021	(468,902)
2022	(41,683)
2023	1,036

E. Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $1,511,371.

F. Actuarial Assumptions

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

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:
- The morality projection scale was changed from MP-2017 to MP-2018.

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

Police and Fire Fund

Changes in Actuarial Assumptions:
- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:
- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:
- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:
- There have been no changes since the prior valuation.

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.

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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	36.0 %	5.10 %
International Equity	17.0	5.30
Bonds	20.0	0.75
Alternative Assets	25.0	5.90
Cash	2.0	-

G. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Proportionate Share of the						
	General Employees Fund			Police and Fire Fund		Correctional Fund	
	Discount Rate	County Net Pension Liability	Welia Health's Net Pension Liability	Discount Rate	County Net Pension Liability	Discount Rate	County Net Pension Liability
1% Decrease	6.50%	$ 10,979,524	$ 34,474,615	6.50%	$ 3,583,611	4.96%	$ 1,115,929
Current	7.50%	6,678,761	20,970,647	7.50%	1,639,486	5.96%	106,633
1% Increase	8.50%	3,127,627	9,820,437	8.50%	32	6.96%	(658,008)

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 5 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

Two Commissioners of the County are covered by the Public Employees 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 five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.0025) of the assets in each member’s account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$ 5,739	$ 5,739	5%	5%	5%

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. County policy determines the County’s contributions to the plan. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County’s health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100% of the total premium cost.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

B. Plan Participants Covered by Benefit Terms

At December, 2019, the following plan participants were covered by the benefit terms:

Active	161
Retirees receiving payments	2
Spouses receiving payments	-
Total	163

There were no inactive employees entitled to but not yet receiving benefits.

C. 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.

D. Actuarial Methods and Assumptions

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

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	3.0%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

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

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the General Employees Plan from 2015 and the Police and Fire Plan from 2016.

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Changes in Total OPEB Liability

	Total OPEB Liability
Balance - January 1, 2019	$ 585,430
Changes for the Year:	
Service Cost	62,244
Interest	21,054
Assumption Changes	(21,772)
Benefit Payments	(19,535)
Net Change in Total OPEB Liability	41,991
Balance - December 31, 2019	$ 627,421

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Discount Rate Sensitivity	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	$ 682,599	$ 627,421	$ 577,202

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 5.00% over 5 years) or 1% higher (7.25% decreasing to 6.00% over 5 years) than the current healthcare cost trend rates:

Medical Trend Rate Sensitivity	1% Decrease (5.25% Decreasing to 4.00%)	Current Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB Liability	$ 549,999	$ 627,421	$ 721,694

For the year ended December 31, 2019, the County recognized OPEB expense of $80,576.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ -	$ 19,050
Contributions subsequent to the measurement date	33,505	-
Total	$ 33,505	$ 19,050

At December 31, 2019, the County reported $33,505 in deferred outflows of resources resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ending December 31, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Changes in Total OPEB Liability (Continued)

Year Ended December 31,	OPEB Expense
2020	$ (2,722)
2021	(2,722)
2022	(2,722)
2023	(2,722)
2024	(2,722)
Thereafter	(5,440)

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks of loss, 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 four fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The 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 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. 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.

During 2019, counties were notified by the Minnesota Department of Human Services (DHS) that DHS made errors in the calculation of Substance Use Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, DHS has requested counties repay $8.8 million to DHS. Kanabec County's share of the $8.8 million is $14,847. Minnesota Counties have raised concerns over how the amount was calculated, the accuracy of the calculation and whether DHS has the legal/statutory authority to require the Counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended that the counties not repay any amounts until these concerns have been addressed, and after the conclusion of the 2020 Minnesota legislative session, in hopes that this matter is resolved by other means. Therefore, this $86,866 has not been recorded as a liability by the county as of December 31, 2019.

The County is a defendant in various lawsuits and has received notice of other possible claims. Although the outcome of these lawsuits and other possible claims is not presently determinable, in the opinion of the county attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Joint Ventures

East Central Solid Waste Commission
The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having powers, duties, and privileges granted joint powers by Minnesota Statutes §471.59. The commission comprises five members, one voting member from each county. At its annual meeting, the board of County commissioners of each county chooses a member and an alternate, both county commissioners, as representatives of the County. Each county has one voting member and, in the absence of the voting member, the alternate votes.

Each County's proportionate share of the total operating costs is based on the most recent census data available and is to adjust upon the admission of additional counties or the withdrawal of counties. The Commission will remain in existence so long as two or more counties remain as parties to the agreement or until July 1, 2026. Upon dissolution of the Commission, there will be an audit to determine assets and liabilities and the proceeds will be distributed to the counties based on their respective ratios set by the most recent census data.

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

East Central Solid Waste Commission (Continued)
Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest.

During 2019, the County made no contributions to the Commission. There is no accumulation of significant financial resources or fiscal distress to the entity.

Complete financial statements of the East Central Solid Waste Commission can be obtained at 1756 – 180th Avenue, Mora, Minnesota 55051.

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.

During 2019, the County paid $157,724 to the East Central Regional Library. The County has no fiscal responsibility to the library beyond the annual appropriation. There is no accumulation of significant financial resources or fiscal distress to the entity.

Complete financial statements of the East Central Regional Library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

Snake River Watershed Management Board (SRWMB)
The Snake River Watershed Management Board was established in April 1993 by Aitkin, Kanabec, Mille Lacs, and Pine counties, pursuant to Minnesota Statutes §471.59, as a joint powers entity. Its purpose is to coordinate the member county water plans and to develop objectives to promote sound hydrologic management of the water and related land resources.

The four member board consists of on County Commissioner from each of the participating counties. Financial responsibility exists because once the SRWMB has established a budget and determined which projects will be undertaken, each member county is required by the agreement to provide appropriate financial support. The SRWMB establishes an annual budget and participation in the administrative costs is: Aitkin County 20.8 percent, Kanabec County 49.5 percent, Mille Lacs County 9.2 percent, and Pine County 20.5 percent. Upon dissolution, the personal property shall be returned to the member county contributing the same.

During 2019, the County paid $24,072 for the SRWMB operations. Kanabec County is the fiscal agent and records the SRWMB's activities in an agency fund. There is no accumulation of significant financial resources or fiscal distress to the entity.

Separate financial information can be obtained from the Snake River Watershed Management Board.

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Kanabec County Economic Development Commission
The Kanabec County Economic Development Commission was established in July 1996, pursuant to Minnesota Statutes §471.59 as a joint powers entity. Its purpose is to facilitate economic development within the City of Mora, Kanabec County, and the boundaries of Independent School District 332. The board consists of five members: two appointed by the City of Mora, two appointed by Kanabec County, and one appointed by Independent School District 332.

During 2019, the County made no payments to the Kanabec County Economic Development Commission. There is no accumulation of significant financial resources or fiscal distress to the entity.

The Commission is an advisory commission and the County has no fiscal responsibility (benefit or burden). Funding for the Commission is provided by donations. The City of Mora is the fiscal agent and records the Commission's activities in a special revenue fund. Separate financial information is not available.

South Country Health Alliance
South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minnesota Statutes §471.59. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. Freeborn, Cass, Crow Wing, and Mower Counties have since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2019 was $2,662,034. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services. The County did not receive any distributions from the SCHA during 2019 and does not anticipate any further distributions at this time. There is no accumulation of significant financial resources or fiscal distress to the entity.

Complete financial statements for the SCHA may be obtained from its fiscal agent at 630 Florence Avenue, P.O. Box 890, Owatonna, Minnesota 55060-0890.

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

D. Jointly-Governed Organizations

Kanabec County Collaborative
The Kanabec County Collaborative was established pursuant to Minnesota Statutes §121.8355 (now 124D.23). The members of the Collaborative include Kanabec County Social Services; Kanabec County Corrections; Kanabec County Public Health, Community Action Agency and Head Start; Mora School District; and Ogilvie School District. The purpose of the Collaborative is to expand prevention and early intervention services for children and families.

During 2019, the County made no contributions to the Collaborative.

The Collaborative is an advisory committee and the County has no fiscal responsibility (benefit or burden). Control of the Kanabec County Collaborative is vested in the Executive Committee which consists of a collaborative coordinator and a voting representative of each member agency. Separate financial statements are not available.

NOTE 8 SUBSEQUENT EVENT

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

NOTE 9 COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit, Welia Health (Hospital) (System), has the following significant accounting policies:

1. Reporting Entities

The Hospital is governed by a board of directors who are appointed by the Board of County Commissioners.

2. Method of Accounting

The Hospital reports in accordance with the "Audit and Accounting Guide for Health Care Organizations" published by the American Institute of Certified Public Accountants which prescribes accounting and reporting policies, some of which are unique to providers of health care services.

3. Proprietary Fund Accounting

The Hospital's one fund is presented as a proprietary fund and is accounted for on the accrual basis. Substantially all revenue and expenses are subject to accrual.

4. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents are considered to be highly liquid investments with an original maturity of ninety days or less and exclude noncurrent cash and investments. Cash and cash equivalents held by trustee for operating expenses is cash required to be held by the Hospital for operations under the arrangements of the Health Facilities Bonds.

5. Inventories

Inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases.

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

A. Summary of Significant Accounting Policies (Continued)

6. Accounts Receivable

Patient receivables are shown at the amount expected to be collectable after determining the allowance for doubtful accounts and contractual adjustments from third-party payors.

The Hospital provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Services are sold on an unsecured basis. Payment is required 30 days after receipt of invoice. Accounts past due more than 90 days are individually analyzed for collectability. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2019, the allowance for doubtful account was $6,541,000. When all collection efforts have been exhausted, the account is written-off against the related allowance.

7. Capital Assets

Capital Assets are stated at cost, if purchased or at fair market value on the date received, if donated, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the property.

8. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

9. Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the System. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds

1. Assets

Deposits

The Hospital deposits in banks at December 31, 2019 were covered by federal depository insurance or by collateral held by the Organization's custodial bank in the Hospital's name.

As of December 31, 2019, the Hospital had total cash and investments of $60,768,102 of which $4,131,318 was classified as noncurrent.

Receivables

Patient accounts receivable reported as current assets by the Hospital at December 31, 2019 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	$ 17,637,415
Other	1,936,849
Less: Allowance for Uncollectible Amounts	(6,541,000)
Net Patient Accounts Receivable	$ 13,033,264

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Assets (Continued)

Capital Assets

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

	Balance December 31, 2018	Additions	Transfers and Retirements	Balance December 31, 2019
Capital Assets, Not Being Depreciated				
Land	$ 1,996,692	$ -	$ -	$ 1,996,692
Construction-in-Progress	2,404,158	13,169,002	(14,675,750)	897,410
Total Capital Assets Not Being Depreciated	4,400,850	13,169,002	(14,675,750)	2,894,102
Capital Assets Depreciated				
Land Improvements	2,357,395	7,350	895,527	3,260,272
Buildings	50,947,663	-	10,264,548	61,212,211
Fixed Equipment	17,286,112	32,235	725,398	18,043,745
Movable Equipment	22,119,982	2,482,847	-	24,602,829
Ambulance and Minor Equipment	744,796	-	-	744,796
Total Capital Assets Being Depreciated	93,455,948	2,522,432	11,885,473	107,863,853
Less: Accumulated Depreciation for				
Land Improvements	1,107,696	187,623	-	1,295,319
Buildings	11,521,428	2,592,486	-	14,113,914
Fixed Equipment	7,566,721	982,636	-	8,549,357
Movable Equipment	16,069,652	1,368,094	-	17,437,746
Ambulance and Minor Equipment	619,904	46,283	-	666,187
Total Accumulated Depreciation	36,885,401	5,177,122	-	42,062,523
Capital Assets, Net	$ 60,971,397	$ 10,514,312	$ (2,790,277)	$ 68,695,432

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

3. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2019, consists of the following:

Healthcare Revenue Bond Anticipation Notes, Series 2018, refinanced to U.S. Department of Agriculture Direct Loan, due in installments of $2,614,920, including interest of 3.0%, until November 2054. Secured by Capital Assets	$ 56,523,590
General Obligation Medical Facilities Bonds, Series 2001 refinanced to Series 2012B, Due in Varying Annual Installments of $240,000 to $310,000 including Interest Ranging from .35% to 1.6% to May 1, 2022, Secured by the Revenue and Taxing Powers of Kanabec County.	920,000
U.S. Department of Agriculture guaranteed loan of $4,900,000, due in installments of $355,288, including interest of 3.91%, to November 2039. Secured by Capital Assets.	4,886,603
Total	62,330,193
Less: Current Maturities	(1,396,974)
Unamortized Bond Discount	(4,609)
Total Long-Term Portion	$ 60,928,610

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

3. Liabilities (Continued)

Long-Term Debt (Continued)

The following schedule summarizes the changes related to debt outstanding at December 31, 2019:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due in One Year
General Obligation Bonds	$ 1,215,000	$ -	$ (295,000)	$ 920,000	$ 300,000
Revenue Bonds	56,600,000	56,600,000	(56,676,410)	56,523,590	932,717
Revenue Note	-	4,900,000	(13,397)	4,886,603	164,257
Bond Discount	(6,424)	-	(1,815)	(4,609)	-
Total	$ 57,808,576	$ 61,500,000	$ (56,986,622)	$ 62,325,584	$ 1,396,974

Following is a maturity schedule of long-term debt as of December 31, 2019:

Year Ending December 31,	Long-Term Debt Principal	Long-Term Debt Interest
2020	$ 1,396,974	$ 1,886,737
2021	1,439,612	1,847,726
2022	1,475,710	1,806,978
2023	1,202,974	1,767,234
2024	1,241,445	1,728,763
2025-2029	6,829,361	8,021,680
2030-2034	7,996,498	6,854,543
2035-2039	9,336,508	5,484,925
2040-2044	9,006,664	4,067,936
2045-2049	10,463,727	2,610,873
2050-2054	11,940,720	918,088
Total	$ 62,330,193	$ 36,995,483

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Employee Retirement Systems and Pension Plans

All full-time and certain part-time employees of the Hospital are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA) as described in Note 4. The Hospital's contributions to PERA for the year ended December 31, 2019 were $2,063,197, and such amounts equal the required contributions for the year.

D. Other Postemployment Benefits

The Hospital administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the Hospital's group health insurance plan, which covers both active and retired members. The healthcare plan does not issue a publicly available financial report.

The Hospital does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per-person premium for the entire group, the difference gives rise to an implicit rate subsidy. The Hospital pays the difference between the actual and apparent cost.

Qualified employees may choose to participate in the System's insurance plan after retirement, with no contribution from the System. The System provides these benefits to retirees as required by Minnesota Statute 471.61 subdivision 2b. As of December 31, 2019, there was one retiree and two spouses receiving benefits from the System's health plan. There were no inactive employees entitled to but not yet receiving benefits.

Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the System at December 31, 2019 are as follows:

Total OPEB Liability	$ 969,447
Plan Fiduciary Net Position	-
System's Net OPEB Liability (Asset)	$ 969,447
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	- %

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Other Postemployment Benefits

Net OPEB Liability (Asset) (Continued)

The changes in net OPEB liability (asset) are as follows:

	Increase (Decrease) Total OPEB	Plan Fiduciary	Net OPEB
Balances - December 31, 2018	$ 886,647	$ -	$ 886,647
Changes for the Year:			
Service Cost	82,089	-	82,089
Interest Cost	31,465	-	31,465
Differences Between Expected and Actuarial Experience	-	-	-
Changes in Assumptions or Other Inputs	-	-	-
Contributions - Employer	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(30,754)	-	(30,754)
Administrative Expense	-	-	-
Net Changes	82,800	-	82,800
Balances - December 31,2019	$ 969,447	$ -	$ 969,447

The following presents the net OPEB liability (asset) of the System, as well as what the System's net OPEB 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 and total OPEB liability if the medical trend rates were calculated using one percentage point lower or one percentage point higher, respectively:

December 31, 2019	1% Decrease (2.30%)	Discount Rate (3.30%)	1% Increase (4.30%)
Net OPEB Liability (Asset)	$ 1,054,148	$ 969,447	$ 891,042

Medical Trend Rate Sensitivity	1% Decrease	Current Trend	1% Increase
Total OPEB Liability	$ 847,561	$ 969,447	$ 1,116,914

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Other Postemployment Benefits (Continued)

Net OPEB Liability (Asset) (Continued)

For the year ended December 31, 2019, the System recognized OPEB expenses of $113,554. At December 31, 2019, the System report deferred outflows of resources and deferred inflows of resources related to OPEB. The full amount of deferred outflows is related to 2019.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Liability	$ -	$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	-	-
Employer Contributions	30,778	-
Total	$ 30,778	$ -

Actuarial Methods and Assumptions

Based on the implementation of GASB 75, the actuarial cost method changed from using one of six different actuarial cost methods to the Entry Age Normal cost method on a level percentage of projected salary.

The total OPEB liability was determined by an actuarial valuation as of December 31 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30 %
20-Year Municipal Bond Yield	3.30 %
Inflation Rate	2.50 %
Salary Increases	3.00 %

Mortality rates were based on RP-2014 generational table, scaled using MP-17 scaling factors, applied on a gender-specific basis.

Discount rate is used to reflect the time value of money. Discount rates are used in determining the present value as of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation.

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

Experience gains and losses are amortized over a closed period starting on January 1, 2018 equal to the average remaining service of active and inactive plan members.

Funded Status and Funding Progress

As of January 1, 2018, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $886,647 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $969,447. The covered payroll was $22,099,271 and the ratio of the UAAL to the covered payroll was 4.39%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Investment in Joint Ventures

Central Minnesota Diagnostic, Inc. (CMDI)

The System and other organizations (all of which are unrelated parties to the System) formed a nonprofit corporation known as Central Minnesota Diagnostic, Inc. (CMDI). CMDI was organized to provide certain agreed-upon shared services to those entities who are members of this corporation.

CMDI provides the equipment for CT scans, ultrasound, MRI, and other services for the System's patients. The System billed and collected the revenue for these services to patients and paid CMDI $1,779,344 in 2019 for the use of the equipment. Accounts payable to CMDI for these services at December 31, 2019, amounted to $147,500. At December 31, 2019, the System owned 3.77% of CMDI. The outstanding balance in joint ventures consists primarily of CMDI. Separate financial statements of CMDI are prepared and are available from CMDI.

NOTE 9 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Investment in Joint Ventures (Continued)

SISU Medical Solutions, LLC

The System is one of several members of SISU Medical Solutions, a Minnesota limited liability company. Its principal business is managing health care information systems for its members and other health care organizations in Northern Minnesota. The majority of its revenue is from related parties, principally SISU Medical Systems and member organizations.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
General Employees Retirement Fund - Kanabec County					
County's Proportion of the Net Pension Liability	0.121%	0.125%	0.121%	0.117%	0.119%
County's Proportionate Share of the Net Pension Liability	$ 6,678,761	$ 6,934,488	$ 7,750,096	$ 9,516,059	$ 6,162,015
State's Proportionate Share of the Net Pension Liability	$ 207,582	$ 227,463	$ 97,450	$ 124,251	$ -
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 6,886,343	$ 7,161,951	$ 7,847,546	$ 9,640,310	$ 6,162,015
County's Covered Payroll	$ 8,546,628	$ 8,404,865	$ 7,822,331	$ 7,161,882	$ 7,008,658
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.14%	82.51%	99.08%	132.87%	87.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	75.90%	75.90%	68.90%	78.20%
General Employees Retirement Fund - Welia Health					
Welia Health's Proportion of the Net Pension Liability	0.391%	0.373%	0.375%	0.346%	0.334%
Welia Health's Proportionate Share of the Net Pension Liability	$ 20,970,647	$ 20,703,606	$ 23,958,904	$ 28,069,125	$ 17,299,248
State's Proportionate Share of the Net Pension Liability	$ 651,805	$ 679,218	$ 301,301	$ 366,578	$ -
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 21,622,452	$ 21,382,824	$ 24,260,205	$ 28,435,703	$ 17,299,248
Welia Health's Covered Payroll	$ 28,814,166	$ 26,801,936	$ 25,116,433	$ 23,150,342	$ 20,870,249
Welia Health's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	72.78%	77.25%	95.39%	121.25%	82.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	75.90%	75.90%	68.90%	78.20%
Public Employees Police and Fire Fund					
County's Proportion of the Net Pension Liability	0.154%	0.141%	0.135%	0.127%	0.122%
County's Proportionate Share of the Net Pension Liability	$ 1,639,486	$ 1,505,047	$ 1,822,661	$ 5,096,731	$ 1,386,205
County's Covered Payroll	$ 2,408,017	$ 1,488,422	$ 1,382,226	$ 1,223,073	$ 1,100,671
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	68.08%	101.12%	131.86%	416.72%	125.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	85.43%	85.43%	63.90%	86.60%
Public Employees Correctional Fund					
County's Proportion of the Net Pension Liability	0.770%	0.793%	0.720%	0.710%	0.710%
County's Proportionate Share of the Net Pension Liability	$ 106,633	$ 130,394	$ 2,052,007	$ 2,593,729	$ 109,766
County's Covered Payroll	$ 1,642,689	$ 1,619,222	$ 1,476,879	$ 1,338,653	$ 1,227,322
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	6.49%	8.05%	138.94%	193.76%	8.94%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	98.20%	67.89%	67.89%	58.20%	96.90%

NOTE: Amounts prior to the measurement date of June 30, 2015 are not available.

Notes to Required Supplementary Information are an Integral Part of this Schedule.

This Page Has Been Intentionally Left Blank.

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014
General Employees Retirement Fund - Kanabec County						
Contractually Required Contribution	$ 564,611	$ 630,365	$ 586,563	$ 555,930	$ 535,155	$ 495,857
Contributions in Relation to the Contractually Required Contribution	(564,611)	(630,365)	(586,563)	(555,930)	(535,155)	(495,857)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 7,528,147	$ 8,404,867	$ 7,820,840	$ 7,412,400	$ 7,135,400	$ 6,839,407
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
General Employees Retirement Fund - Welia Health						
Contractually Required Contribution	$ 2,063,197	$ 1,952,623	$ 1,830,855	$ 1,713,228	$ 1,551,539	$ 1,333,574
Contributions in Relation to the Contractually Required Contribution	(2,063,197)	(1,952,623)	(1,830,855)	(1,713,228)	(1,551,539)	(1,333,574)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
The System's Covered Payroll	$ 27,509,293	$ 26,034,973	$ 24,411,400	$ 22,843,040	$ 20,687,187	$ 18,394,124
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
Public Employees Police and Fire Fund						
Contractually Required Contribution	$ 232,343	$ 241,125	$ 223,933	$ 206,674	$ 192,551	$ 166,985
Contributions in Relation to the Contractually Required Contribution	(232,343)	(241,125)	(223,933)	(206,674)	(192,551)	(166,985)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 1,370,755	$ 1,488,426	$ 1,382,302	$ 1,275,765	$ 1,188,586	$ 1,091,405
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
Public Employees Correctional Fund						
Contractually Required Contribution	$ 123,605	$ 141,682	$ 126,364	$ 118,881	$ 114,901	$ 108,884
Contributions in Relation to the Contractually Required Contribution	(123,605)	(141,682)	(126,364)	(118,881)	(114,901)	(108,884)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 1,412,629	$ 1,619,223	$ 1,444,160	$ 1,358,640	$ 1,313,154	$ 1,244,389
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%

NOTE: Amounts for prior to 2014 are not available.

Notes to Required Supplementary Information are an Integral Part of this Schedule.

KANABEC COUNTY
MORA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 6,423,065	$ 6,423,065	$ 6,373,066	$ (49,999)
Special Assessments	450	450	81,402	80,952
Licenses and Permits	81,800	81,800	115,512	33,712
Intergovernmental	2,638,155	2,638,155	2,500,127	(138,028)
Charges for Services	2,103,795	2,103,795	2,306,899	203,104
Fines and Forfeits	-	-	616	616
Gifts and Contributions	10,000	10,000	25,068	15,068
Investments Earnings	122,764	122,764	130,154	7,390
Miscellaneous	1,170,579	1,170,579	880,365	(290,214)
Total Revenues	12,550,608	12,550,608	12,413,209	(137,399)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	190,229	190,229	151,341	38,888
Courts	35,280	35,280	40,051	(4,771)
Law Library	14,300	14,300	7,845	6,455
County Administration	426,340	426,340	461,079	(34,739)
County Auditor-Treasurer	671,770	671,770	782,575	(110,805)
County Assessor	600,051	600,051	495,823	104,228
Elections	15,350	15,350	21,958	(6,608)
Data Processing	349,679	349,679	370,813	(21,134)
Attorney	702,367	702,367	782,767	(80,400)
Recorder	146,860	146,860	213,241	(66,381)
Surveyor	12,500	12,500	3,972	8,528
Planning and Zoning	303,817	303,817	326,415	(22,598)
Buildings and Plant	675,492	675,492	720,780	(45,288)
Veterans Service Officer	98,861	98,861	97,405	1,456
Other General Government	319,750	319,750	507,747	(187,997)
Regional Rail Authority	-	-	1,606	(1,606)
Public Transit	992,126	992,126	1,094,163	(102,037)
Total General Government	5,554,772	5,554,772	6,079,581	(524,809)
PUBLIC SAFETY				
Sheriff	2,469,552	2,469,552	2,590,696	(121,144)
Boat and Water Safety	6,600	6,600	639	5,961
Coroner	50,000	50,000	41,036	8,964
E-911 System	28,426	28,426	117,935	(89,509)
County Jail	3,459,230	3,459,230	3,201,441	257,789
Probation and Parole	536,156	536,156	556,497	(20,341)
ATV Program	3,154	3,154	-	3,154
Total Public Safety	6,553,118	6,553,118	6,508,244	44,874

Notes to Required Supplementary Information are an Integral Part of this Schedule.

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (Continued)				
CURRENT (Continued)				
SANITATION				
Solid Waste	$ 108,098	$ 108,098	$ 155,147	$ (47,049)
CONSERVATION OF NATURAL RESOURCES				
County Extension	82,363	82,363	82,787	(424)
INTERGOVERNMENTAL				
Culture and Recreation	166,368	166,368	167,994	(1,626)
CAPITAL OUTLAY				
General Government	208,078	208,078	96,447	111,631
Public Safety	138,954	138,954	57,954	81,000
Total Capital Outlay	347,032	347,032	154,401	192,631
DEBT SERVICE				
Principal Retirement	40,532	40,532	158,755	(118,223)
Interest	5,603	5,603	15,153	(9,550)
Total Debt Service	46,135	46,135	173,908	(127,773)
Total Expenditures	12,857,886	12,857,886	13,322,062	(464,176)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(307,278)	(307,278)	(908,853)	(601,575)
OTHER FINANCING SOURCES (USES)				
Transfer In	12,500	12,500	-	(12,500)
Transfer Out	(102,000)	(102,000)	(102,000)	-
Loan Proceeds	-	-	104,656	104,656
Proceeds from the Sale of Capital Assets	365,000	365,000	6,391	(358,609)
Total Other Financing Sources (Uses)	275,500	275,500	9,047	(266,453)
NET CHANGE IN FUND BALANCE	$ (31,778)	$ (31,778)	(899,806)	$ (868,028)
Fund Balance - Beginning of Year			4,516,583	
FUND BALANCE - END OF YEAR			$ 3,616,777	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

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

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,300,090	$ 2,300,090	$ 2,096,274	$ (203,816)
Licenses and Permits	33,000	33,000	34,469	1,469
Intergovernmental	3,111,472	3,111,472	4,233,319	1,121,847
Charges for Services	-	-	403,452	403,452
Miscellaneous	150,000	150,000	10,524	(139,476)
Total Revenues	5,594,562	5,594,562	6,778,038	1,183,476
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	290,022	290,022	260,753	29,269
Maintenance	1,808,617	1,808,617	842,670	965,947
Construction	543,920	543,920	216,279	327,641
Equipment and Maintenance Shops	767,315	767,315	681,101	86,214
Unallocated - Highways and Streets	861,688	861,688	846,107	15,581
Total Current	4,271,562	4,271,562	2,846,910	1,424,652
CAPITAL OUTLAY	2,050,000	2,050,000	4,256,232	(2,206,232)
DEBT SERVICE				
Principal Retirement	40,532	40,532	2,087	38,445
Interest	5,603	5,603	169	5,434
Total Debt Service	46,135	46,135	2,256	43,879
Total Expenditures	6,367,697	6,367,697	7,105,398	(737,701)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(773,135)	(773,135)	(327,360)	445,775
OTHER FINANCING SOURCES (USES)				
Transfer In	727,000	727,000	102,000	(625,000)
Total Other Financing Sources (Uses)	727,000	727,000	102,000	(625,000)
NET CHANGE IN FUND BALANCE	$ (46,135)	$ (46,135)	(225,360)	$ (179,225)
Fund Balance - Beginning of Year			4,270,451	
INCREASE IN INVENTORIES			22,355	
FUND BALANCE - END OF YEAR			$ 4,067,446	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

KANABEC COUNTY
MORA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,203,954	$ 2,203,954	$ 1,974,704	$ (229,250)
Intergovernmental	3,173,527	3,173,527	3,377,972	204,445
Charges for Services	128,000	128,000	92,052	(35,948)
Miscellaneous	554,212	554,212	495,007	(59,205)
Total Revenues	6,059,693	6,059,693	5,939,735	(119,958)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,000,088	2,000,088	1,920,565	79,523
Social Services	4,059,605	4,059,605	4,047,277	12,328
Total Human Services	6,059,693	6,059,693	5,967,842	91,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(28,107)	(28,107)
NET CHANGE IN FUND BALANCE	$ -	$ -	(28,107)	$ (28,107)
Fund Balance - Beginning of Year			940,093	
FUND BALANCE - END OF YEAR			$ 911,986	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

KANABEC COUNTY
MORA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 139,768	$ 139,768	$ 136,293	$ (3,475)
Intergovernmental	26,500	26,500	14,534	(11,966)
Charges for Services	2,000	2,000	1,290	(710)
Gifts and Contributions	3,500	3,500	12,375	8,875
Total Revenues	171,768	171,768	164,492	(7,276)
EXPENDITURES				
CURRENT				
ECONOMIC DEVELOPMENT				
Economic Development	171,768	171,768	147,663	24,105
NET CHANGE IN FUND BALANCE	$ -	$ -	16,829	$ 16,829
Fund Balance - Beginning of Year			22,190	
FUND BALANCE - END OF YEAR			$ 39,019	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

KANABEC COUNTY
MORA, MINNESOTA
BUDETARY COMPARISON SCHEDULE – COMMUNITY HEALTH FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 341,525	$ 341,525	$ 304,738	$ (36,787)
Intergovernmental	1,743,854	1,743,854	1,665,491	(78,363)
Charges for Services	1,085,997	1,085,997	935,363	(150,634)
Gifts and Contributions	11,000	11,000	9,054	(1,946)
Miscellaneous	2,725	2,725	13,456	10,731
Total Revenues	3,185,101	3,185,101	2,928,102	(256,999)
EXPENDITURES				
CURRENT				
HEALTH				
Community Health	3,185,101	3,185,101	3,192,912	(7,811)
Total Health	3,185,101	3,185,101	3,192,912	(7,811)
NET CHANGE IN FUND BALANCE	$ -	$ -	(264,810)	$ (264,810)
Fund Balance - Beginning of Year			982,170	
FUND BALANCE - END OF YEAR			$ 717,360	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES
LAST TEN FISCAL YEARS
YEAR ENDED DECEMBER 31, 2019

	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability		
Service Cost	$ 62,244	$ 65,311
Interest	21,054	18,997
Benefit Payments	(19,535)	(18,343)
Assumption Changes	(21,772)	-
Net Change in Total OPEB Liability	41,991	65,965
Total OPEB Liability - Beginning	585,430	519,465
Total OPEB Liability - Ending	$ 627,421	$ 585,430
Covered Employee Payroll	$ 9,258,853	$ 8,989,178
County's OPEB Liability as a Percentage of Covered Employee Payroll	7%	7%

Note 1: The County implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

I. BUDGETARY INFORMATION

The Board of County Commissioners adopts an annual budget for the following major funds: The General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Economic Development Authority Special Revenue Fund, and Community Health Special Revenue Fund. These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Forfeited Tax Special Revenue Fund, and Debt Service Fund.

Based on a process established by the Board of County Commissioners, all departments of the County submit requests for appropriations to the County Coordinator each year. After review, analysis and discussions with the departments, the County Coordinator's proposed budget is presented to the Board of County Commissioners for review. The Board of County Commissioners holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level. Budgets may be amended during the year with proper approval.

II. EXCESS OF EXPENDITURES OVER BUDGET

The following fund had expenditures in excess of budget at the fund level for the year ended December 31, 2019:

	Actual	Budget	Excess
General Fund	$ 13,322,062	$ 12,857,886	$ 464,176
Road and Bridge Special Revenue Fund	7,105,398	6,367,697	737,701
Community Health Special Revenue Fund	3,192,912	3,185,101	7,811

These over-expenditures were funded by greater than anticipated revenues and existing fund balance.

III. Defined benefit pension plans – changes in significant plan provisions, actuarial methods, and assumptions

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

General Employees Plan

2019

- The morality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018

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

III. Defined benefit pension plans – changes in significant plan provisions, actuarial methods, and assumptions (Continued)

General Employees Plan (Continued)

2017

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

2016

- The assumed 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.

Police and Fire Plan

2019

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

2018

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

III. Defined benefit pension plans – changes in significant plan provisions, actuarial methods, and assumptions (Continued)

Police and Fire Plan (Continued)

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed 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% percent per annum.

2016

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

III. Defined benefit pension plans – changes in significant plan provisions, actuarial methods, and assumptions (Continued)

Correctional Plan

2019
- The mortality projection scale was changed from MP-2017 to MP-2018.

2018
- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

2017
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

2016
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

IV. Other postemployment benefit changes in significant plan provisions, actuarial methods, and assumptions:

The County obtained an actuarial valuation as of January 1, 2015. Since the actuarial valuation as of January 1, 2012, the following assumptions have changed:

2018
- The discount rate was changed from 3.5% to 3.3%

2019
- The discount rate was changed from 3.3% to 3.8%.

SUPPLEMENTARY INFORMATION

Agency Funds

Kanabec County Collaborative
The Kanabec County Collaborative Fund is used to account for monies passed through to the Kanabec County Collaborative.

Knife Lake Improvement District
The Knife Lake Improvement District Fund is used to account for collection and payment of contributions to the Knife Lake Improvement District.

Mortgage Registry and State Deed Tax
The Mortgage Registry and State Deed Tax Fund are used to account for the collection and payment of mortgage registry and state deed tax.

Taxes and Penalties
The Taxes and Penalties Fund is used to account for the collection and distribution of property taxes within the County for all municipalities.

Prepaid Tax
The Prepaid Tax Fund is used to account for the collection and payment of prepaid taxes.

Snake River Watershed Management Board
The Snake River Watershed Management Board Fund is used to account for activities performed as a fiscal agent.

State Revenue
The State Revenue Fund is used for transfers of the state share of mortgage registry tax.

Town and Road
The Town and Road Fund are used to account for collection of state town road funds and their distribution to townships.

Withholding Tax and Social Security
The Withholding Tax and Social Security Fund is used to account for income tax and FICA deductions withheld from the salaries of County employees.

Employees Benefit Fund
The Employees Benefit Fund is used to account for receipts and disbursements used withheld for employee benefit programs.

Jail Inmate
The Jail Inmate Fund is used to account for receipts and disbursements relating to jail inmates.

Over Remittance
The Over Remittance Fund is used to account for receipts and disbursements related to overpayments received by the County.

Social Welfare
The Social Welfare Fund is used to account for the receipts and disbursements related to the County's Social Welfare program.

Agency Funds (Continued)

Blandin
The Blandin Fund is used to account for the receipts and disbursements related to the County's Blandin Grant.

Wellness Committee
The Wellness Committee Fund is used to account for the receipts and disbursements related to the County's Wellness program.

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

	Balance January 1	Additions	Deductions	Balance December 31
KANABEC COUNTY COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	$ 199,068	$ 116,937	$ 183,850	$ 132,155
LIABILITIES				
Due to Other Governments	$ 199,068	$ 116,937	$ 183,850	$ 132,155
KNIFE LAKE IMPROVEMENT DISTRICT				
ASSETS				
Cash and Pooled Investments	$ 142,912	$ 33,028	$ 175,940	$ -
LIABILITIES				
Funds Held in Trust	$ 142,912	$ 33,028	$ 175,940	$ -
MORTGAGE REGISTRY AND STATE DEED TAX				
ASSETS				
Cash and Pooled Investments	$ 36,297	$ 514,860	$ 541,572	$ 9,585
LIABILITIES				
Due to Other Governments	$ 36,297	$ 514,860	$ 541,572	$ 9,585
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	$ 234,832	$ 19,694,652	$ 19,707,073	$ 222,411
LIABILITIES				
Due to Other Governments	$ 234,832	$ 19,694,652	$ 19,707,073	$ 222,411

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

	Balance January 1	Additions	Deductions	Balance December 31
PREPAID TAX				
ASSETS				
Cash and Pooled Investments	$ 56,729	$ 25,643	$ 29,343	$ 53,029
LIABILITIES				
Due to Other Governments	$ 56,729	$ 25,643	$ 29,343	$ 53,029
SNAKE RIVER WATERSHED MANAGEMENT BOARD				
ASSETS				
Cash and Pooled Investments	$ 216,869	$ 180,832	$ 154,607	$ 243,094
LIABILITIES				
Due to Other Governments	$ 216,869	$ 180,832	$ 154,607	$ 243,094
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	$ 3,773	$ 4,932	$ 5,532	$ 3,173
LIABILITIES				
Due to Other Governments	$ 3,773	$ 4,932	$ 5,532	$ 3,173
TOWN AND ROAD				
ASSETS				
Cash and Pooled Investments	$ 50	$ 194,779	$ 194,779	$ 50
LIABILITIES				
Due to Other Governments	$ 50	$ 194,779	$ 194,779	$ 50

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

	Balance January 1	Additions	Deductions	Balance December 31
WITHHOLDING TAX AND SOCIAL SECURITY				
ASSETS				
Cash and Pooled Investments	$ -	$ 10,924,988	$ 10,924,988	$ -
LIABILITIES				
Due to Other Governments	$ -	$ 10,924,988	$ 10,924,988	$ -
EMPLOYEES BENEFIT FUND				
ASSETS				
Cash and Pooled Investments	$ 2,332	3,932,905	3,341,650	$ 593,587
LIABILITIES				
Funds Held in Trust	$ 2,332	$ 3,932,905	$ 3,341,650	$ 593,587
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	$ 75,600	$ 130,720	$ 135,666	$ 70,654
LIABILITIES				
Funds Held in Trust	$ 75,600	$ 130,720	$ 135,666	$ 70,654
OVER REMITTANCE				
ASSETS				
Cash and Pooled Investments	$ -	$ 288,758	$ 288,758	$ -
LIABILITIES				
Funds Held in Trust	$ -	$ 288,758	$ 288,758	$ -

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

	Balance January 1	Additions	Deductions	Balance December 31
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	$ 24,654	157,845	$ 164,381	$ 18,118
LIABILITIES				
Funds Held in Trust	$ 24,654	$ 157,845	$ 164,381	$ 18,118
BLANDIN				
ASSETS				
Cash and Pooled Investments	$ 2,017	$ -	$ -	$ 2,017
LIABILITIES				
Funds Held in Trust	$ 2,017	$ -	$ -	$ 2,017
WELLNESS COMMITTEE				
ASSETS				
Cash and Pooled Investments	$ 3,132	$ 4,194	$ 5,247	$ 2,079
LIABILITIES				
Funds Held in Trust	$ 3,132	$ 4,194	$ 5,247	$ 2,079
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	$ 998,265	$ 36,205,073	$ 35,853,386	$ 1,349,952
LIABILITIES				
Funds Held in Trust	$ 250,647	$ 4,547,450	$ 4,111,642	$ 686,455
Due to Other Governments	747,618	31,657,623	31,741,744	663,497
Total Liabilities	$ 998,265	$ 36,205,073	$ 35,853,386	$ 1,349,952

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge	Welfare	Economic Development Authority	Community Health	Debt Service	Total
SHARED REVENUE							
State							
Highway Users Tax	$ -	$ 3,969,580	$ -	$ -	$ -	$ -	$ 3,969,580
Market Value Credit - Agriculture	131,478	41,322	43,826	-	6,762	27,047	250,435
PERA Rate Reimbursement	40,221	7,594	13,804	-	-	-	61,619
Disparity Reduction Aid	2,243	705	748	-	115	462	4,273
Police Aid	146,553	-	-	-	-	-	146,553
County Program Aid	576,683	181,243	192,226	-	29,658	118,632	1,098,442
Aquatic Invasive Species Aid	48,593	-	-	-	-	-	48,593
Disaster Credit	3,316	1,042	1,105	-	171	682	6,316
E-911	89,238	-	-	-	-	-	89,238
Total Shared Revenue	1,038,325	4,201,486	251,709	-	36,706	146,823	5,675,049
REIMBURSEMENT FOR SERVICES							
Human Services	-	-	833,918	-	220,154	-	1,054,072
Total Reimbursement for Services	-	-	833,918	-	220,154	-	1,054,072
PAYMENTS							
Local							
Local	20,950	-	-	14,000	2,243	-	37,193
Payments in Lieu of Taxes	109,338	602	634	534	98	393	111,599
Total Payments	130,288	602	634	14,534	2,341	393	148,792
GRANTS							
State							
Minnesota Department/Board of							
Corrections	139,052	-	-	-	-	-	139,052
Health	-	-	-	-	372,101	-	372,101
Natural Resources	23,625	-	-	-	-	-	23,625
Human Services	-	-	749,302	-	201,885	-	951,187
Peace Officers Board	22,866	-	-	-	-	-	22,866
Miscellaneous Boards	-	7,808	-	-		-	7,808
Pollution Control Agency	68,710	-	-	-	-	-	68,710
Water and Soil Board	62,864	-	-	-	-	-	62,864
Transportation	619,631	-	-	-	-	-	619,631
Public Safety	17,531	-	-	-	6,091	-	23,622
Veteran Affairs	10,000	-	-	-	-	-	10,000
Total State Grants	964,279	7,808	749,302	-	580,077	-	2,301,466
Federal							
Department of							
Agriculture	23,206	-	130,700	-	109,122	-	263,028
Justice	61,352	-	-	-	-	-	61,352
Transportation	173,660	-	-	-	-	-	173,660
Homeland Security	16,992	23,423	-	-	-	-	40,415
Health and Human Services	92,025	-	1,411,709	-	717,091	-	2,220,825
Total Federal Grants	367,235	23,423	1,542,409	-	826,213	-	2,759,280
Total State and Federal Grants	1,331,514	31,231	2,291,711	-	1,406,290	-	5,060,746
Total Intergovernmental Revenue	$ 2,500,127	$ 4,233,319	$ 3,377,972	$ 14,534	$ 1,665,491	$ 147,216	$ 11,938,659

REPORTS RELATED TO
GOVERNMENT AUDITING STANDARDS
AND SINGLE AUDIT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Kanabec County
Mora, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Kanabec County (the County), Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Kanabec County's basic financial statements, and have issued our report thereon dated September 16, 2020. The financial statements of Welia Health were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kanabec County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kanabec County's internal control. Accordingly, we do not express an opinion on the effectiveness of Kanabec 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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. 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 2019-001 to 2019-004 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Board of County Commissioners
Kanabec County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kanabec County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Kanabec County's Responses to Findings

Kanabec County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Kanabec County's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 Kanabec County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 16, 2020

This Page Has Been Intentionally Left Blank.

CliftonLarsonAllen LLP
CLAconnect.com

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

Board of County Commissioners
Kanabec County
Mora, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Kanabec County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kanabec County's major federal programs for the year ended December 31, 2019. Kanabec County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Welia Health was not audited under *OMB Compliance Supplement* because it received no federal grant funding in 2019.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

Kanabec County's Response to Finding

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-005 that we consider to be a significant deficiency.

Kanabec County's Response to Finding

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

Purpose of this Report

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 16, 2020

This Page Has Been Intentionally Left Blank.

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	X yes	___ no
• Significant deficiency(ies) identified?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X none reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	X none reported
• Significant deficiency(ies) identified?	x yes	___ none reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	x yes	___ no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	___ yes	X no

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 SEGREGATION OF DUTIES

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

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

Condition: Adequate segregation of the accounting functions is necessary to ensure adequate internal control, and is not in place for various departments throughout the County. During review of internal control procedures over Cash, Auditor noted that there were improperly designed key controls over their bank reconciliation process. During review of internal control procedures, Auditor noted that there was a lack of segregation of duties over the PERA information input and payroll process.

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

Possible Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County’s procedures.

Repeat Finding: Yes - Finding 2018-001.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

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

2019-002 AUDIT ADJUSTMENTS

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

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and recording of accruals.

Condition: As part of the audit, we proposed account reclassification entries relating to accruals and other reclassifications. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control.

Cause: The County has a limited number of personnel.

Possible Effect: The design of the internal controls over recording receipts and disbursement, including reclassifications, could affect the ability of the County to detect or prevent a misappropriation of assets or fraudulent activity.

Repeat Finding: Yes - Finding 2018-002.

Recommendation: We recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

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

2019-003 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

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

Criteria: Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Condition: The County does not have an internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Cause: The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

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

Repeat Finding: Yes - Finding 2018-003.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

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

2019-004 REVIEW ADJUSTMENTS TO INVENTORY

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

Criteria: For increased internal control, year-end processes around inventory should be in place and followed.

Condition: The Road and Bridge inventory adjustments were not reviewed by someone other than the person entering them and additional adjustments were required for the year ended December 31, 2019.

Cause: Lack of procedures.

Possible Effect: Inventory counts may not be accurate for financial statement purposes.

Repeat Finding: Prior year finding identified as Finding 2018-006.

Recommendation: We would recommend that there be an additional process in place to ensure the numbers for usage are accurate to ensure the year end highway report is accurately stated and that someone other than the preparer verify adjustments to year end counts are accurate and complete.

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

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

2019-005 ASSET VERIFICATION

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Medical Assistance Program
CFDA Number: 93.778
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1905MNADM, 1905MN5MAP
Award Period: Year-Ended December 31, 2018
Compliance Requirement Affected: Eligibility

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: Proper asset documentation should be on file to match the information entered into MAXIS.

Condition and Context: During our audit, we noted that 2 of the 40 casefiles tested had asset verification issues where the asset amount in MAXIS did not agree to the verification information.

Cause: County policies and procedures not followed.

Effect: Benefits could be provided to ineligible clients.

Questioned Costs: Not applicable.

Repeat Finding: Not applicable.

Recommendation: It is recommended that the County review the asset verification policies and ensure procedures are being followed for each case file.

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

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2019-006 MINNESOTA LEGAL COMPLAINCE-UNCLAIMED PROPERTY

Criteria: Minnesota State Statutes §345.41 and §345.43 requires that unclaimed property held for more than three years must be remitted and paid to the state commissioner of commerce.

Condition and Context: It is a requirement that unclaimed property be turned in to the Commissioner of Commerce, we recommend the County turnover the unclaimed checks from outstanding items to the Commissioner of Commerce.

Possible Effect: County not in compliance with state statute.

Repeat Finding: Yes – Finding 2018-007

Recommendation: It is a requirement that unclaimed property be turned in to the Commissioner of Commerce, we recommend the County turnover the unclaimed checks from outstanding items to the Commissioner of Commerce.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The County will work with the Department of Commerce to correct.

Name of the contact person responsible for corrective action plan: Denise Snyder, Auditor-Treasurer

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

2019-007 MINNESOTA LEGAL COMPLAINCE-PROMPT PAYMENT OF CLAIMS

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

Condition and Context: During audit procedures, it was noted that one jail payment tested was not paid within the standard timeline of 35 days from receipt.

Possible Effect: County not in compliance with state statute.

Repeat Finding: Not applicable.

Recommendation: We recommend the County review Jail payment procedures to ensure they are in compliance with the state statute.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The County will improve Jail payment procedures.

Name of the contact person responsible for corrective action plan: Denise Snyder, Auditor-Treasurer

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

PREVIOULSY REPORTED ITEMS RESOLVED

TIMELY DEPOSITS (2018-004)

Resolution: Per inquiry of the County, they have implemented the recommendations and are making deposits timely.

TIMELY ADJUSTMENTS TO INVENTORY (2018-005)

Resolution: Per inquiry of the County and review of the year-end inventory listing, they have implemented the recommendations and are entering purchases and inventory adjustments timely into the system.

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

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	$ 117,351	$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	182MN101S2514, 182MN127Q7503, 182MN101S2520	153,906	-
Total Department of Agriculture			271,257	-
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVSP-2018 -KANABECCO	46,950	-
Total U.S. Department of Justice			46,950	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	MN18X081	157,570	-
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety (Total Highway Safety Cluster $5,090)	20.600	18X9204020MN15	2,530	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	18X9205464MN14	11,000	-
National Priority Safety Programs (Total Highway Safety Cluster $5,090)	20.616	18X920405BMN14	2,560	-
Total Department of Transportation			173,660	-
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H181A140029	1,030	-
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276	H79SP021051	76,294	-
Passed Through the Minnesota Council on Aging				
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers (Part of Aging Cluster)	93.044	315-15-003B-002	28,865	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	U90TP000418	21,603	-
Early Hearing Detection and Intervention	93.251	Not Provided	375	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	150	-
Prevention and Public Health Fund (Affordable Care Act) - Immunization Program	93.539	Not Provided	300	-
Temporary Assistance for Needy Families (Total TANF Cluster $305,816)	93.558	1601MNTANF	18,737	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	27,800	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	1801MNFPSS	5,991	-
Temporary Assistance for Needy Families (Total TANF Cluster $305,816)	93.558	1801MNTANF	287,079	-
Child Support Enforcement	93.563	1804MNCSES, 1804MNCEST	389,515	-
Refugee Support Services Program	93.566	Not Provided	138	-
Community - Based Child Abuse Prevention Grants	93.590	G-1802MNFRPG	4,675	-

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services (Continued)				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Part of Child Care and Development Block Grant Cluster)	93.596	G1801MNCCDF	$ 4,582	$ -
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	4,495	-
Foster Care Title IV-E	93.658	1801MNFOST	102,056	-
Social Services Block Grant	93.667	G-1801MNSOSR	105,572	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1801MNCILP	4,094	-
Children's Health Insurance Program	93.767	1805MN5R21	120	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1805MN5ADM	710,696	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI1010034-12	128,535	-
Maternal, Infant and Early Childhood Home Visiting Grant (Part of MIECHV Cluster)	93.870	Not provided	365,927	-
Total Department of Health and Human Services			2,287,599	-
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	065-99065-01	23,423	-
Total Department of Homeland Security			23,423	-
Total Cash Type Federal Awards			$ 2,803,919	$ -

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

Temporary Assistance for Needy Families (TANF) Cluster	$ 305,816
Medicaid Cluster	710,696
SNAP Cluster	153,906
Highway Safety Cluster	5,090
Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Cluster	365,927
Child Care and Development Block Grant Cluster	4,582

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue		
Federal Grant Revenue Per Schedule of Intergovernmental Revenue	$	2,759,280
Expenditures included on the Schedule of Expenditures of Federal Awards that are not considered Intergovernmental Revenues		119,229
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures		(74,590)
Expenditures per Schedule of Expenditures of Federal Awards	$	2,803,919

This Page Has Been Intentionally Left Blank.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Kanabec County
Mora, 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 accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Kanabec County, Minnesota (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 16, 2020. This report does not include the results of the Welia Health testing of compliance and other matters since they have their own audit.

In connection with our audit, nothing came to our attention that caused us to believe that Kanabec County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters, except as described in the Schedule of findings and questioned costs as items 2019-006 through 2019-007. 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.

Kanabec County's written response to the legal compliance finding identified in our audit is described in the schedule of findings and questions costs. Kanabec County's response was not subjected to the 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 communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 16, 2020

A member of Nexia International