KANABEC COUNTY
MORA, MINNESOTA

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

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MORA, MINNESOTA
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INTRODUCTORY SECTION

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KANABEC COUNTY
MORA, MINNESOTA
ORGANIZATION
DECEMBER 31, 2020

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	Heather Mickelson	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

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FINANCIAL SECTION

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kanabec County, Minnesota (the County), as of and for the year ended December 31, 2020, 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, $3,063,297, represents 3.0 and 3.7%, 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, 2020, 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.

Emphasis of a Matter Regarding Change in Accounting Principle

During the year ended December 31, 2020, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities.* As a result of this standard, the County reported a restatement for a change in accounting principle (see Note 8). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 fiduciary net position - fiduciary funds – custodial funds, the combining statement of changes in fiduciary net position - fiduciary funds – custodial funds and the schedule of intergovernmental revenue

Supplementary Information (continued)

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 fiduciary net position - fiduciary funds – custodial funds, the combining statement of changes in fiduciary net position - fiduciary funds – custodial 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 fiduciary net position - fiduciary funds – custodial funds, the combining statement of changes in fiduciary net position - fiduciary funds – custodial 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 28, 2021, 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 28, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2020. 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, 2020, and the prior year, 2019, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 include the following:

- County-wide net position (excluding the Welia Health component unit) increased $4,648,753 during 2020. This is primarily due to the County's continued investment into capital assets, financed by intergovernmental revenues.
- Overall fund-level revenues totaled $33,592,187 and were $1,728,916 more than expenditures. This is primarily due to General fund, Road and Bridge, and EDA intergovernmental revenues exceeding budget.
- The General Fund's fund balance decreased $10,860 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:

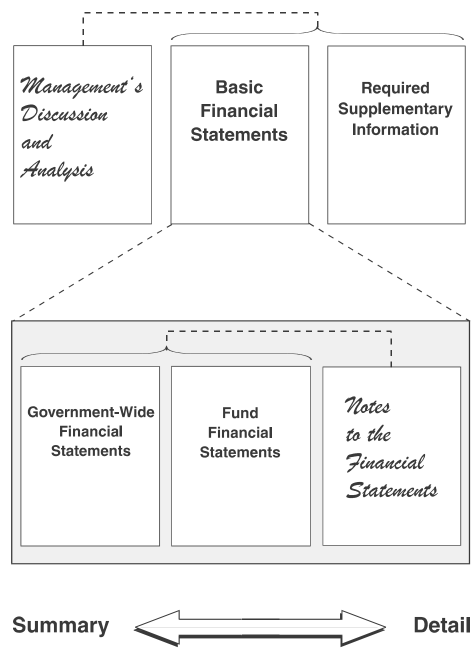
- The first two statements are Government-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations 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.	Statement of changes in fiduciary net position
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, deferred outflows of resources, liabilities, and deferred inflows of resources both short-term and long-term, these 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 additions and deductions 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 and a statement of changes in 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 $82,558,129 on December 31, 2020 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		Percent
	2020	2019	Change
Current and Other Assets	$ 19,177,998	$ 17,082,192	12.3 %
Capital Assets	83,770,858	82,982,199	1.0
Total Assets	102,948,856	100,064,391	2.9
Deferred Outflows of Resources	2,034,959	2,694,396	(24.5)
Current Liabilities	1,994,966	2,106,983	(5.3)
Long-Term Liabilities (include current maturities)	17,934,387	17,767,221	0.9
Total Liabilities	19,929,353	19,874,204	0.3
Deferred Inflows of Resources	2,496,333	4,975,207	(49.8)
Net Position			
Net Investment In Capital Assets	76,230,131	74,597,333	2.2
Restricted	4,138,581	8,258,334	(49.9)
Unrestricted	2,189,417	(4,946,291)	144.3
Total Net Position	$ 82,558,129	$ 77,909,376	6.0

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION

The Government-wide total revenues were $33,577,065 for the year ended December 31, 2020. Property taxes and intergovernmental revenues accounted for 81.2% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total Percent
	2020	2019	Change
REVENUES			
Program Revenues			
Charges for Services	$ 4,695,111	$ 4,980,182	(5.7)%
Operating Grants and Contributions	10,357,966	8,608,217	20.3
Capital Grants and Contributions	2,015,524	2,206,732	(8.7)
General Revenues			
Property Taxes	13,361,726	12,015,663	11.2
Other Taxes	204,712	210,150	(2.6)
Unrestricted State Aid	1,538,711	1,463,543	5.1
Investment Earnings	65,518	137,205	(52.2)
Other	1,337,797	707,560	89.1
Total Revenues	33,577,065	30,329,252	10.7
EXPENSES			
General Government	8,589,457	7,900,645	8.7
Public Safety	6,172,963	5,942,803	3.9
Highways and Streets	4,871,915	5,647,784	(13.7)
Sanitation	134,267	155,147	(13.5)
Human Services	5,639,699	6,030,332	(6.5)
Health	2,903,284	3,197,512	(9.2)
Culture and Recreation	172,799	168,287	2.7
Economic Development	135,529	147,663	(8.2)
Conservation of Natural Resources	75,366	82,787	(9.0)
Interest	233,033	212,708	9.6
Total Expenses	28,928,312	29,485,668	(1.9)
CHANGES IN NET POSITION	4,648,753	843,584	451.1
Net Position - Beginning of Year	77,909,376	77,065,792	1.1
NET POSITION - END OF YEAR	$ 82,558,129	$ 77,909,376	6.0

Total revenues surpassed expenses, increasing the net position $4,648,753 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 $28,928,312.

- Some of the cost was paid by the users of the County's programs $4,695,111.
- The federal and state governments subsidized certain programs with grants and contributions of $12,373,490.
- The remainder of the County's governmental activities costs, $11,859,711, however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid from the combination of $13,566,438 in property, wheelage, and other taxes, $1,538,711 of state aid, and $1,403,315 of investment earnings and other general revenues.

Figure A-3 Sources of County's Revenues for 2020

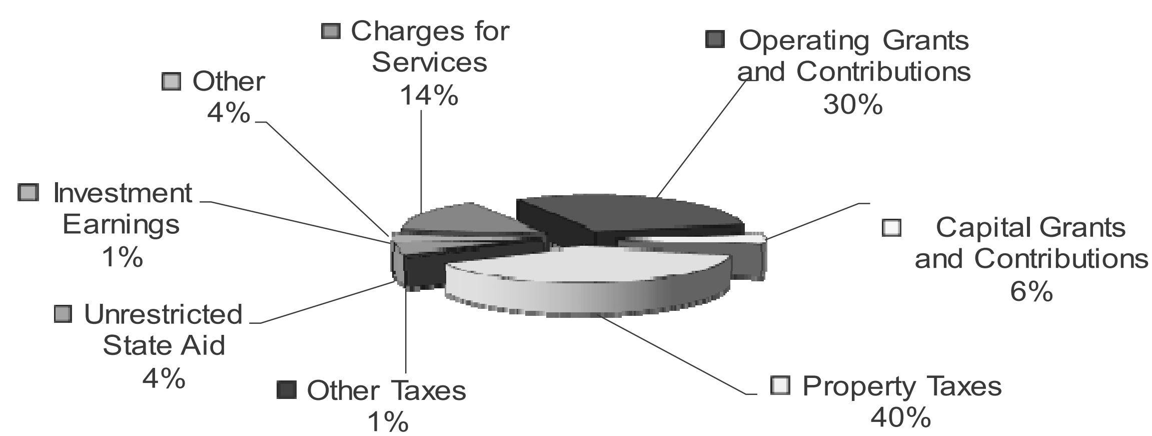
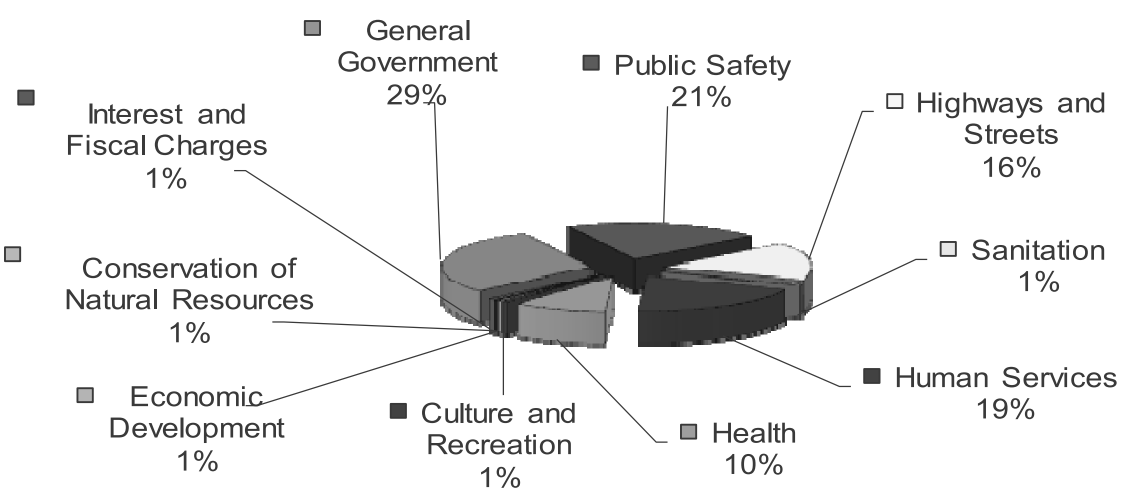


Figure A-4 County's Expenses for 2020



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 2020	Total Cost of Services 2019	Percentage Change	Net Revenue (Cost) of Services 2020	Net Revenue (Cost) of Services 2019	Percentage Change
GOVERNMENTAL ACTIVITIES						
General Government	$ 8,589,457	$ 7,900,645	8.7 %	$ (3,498,047)	$ (4,788,394)	26.9 %
Public Safety	6,172,963	5,942,803	3.9	(4,645,964)	(4,230,759)	(9.8)
Highways and Streets	4,871,915	5,647,784	(13.7)	(1,000,889)	(1,031,953)	3.0
Sanitation	134,267	155,147	(13.5)	(64,575)	(86,437)	25.3
Human Services	5,639,699	6,030,332	(6.5)	(1,960,508)	(2,421,130)	19.0
Health	2,903,284	3,197,512	(9.2)	(405,718)	(548,766)	26.1
Culture and Recreation	172,799	168,287	2.7	(172,799)	(168,287)	(2.7)
Economic Development	135,529	147,663	(8.2)	197,188	(119,998)	264.3
Conservation of Natural Resources	75,366	82,787	(9.0)	(75,366)	(82,787)	9.0
Interest	233,033	212,708	9.6	(233,033)	(212,026)	(9.9)
Total	$ 28,928,312	$ 29,485,668	(1.9)	$ (11,859,711)	$ (13,690,537)	13.4

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 $12,733,238.

Revenues for the County's governmental funds were $33,592,187 while total expenditures were $31,863,271.

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, 2020	Year Ended December 31, 2019	Change Increase (Decrease)	Change Percent
Taxes	$ 7,251,662	$ 6,373,066	$ 878,596	13.8 %
Intergovernmental	4,638,491	2,500,127	2,138,364	85.5
Charges for Services	2,226,373	2,306,899	(80,526)	(3.5)
Interest	58,927	130,154	(71,227)	(54.7)
Miscellaneous and Other	1,145,961	1,102,963	42,998	3.9
Total General Fund Revenues	$ 15,321,414	$ 12,413,209	$ 2,908,205	23.4

Total General Fund revenue increased by $2,908,205 or 23.4%, from the previous year. The increase is primarily due to the increase in taxes and intergovernmental revenues in 2020 compared to 2019.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change Increase (Decrease)	Percent
General Government	$ 7,948,639	$ 6,079,581	$ 1,869,058	30.7 %
Public Safety	6,436,917	6,508,244	(71,327)	(1.1)
Sanitation	134,267	155,147	(20,880)	(13.5)
Conservation of Natural Resources	75,366	82,787	(7,421)	(9.0)
Intergovernmental	172,617	167,994	4,623	2.8
Capital Outlay	423,011	154,401	268,610	174.0
Debt Service	203,821	173,908	29,913	17.2
Total Expenditures	$ 15,394,638	$ 13,322,062	$ 2,072,576	15.6

The General Fund had total fund balance of $3,605,917 at the end of the current fiscal year. The fund balance of the General Fund decreased $10,860 during the current fiscal year primarily due to general government expenditures exceeding the increase in intergovernmental revenues in 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

- Actual revenues were $2,224,894 more than budget due to the CARES grant which was not budgeted for.
- The actual expenditures were $1,947,910 more than budget due primarily to more than anticipated expenditures for general government.
- The County made no budget amendments in 2020 related to the General fund.

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of $5,865,294 at the end of the current fiscal year. The total change in fund balance of the Road and Bridge Fund was an increase of $1,697,328 (before adjustments for inventory), during the current fiscal year primarily due to additional intergovernmental revenues in 2020.

The Family Services Fund had total fund balance of $1,070,595 at the end of the current fiscal year. The fund balance of the Family Services Fund increased $158,609 during the current fiscal year.

The Economic Development Fund had total fund balance of $381,995 at the end of the current fiscal year. The fund balance of the Economic Development fund increased $342,976. This was primarily due to additional intergovernmental revenue.

OTHER MAJOR FUNDS ANALYSIS (CONTINUED)

The Community Health Fund had total fund balance of $641,913 at the end of the current fiscal year. The fund balance of the Community Health Fund decreased $75,447 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 $(95,866) at the end of the current fiscal year. The fund balance of the Forfeited Tax Fund decreased $25,121 during the current fiscal year due to forfeited land sales expenditures in 2020.

The Debt Service Fund had total fund balance of $1,263,390 at the end of the current fiscal year. The fund balance of the Debt Service Fund increased $68,260 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 2020, the County had invested approximately $121,000,000 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 $2,598,875.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent
	2020	2019	Change
Land	$ 3,423,981	$ 3,423,981	- %
Construction-in-Progress	1,158,845	885,135	30.9
Infrastructure	86,045,155	83,561,850	3.0
Buildings	21,401,409	21,258,094	0.7
Machinery, Equipment, and Vehicles	9,267,953	8,834,288	4.9
Less: Accumulated Depreciation	(37,526,485)	(34,981,149)	7.3
Total	$ 83,770,858	$ 82,982,199	1.0

LONG-TERM LIABILITIES

At year-end, the County had $17,396,354 in long-term liabilities outstanding.

- The County's governmental activities total debt increased $213,558, 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

	2020	2019	Percent Change
Governmental Activities			
Compensated Absences Payable	$ 542,958	$ 600,946	(9.6)%
General Obligation Bonds	6,609,260	7,445,575	(11.2)
Capital Leases Payable	344,678	146,798	134.8
Loans Payable	561,992	564,597	(0.5)
Net Pension Liability	9,337,466	8,424,880	10.8
Total	$ 17,396,354	$ 17,182,796	1.2

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. The pandemic has continued into 2021. Related to the pandemic, in 2021, the County has been approved for $3,168,461 of ARPA funding.

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.

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BASIC FINANCIAL STATEMENTS

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Discretely Presented Component Unit
ASSETS		
Cash and Pooled Investments	$ 12,687,364	$ 42,680,006
Petty Cash and Change Funds	675	-
Investments	-	44,084,837
Taxes Receivable		
Delinquent	441,811	-
Special Assessments Receivable		
Unavailable	308,847	-
Delinquent	2,815	-
Accounts Receivable - Net	156,334	12,868,946
Accrued Interest Receivable	19,799	-
Due from Other Governments	1,893,318	-
Prepaid Items	45,048	863,477
Inventories	558,690	2,138,926
Investment in Joint Ventures	3,063,297	1,560,713
Restricted Assets		
Cash and Pooled Investments	-	4,077,306
Nondepreciable Capital Assets		
Land	3,423,981	1,996,692
Construction in Progress	1,158,845	-
Depreciable Capital Assets - Net of Depreciation		
Building	16,286,646	45,579,028
Improvements Other Than Buildings	-	1,729,305
Machinery, Vehicles, Furniture, and Equipment	2,872,788	16,867,636
Infrastructure	60,028,598	-
Total Assets	102,948,856	174,446,872
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,971,650	2,461,425
Other Postemployment Benefit Related	41,503	22,468
Loss on Refunding	21,806	-
Total Deferred Outflows of Resources	2,034,959	2,483,893

See accompanying Notes to Financial Statements.

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

	Governmental Activities	Discretely Presented Component Unit
LIABILITIES		
Accounts Payable	$ 618,720	$ 2,678,537
Salaries Payable	519,277	3,897,729
Contracts Payable	46,603	-
Due to Other Governments	454,512	-
Accrued Interest Payable	13,109	174,443
Unearned Revenue	296,276	13,832,181
Other Current Liabilities	-	1,181,039
Other Postemployment Benefits Liability - Due within One Year	46,469	-
Compensated Absences Payable - Due within One Year	491,173	-
General Obligation Bonds Payable - Due within One Year	840,000	310,000
Capital Lease Payable - Due within One Year	116,110	46,080
Revenue Bonds Payable - Due within One Year	-	961,113
Revenue Notes Payable - Due within One Year	-	170,898
Loans Payable - Due within One Year	111,211	2,871,566
Other Postemployment Benefits Liability - Due in More Than One Year	538,033	844,858
General Obligation Bonds Payable - Due in More Than One Year	5,769,260	307,317
Capital Lease Payable - Due in More Than One Year	228,568	1,213,200
Revenue Bonds Payable - Due in More Than One Year	-	54,629,812
Revenue Notes Payable - Due in More Than One Year	-	4,551,450
Compensated Absences Payable - Due in More Than One Year	51,785	-
Loans Payable - Due in More Than One Year	450,781	2,953,734
Net Pension Liability - Due in More Than One Year	9,337,466	23,412,259
Total Liabilities	19,929,353	114,036,216
DEFERRED INFLOWS OF RESOURCES		
Pension Related	2,383,902	1,124,723
Other Postemployment Benefit Related	112,431	-
Total Deferred Inflows of Resources	2,496,333	1,124,723
NET POSITION		
Net Investment in Capital Assets	76,230,131	3,982,791
Restricted for:		
General Government	326,027	-
Public Safety	184,567	-
Highways and Streets	511,123	-
Sanitation	1,827,249	-
Debt Service	1,289,615	3,933,146
Unrestricted	2,189,417	53,853,889
Total Net Position	$ 82,558,129	$ 61,769,826

See accompanying Notes to Financial Statements.

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KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		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	$ 8,589,457	$ 2,078,510	$ 3,012,900	$ -	$ (3,498,047)	$ -
Public Safety	6,172,963	544,890	982,109	-	(4,645,964)	-
Highways and Streets	4,871,915	244,387	1,611,115	2,015,524	(1,000,889)	-
Sanitation	134,267	-	69,692	-	(64,575)	-
Human Services	5,639,699	726,155	2,953,036	-	(1,960,508)	-
Health	2,903,284	1,101,089	1,396,477	-	(405,718)	-
Culture and Recreation	172,799	-	-	-	(172,799)	-
Economic Development	135,529	80	332,637	-	197,188	-
Conservation of Natural Resources	75,366	-	-	-	(75,366)	-
Interest	233,033	-	-	-	(233,033)	-
Total Governmental Activities	28,928,312	4,695,111	10,357,966	2,015,524	(11,859,711)	-
COMPONENT UNIT						
Welia Health	91,397,256	98,257,684	-	-	-	6,860,428
Total Reporting Entity	$ 120,325,568	$ 102,952,795	$ 10,357,966	$ 2,015,524	(11,859,711)	6,860,428
GENERAL REVENUES						
Property Taxes					13,361,726	-
Wheelage Tax					162,171	-
Mortgage Registry and Deed Tax					18,641	-
Gravel Tax					23,900	-
Tax Increments and Excess TIF					6,641	-
Payments in Lieu of Tax					110,945	-
Grants and Contributions not Restricted for a Particular Purpose					1,538,711	-
Investment Earnings					65,518	1,790,651
Miscellaneous					1,212,494	-
Gain on the Sale of Capital Assets					7,717	40,217
Total General Revenues					16,508,464	1,830,868
CHANGE IN NET POSITION					4,648,753	8,691,296
Net Position - Beginning of Year					77,909,376	53,078,530
NET POSITION - END OF YEAR					$ 82,558,129	$ 61,769,826

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET —
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge	Family Services	Economic Development Authority
ASSETS				
Cash and Pooled Investments	$ 3,719,313	$ 5,631,227	$ 1,066,201	$ 64,686
Petty Cash and Change Funds	500	175	-	-
Taxes Receivable - Delinquent	238,014	76,091	72,832	4,923
Special Assessments Receivable - Delinquent	2,815	-	-	-
Special Assessments Receivable - Unavailable	308,847	-	-	-
Accounts Receivable	50,447	360	34,431	-
Accrued Interest Receivable	19,431	-	-	-
Due from Other Funds	233,746	672	-	-
Due from Other Governments	264,723	645,442	439,096	321,887
Inventories	-	558,690	-	-
Prepaid Asset	45,048	-	-	-
Total Assets	$ 4,882,884	$ 6,912,657	$ 1,612,560	$ 391,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 347,373	$ 56,281	$ 179,817	$ 469
Salaries Payable	279,150	51,334	103,921	3,845
Contracts Payable	-	46,603	-	-
Due to Other Funds	3,083	427	46,136	-
Due to Other Governments	66,523	9,228	59,190	264
Unearned Revenue	-	296,276	-	-
Total Liabilities	696,129	460,149	389,064	4,578
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Tax Related	549,676	76,091	72,832	4,923
Unavailable Revenue - Grant Related	31,162	511,123	80,069	-
Total Deferred Inflows of Resources	580,838	587,214	152,901	4,923
Total Liabilities and Deferred Inflows of Resources	1,276,967	1,047,363	541,965	9,501

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET (CONTINUED)— GOVERNMENTAL FUNDS
DECEMBER 31, 2020

Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ 546,171	$ 396,744	$ 1,263,022	$ 12,687,364
-	-	-	675
10,617	-	39,334	441,811
-	-	-	2,815
-	-	-	308,847
71,096	-	-	156,334
-	-	368	19,799
20,629	-	-	255,047
222,170	-	-	1,893,318
-	-	-	558,690
-	-	-	45,048
$ 870,683	$ 396,744	$ 1,302,724	$ 16,369,748
$ 34,780	$ -	$ -	$ 618,720
81,027	-	-	519,277
-	-	-	46,603
1,145	204,256	-	255,047
30,953	288,354	-	454,512
-	-	-	296,276
147,905	492,610	-	2,190,435
10,617	-	39,334	753,473
70,248	-	-	692,602
80,865	-	39,334	1,446,075
228,770	492,610	39,334	3,636,510

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET (CONTINUED)—
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge	Family Services	Economic Development Authority
FUND BALANCES				
Nonspendable				
Inventory	$ -	$ 558,690	$ -	$ -
Prepaids	45,048	-	-	-
Restricted				
E-911	42,552	-	-	-
CWP Septic Loans	335,320	-	-	-
Attorney Forfeited Property	28,601	-	-	-
Sheriff's Forfeited Property	142,015	-	-	-
Land Office Technology Equipment	140,412	-	-	-
Law Library	18,215	-	-	-
Recorder's Equipment	62,241	-	-	-
Rural Addressing	438	-	-	-
SCORE	112,631	-	-	-
Transit MNDOT Fares	185,204	-	-	-
Landfill Closure/Post Closure	1,145,746	-	-	-
Water Planning	43,042	-	-	-
ORD 27	166	-	-	-
Debt Service	-	-	-	-
Gravel Pit Restoration	50,098	-	-	-
Committed				
Road and Bridge Fund Purposes	-	5,306,604	-	-
Family Services Fund Purposes	-	-	1,070,595	-
Community Health Fund Purposes	-	-	-	-
Economic Development Authority Fund Purpos	-	-	-	381,995
Regional Rail Fund Purposes	4,160	-	-	-
Assigned				
Vehicle Pool	126,751	-	-	-
Future Capital Equipment	575,661	-	-	-
Retiree Accrued Sick Pay	14,922	-	-	-
Elections	126,635	-	-	-
Sheriff's Contingency	39,657	-	-	-
Transit Unemployment	318,769	-	-	-
Veterans Programs	14,404	-	-	-
Sheriff Community Programs	23,229	-	-	-
KLID	10,000	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	3,605,917	5,865,294	1,070,595	381,995
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,882,884	$ 6,912,657	$ 1,612,560	$ 391,496

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
BALANCE SHEET (CONTINUED)—
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 558,690
-	-	-	45,048
-	-	-	42,552
-	-	-	335,320
-	-	-	28,601
-	-	-	142,015
-	-	-	140,412
-	-	-	18,215
-	-	-	62,241
-	-	-	438
-	-	-	112,631
-	-	-	185,204
-	-	-	1,145,746
-	-	-	43,042
-	-	-	166
-	-	1,263,390	1,263,390
-	-	-	50,098
-	-	-	5,306,604
-	-	-	1,070,595
641,913	-	-	641,913
-	-	-	381,995
-	-	-	4,160
-	-	-	126,751
-	-	-	575,661
-	-	-	14,922
-	-	-	126,635
-	-	-	39,657
-	-	-	318,769
-	-	-	14,404
-	-	-	23,229
-	-	-	10,000
-	(95,866)	-	(95,866)
641,913	(95,866)	1,263,390	12,733,238
$ 870,683	$ 396,744	$ 1,302,724	$ 16,369,748

See accompanying Notes to Financial Statements.

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KANABEC COUNTY
MORA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSTION
DECEMBER 31, 2020

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 12,733,238
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.		83,770,858
Investment in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		3,063,297
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.		1,446,075
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		(584,502)
Deferred Outflows of Resources - OPEB Related		41,503
Deferred Inflows of Resources - OPEB Related		(112,431)
		(655,430)
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		(9,337,466)
Deferred Outflows of Resources - Pension Related		1,971,650
Deferred Inflows of Resources - Pension Related		(2,383,902)
		(9,749,718)
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		(6,450,000)
Loss on Refunding		21,806
Loans Payable		(561,992)
Unamortized Discounts		23,789
Unamortized Premium		(183,049)
Compensated Absences Payable		(542,958)
Capital Lease Payable		(344,678)
Accrued Interest Payable		(13,109)
		(8,050,191)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 82,558,129

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, 2020

	General	Road and Bridge	Family Services	Economic Development Authority
REVENUES				
Taxes	$ 7,251,662	$ 3,008,326	$ 2,040,375	$ 145,150
Special Assessments	107,196	-	-	-
Licenses and Permits	89,216	23,851	-	-
Intergovernmental	4,638,491	4,200,900	3,151,581	332,425
Charges for Services	2,226,373	186,818	208,414	80
Fines and Forfeits	23,128	-	-	-
Gifts and Contributions	19,017	-	-	750
Interest on Investments	58,927	-	-	-
Miscellaneous	907,404	10,526	544,799	100
Total Revenues	15,321,414	7,430,421	5,945,169	478,505
EXPENDITURES				
CURRENT				
General Government	7,948,639	-	-	-
Public Safety	6,436,917	-	-	-
Highways and Streets	-	3,040,782	-	-
Sanitation	134,267	-	-	-
Human Services	-	-	5,786,560	-
Health	-	-	-	-
Economic Development	-	-	-	135,529
Conservation	75,366	-	-	-
Total Current	14,595,189	3,040,782	5,786,560	135,529
INTERGOVERNMENTAL				
Culture and Recreation	172,617	-	-	-
CAPITAL OUTLAY				
General Government	117,989	-	-	-
Public Safety	305,022	-	-	-
Highways and Streets	-	3,055,460	-	-
Total Capital Outlay	423,011	3,055,460	-	-
DEBT SERVICE				
Principal	188,902	1,217	-	-
Interest	14,919	99	-	-
Administrative (Fiscal) Charges	-	-	-	-
Total Debt Service	203,821	1,316	-	-
Total Expenditures	15,394,638	6,097,558	5,786,560	135,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73,224)	1,332,863	158,609	342,976
OTHER FINANCING SOURCES (USES)				
Transfers In	-	330,747	-	-
Transfers Out	(330,747)	-	-	-
Loans Issued	91,785	-	-	-
Capital Leases Issued	293,609	-	-	-
Sale of Capital Assets	7,717	33,718	-	-
Total Other Financing Sources (Uses)	62,364	364,465	-	-
NET CHANGE IN FUND BALANCES	(10,860)	1,697,328	158,609	342,976
Fund Balance - Beginning of Year	3,616,777	4,067,446	911,986	39,019
Increase (Decrease) in Inventories	-	100,520	-	-
FUND BALANCE - END OF YEAR	$ 3,605,917	$ 5,865,294	$ 1,070,595	$ 381,995

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED) — GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

Community Health	Forfeited Tax	Debt Service	Total Governmental Funds
$ 304,907	$ -	$ 939,565	$ 13,689,985
-	-	-	107,196
-	-	-	113,067
1,650,833	-	107,874	14,082,104
885,916	-	-	3,507,601
-	-	-	23,128
5,312	-	-	25,079
-	-	6,591	65,518
7,902	507,778	-	1,978,509
2,854,870	507,778	1,054,030	33,592,187
-	532,899	-	8,481,538
-	-	-	6,436,917
-	-	-	3,040,782
-	-	-	134,267
-	-	-	5,786,560
2,930,317	-	-	2,930,317
-	-	-	135,529
-	-	-	75,366
2,930,317	532,899	-	27,021,276
-	-	-	172,617
-	-	-	117,989
-	-	-	305,022
-	-	-	3,055,460
-	-	-	3,478,471
-	-	810,000	1,000,119
-	-	175,275	190,293
-	-	495	495
-	-	985,770	1,190,907
2,930,317	532,899	985,770	31,863,271
(75,447)	(25,121)	68,260	1,728,916
-	-	-	330,747
-	-	-	(330,747)
-	-	-	91,785
-	-	-	293,609
-	-	-	41,435
-	-	-	426,829
(75,447)	(25,121)	68,260	2,155,745
717,360	(70,745)	1,195,130	10,476,973
-	-	-	100,520
$ 641,913	$ (95,866)	$ 1,263,390	$ 12,733,238

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 2,155,745
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		401,263
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		$ 3,397,580
Net Book Value of Disposed Assets		(10,046)
Current Year Depreciation		(2,598,875)
		788,659
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(447,969)
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		(912,586)
Change in Deferred Pension Outflows		(664,709)
Change in Net Deferred Pension Inflows		2,572,255
		994,960
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.		
Loan Issued		(91,785)
Capital Lease Issued		(293,609)
		(385,394)
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		810,000
Capital Lease		95,729
CWP Loan		94,390
		1,000,119
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		1,737
Change in Loss on Refunding		(2,726)
Change in Other Postemployment Benefits		(42,464)
Amortization of Discounts		(2,973)
Amortization of Premiums		29,288
Change in Accrued Compensated Absences		57,988
Change in Inventories		100,520
		141,370
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,648,753

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION —
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 32,800	$ 825,161
Taxes For Other Governments	-	523,325
Accounts Receivable	-	35,643
Total Assets	$ 32,800	$ 1,384,129
LIABILITIES		
Due to Other Governments	$ -	$ 382,634
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Collected for Subsequent Period	$ -	$ 52,394
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	$ 32,800	$ 949,101

See accompanying Notes to Financial Statements.

KANABEC COUNTY
MORA, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION —
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Contributions - Individuals	$ 155,604	$ 276,303
Property Tax Collections for Other Governments	-	8,166,836
Fee Collections for Other Governments and Organizations	-	624,268
License and Fees Collected for State	-	46,505
Total Additions	155,604	9,113,912
DEDUCTIONS		
Beneficiary Payments to Individuals	142,800	108,627
Payments of Property Tax to Other Governments	-	8,145,696
Payments to State	-	690,037
Administrative Expense	-	4,872
Payments to Other Entities	-	164,722
Total Deductions	142,800	9,113,954
Net Increase (Decrease) in Fiduciary Net Position	12,804	(42)
Fiduciary Net Position - Beginning of Year, as Previously Reported	-	-
Change in Accounting Principle	19,996	949,143
Fiduciary Net Position - Beginning of Year, as Restated	19,996	949,143
FIDUCIARY NET POSITION - END OF YEAR	$ 32,800	$ 949,101

See accompanying Notes to Financial Statements.

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, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

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.

Additionally, the County reports the following fiduciary fund type:

Fiduciary:
Private-purpose trust funds are used to report trust arrangements other than pension or investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The County reports 1 private-purpose trust fund. The Social Welfare fund accounts for the activity related to income received and payments made on behalf of individuals for whom the County is responsible to assist.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

Fiduciary (Continued):
Custodial Funds are custodial in nature. These funds are used for a variety of purposes such as: to account for the collection and disbursement of taxes on behalf of local governments within the County; as an agent for estate recoveries, as an agent for state revenue payments, as an agent for employee wellness funds, as an agent for inmates of the Kanabec County Jail, as an agent for the Kanabec County Collaborative, and as an agent for the Snake River Watershed.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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, 2020, 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.

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.

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)

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

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.

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)

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.

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.

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)

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.

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.

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)

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. Restricted net position is the amount of net position for which there are external restrictions of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The amount restricted due to enabling legislation as of December 31, 2020, was $238,039. Unrestricted net position is the amount of net position that does not meet the definition of restricted or net investment in capital assets.

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, 2020:

	Actual	Budget	Excess
General Fund	$ 15,394,638	$ 13,446,728	$ 1,947,910
Road and Bridge Special Revenue Fund	6,097,558	5,854,788	242,770

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 $95,866; 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 be 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.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

At December 31, 2020, the County's deposits were fully collateralized.

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-backed 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, 2020, the County had the following investments:

Investment Type	Maturity	Amount	Rating	Concentration Risk
Negotiable Certificates of Deposit				
American Express Bank	9/1/2022	$ 254,156	NR	<5%
Bank of Hapoalim	3/25/2024	108,655	NR	<5%
MAGIC Fund	*	5,271,876	NR	N/A
Total		$ 5,634,687		

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, 2020, the County's investment in American Express Bank and Bank Hapoalim were not rated 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. No issuer had more than 5% of the year end 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	$ 12,687,364
Petty Cash	675
Component Unit	
Welia Health	86,764,843
Restricted and Internally Designated Assets:	
Cash and Pooled Investments	4,077,306
Private Purpose Trust Fund Cash	32,800
Custodial Funds Cash	825,161
Total Cash and Investments	$ 104,388,149

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				
Negotiable Certificates of Deposit	$ -	$ 362,811	$ -	$ 362,811
Investments Measured at Amortized Cost				
External Investment Pool				5,271,876
Total Investments				5,634,687
Deposits				7,052,677
Petty Cash				675
Private Purpose Trust Fund				32,800
Custodial Funds				825,161
Welia Health				90,842,149
Total Investments				$ 104,388,149

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, 2020, for the County's governmental activities are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	$ 441,811	$ -
Special Assessments	311,662	308,847
Accounts	156,334	-
Interest	19,799	-
Due From Other Governments	1,893,318	-
Total Governmental Activities	$ 2,822,924	$ 308,847

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

	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	885,135	2,675,127	(2,401,417)	1,158,845
Total Capital Assets, Not Being Depreciated	4,309,116	2,675,127	(2,401,417)	4,582,826
Capital Assets, Being Depreciated				
Buildings	21,258,094	143,315	-	21,401,409
Machinery, Furniture, and Equipment	8,834,288	497,250	(63,585)	9,267,953
Infrastructure	83,561,850	2,483,305	-	86,045,155
Total Capital Assets, Being Depreciated	113,654,232	3,123,870	(63,585)	116,714,517
Less Accumulated Depreciation for				
Buildings	4,710,588	404,175	-	5,114,763
Machinery, Furniture, and Equipment	5,974,472	474,232	(53,539)	6,395,165
Infrastructure	24,296,089	1,720,468	-	26,016,557
Total Accumulated Depreciation	34,981,149	2,598,875	(53,539)	37,526,485
Total Capital Assets, Being Depreciated, Net	78,673,083	524,995	(10,046)	79,188,032
Governmental Activities Capital Assets, Net	$ 82,982,199	$ 3,200,122	$ (2,411,463)	$ 83,770,858

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

Governmental Activities:	
General Government	$ 353,376
Public Safety	329,725
Highways and Streets, Including Depreciation of Infrastructure Assets	1,915,774
Total Depreciation Expense - Governmental Activities	$ 2,598,875

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, is as follows:

1. Due To/From Other Funds

Due to Other Funds and Due from Other Funds as of December 31, 2020, expected to be repaid within one year, consisted of the following:

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Road and Bridge Fund	$ 427	Vehicle Usage
	Family Services	27,918	Vehicle Usage, Services
	Community Health	1,145	Fees for Services Performed
	Forfeited Tax	204,256	Forfeited Tax Settlement
	Total General Fund	233,746	
Road and Bridge Fund	General Fund	672	Fees for Services Performed
Community Health	General Fund	2,411	Fees for Services Performed
	Family Services Fund	18,218	Fees for Services Performed
	Total Community Health Fund	20,629	
	Total Due To/From Other Funds	$ 255,047	

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	Amount	Reason
Transfer from the General Fund to the Road and Bridge Fund	$ 330,747	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, 2020
General Obligation Bonds					
2015A General Obligation Refunding Bonds	2027	$220,000 - $995,000	2.25 - 3.00	$ 8,485,000	$ 6,450,000
Subtotal					6,450,000
Add: Unamortized Premiums					183,049
Less: Unamortized Discounts					(23,789)
Total General Obligation Bonds					$ 6,609,260
Capital Leases					
Motorola Lease	2021	$47,420 - $56,049	3.40	$ 355,690	$ 56,049
Vehicle Leases - 2016	2021	$274 - $442	1.25 - 1.35	78,958	2,444
Vehicle Leases - 2017	2022	$274 - $321	1.25 - 1.35	44,091	8,938
Phone System	2025	$3,187	3.00	177,346	111,019
Vehicle Leases - 2020	2025	$421 - $569	8.50 - 9.00	175,620	166,228
Total Capital Leases					$ 344,678
Direct Borrowing					
Clean Water Partnership Loans (CWP Loans)	2026	$5,060 - $11,308	2.00	$ 665,175	$ 561,992

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Governmental Activities

	General Obligation Bonds		Direct Borrowing CWP Loans	
Year Ending December 31,	Principal	Interest	Principal	Interest
2021	$ 840,000	$ 150,975	$ 111,211	$ 10,687
2022	865,000	125,775	67,115	8,682
2023	900,000	99,825	68,464	7,333
2024	925,000	81,825	69,840	5,956
2025	950,000	63,325	71,244	4,552
2026-2030	1,970,000	66,713	174,118	8,020
Total	$ 6,450,000	$ 588,438	$ 561,992	$ 45,230

3. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	$ 7,260,000	$ -	$ 810,000	$ 6,450,000	$ 840,000
Unamortized Discounts	(26,762)	-	(2,973)	(23,789)	-
Unamortized Premiums	212,337	-	29,288	183,049	-
Total Bonds Payable	7,445,575	-	836,315	6,609,260	840,000
Loans Payable - Direct Borrowing	564,597	91,785	94,390	561,992	111,211
Capital Lease Payable	146,798	293,609	95,729	344,678	116,110
Compensated Absences Payable	600,946	1,058,917	1,116,905	542,958	491,173
Governmental Activity Long-Term Liabilities	$ 8,757,916	$ 1,444,311	$ 2,143,339	$ 8,058,888	$ 1,558,494

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 2020, the County entered into seven capital leases to purchase vehicles. The leases totaled $175,620 for a five year term and are payable through 2025. In addition, the County entered into a capital lease for a phone system for a total of $117,989 payable for a five year term through 2025.

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 fully paid off as of December 31, 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.

At December 31, 2020, the County has total assets under capital lease of $821,139 with the related accumulated depreciation of $361,400. The remaining capital lease obligations are as follows:

	Capital Lease Obligations	
Year Ending December 31,	Principal	Interest
2021	$ 116,110	$ 23,243
2022	58,433	15,881
2023	59,845	10,799
2024	64,508	6,136
2025	45,782	1,311
Total	$ 344,678	$ 57,370

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

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

2. Public Employees Police and Fire Plan

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

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Retirement Plan

General Employees Plan benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Correctional 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. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least 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.

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2020 were $645,669. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020 were $287,110. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020 were $148,854. The County's contributions were equal to the required contributions as set by state statute.

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the County reported a liability of $7,230,521 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled $222,930. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1206% at the end of the measurement period and 0.1208% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	$	7,230,521
States Proportionate Share of the Net Pension Liability		222,930
Total	$	7,453,451

For the year ended December 31, 2020, the County recognized pension expense of $332,278 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized $19,402 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2020, Welia Health System reported a liability of $23,412,259 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. 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 $722,055. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The System's proportionate share was 0.3905% at the end of the measurement period and 0.3793% for the beginning of the period.

Welia Health's Proportionate Share of the Net Pension Liability	$	23,412,259
States Proportionate Share of the Net Pension Liability		722,055
Total	$	24,134,314

For the year ended December 31, 2020, the System recognized pension expense of $410,515 for its proportionate share of the General Employees Plan's pension expense. In addition, the System recognized an additional $62,841 as pension grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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

Description	Kanabec County Deferred Outflows of Resources	Kanabec County Deferred Inflows of Resources	Welia Health Deferred Outflows of Resources	Welia Health Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 65,924	$ 27,357	$ 213,463	$ 88,581
Changes in Actuarial Assumptions	-	268,063	-	867,983
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	124,912	-	404,463	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	55,108	140,235	724,920	168,159
County Contributions Subsequent to the Measurement Date	344,971	-	1,118,579	-
Total	$ 590,915	$ 435,655	$ 2,461,425	$ 1,124,723

The $344,971 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

The $1,118,579 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to General Employee Fund pensions will be recognized in pension expense as follows:

Year Ending June 30,	Kanabec County Pension Expenses Amount	Welia Health Pension Expenses Amount
2021	$ (423,403)	$ (1,222,413)
2022	(75,283)	251,391
2023	134,284	623,497
2024	174,691	565,648
2025	-	-
Thereafter	-	-

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020, the County reported a liability of $1,892,802 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1436% at the end of the measurement period and 0.1540% for the beginning of the period.

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

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current reporting Period Only (pension allocation schedules) for the $4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the County recognized pension expense of $282,316 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized $12,924 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of $4.5 million to the Police and Fire Fund.

County's Proportionate Share of the Net Pension Liability	$ 1,892,802
States Proportionate Share of the Net Pension Liability	44,596
Total	$ 1,937,398

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 83,635	$ 89,888
Changes in Actuarial Assumptions	634,317	1,180,473
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	57,493	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	259,047	148,628
County Contributions Subsequent to the Measurement Date	163,221	-
Total	$ 1,197,713	$ 1,418,989

The $163,221 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, 2021. 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 Ending June 30,	Pension Expenses Amount
2021	$ (77,061)
2022	(477,045)
2023	108,359
2024	89,644
2025	(28,394)
Thereafter	-

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2020, the County reported a liability of $214,143 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.789% at the end of the measurement period and 0.770% for the beginning of the period.

For the year ended December 31, 2020, the County recognized pension expense of ($362,073) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, 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	$ 2,007	$ 78,804
Changes in Actuarial Assumptions	-	433,663
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	40,745	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	56,062	16,791
County Contributions Subsequent to the Measurement Date	84,208	-
Total	$ 183,022	$ 529,258

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

The $84,208 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the Correctional Plan will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	$ (464,269)
2022	(24,188)
2023	19,376
2024	38,637
2025	-
Thereafter	-

E. Summary

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

	General Employee Fund		Police and	Correctional	
	Kanabec County	Welia Health	Fire Fund	Fund	Total
Net Pension Liability	$ 7,230,521	$ 23,412,259	$ 1,892,802	$ 214,143	$ 32,749,725
Deferred Outflows of Resources Related to Pensions	590,915	2,461,425	1,197,713	183,022	4,433,075
Deferred Intflows of Resources Related to Pensions	435,655	1,124,723	1,418,989	529,258	3,508,625
Pension Expense	351,680	473,356	295,240	(362,073)	758,203

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

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

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% Per Year	2.50% Per Year	2.50% Per Year
Active Member Payroll Growth	3.00% Per Year	3.25% Per Year	3.25% Per Year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement are assumed to be 1.25% per year for the General Employees Plan and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

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

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

NOTE 4 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

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

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.

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	-
Totals	100.0 %	

NOTE 4 PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 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 %	$ 11,588,017	$ 37,521,731	6.50 %	$ 3,772,626	4.96 %	$ 1,330,867
Current	7.50	7,230,521	23,412,259	7.50	1,892,802	5.96	214,143
1% Increase	8.50	3,635,937	11,773,079	8.50	337,576	6.96	(679,967)

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

Five Commissioners of the County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member’s account annually.

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

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$ 5,834	$ 5,834	0%	0%	0%

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.

B. Plan Participants Covered by Benefit Terms

At December, 2020, the following plan participants were covered by the benefit terms:

Active	153
Retirees Receiving Payments	5
Spouses Receiving Payments	1
Total	159

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

Inflation	2.50%
Salary	Variable - 3.25% to 12.25%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale. The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the General Employees Plan from 2015, the Police and Fire Plan from 2016, and a review of the inflation assumption dated September 11, 2017.

The discount rate used to measure the total OPEB liability was 2.9%. The discount rate is equal to the 20-Year Municipal Bond Yield.

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

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

E. Changes in Total OPEB Liability

	Total OPEB Liability
Balance - January 1, 2020	$ 627,421
Changes for the Year:	
Service Cost	65,077
Interest	25,684
Assumption Changes	9,658
Differences Between Expected and Actual Experience	(109,833)
Benefit Payments	(33,505)
Net Change in Total OPEB Liability	(42,919)
Balance - December 31, 2020	$ 584,502

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

Discount Rate Sensitivity	1% Decrease (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Total OPEB Liability	$ 630,996	$ 584,502	$ 541,293

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Changes in Total OPEB Liability (Continued)

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.00% over 5 years) or 1% higher (7.50% decreasing to 6.00% over 5 years) than the current healthcare cost trend rates:

Medical Trend Rate Sensitivity	1% Decrease (5.50% Decreasing to 4.00%)	Current Trend Rates (6.50% Decreasing to 5.00%)	1% Increase (7.50% Decreasing to 6.00%)
Total OPEB Liability	$ 516,848	$ 584,502	$ 666,201

For the year ended December 31, 2020, the County recognized OPEB expense of $42,464. The County recognized the following deferred inflows of resources and deferred outflows of resources related to OPEB:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 8,450	$ 16,328
Difference Between Projected and Actual Investment Earnings		96,103
Contributions Subsequent to the Measurement Date	33,053	
Total	$ 41,503	$ 112,431

At December 31, 2020, the County reported $33,053 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, 2021.

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

Year Ending December 31,	OPEB Expense
2021	$ (15,244)
2022	(15,244)
2023	(15,244)
2024	(15,244)
2025	(15,244)
Thereafter	(27,761)

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 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. 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.

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.

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.

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

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.

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 2020, 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 2020, the County paid $163,867 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.

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

C. Joint Ventures (Continued)

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%, Kanabec County 49.5%, Mille Lacs County 9.2%, and Pine County 20.5%. Upon dissolution, the personal property shall be returned to the member county contributing the same.

During 2020, the County paid $24,072 for the SRWMB operations. Kanabec County is the fiscal agent and records the SRWMB's activities in a fiduciary 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.

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 2020, 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.

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

C. Joint Ventures (Continued)

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, 2020 was $3,063,297. 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 2020 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.

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 2020, the County made no contributions to the Collaborative.

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

D. Jointly-Governed Organizations (Continued)

Kanabec County Collaborative (Continued)

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 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2020, the County adopted GASB Statement No. 84, *Fiduciary Activities,* which established criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and net position to custodial funds not previously required. This pronouncement requires a restatement of December 31, 2019 net position of the fiduciary activities as follows:

	Private-Purpose Trust Funds	Custodial Funds
Net Position, January 1, 2020, as previously reported	$ -	$ -
Change in accounting principle	19,996	949,143
Net Position, January 1, 2020, as restated	19,996	949,143

NOTE 9 RELATED PARTY TRANSACTION

In 2020, the County sold a land parcel. Chad Gramentz, the Road and Bridge Engineer was the purchaser of this property for $147,125. The County sold this parcel as part of a forfeited tax sale. The sale was advertised in the Kanabec County Times for the weeks of August 27 and September 3, 2020, and was held as a public auction.

NOTE 10 SUBSEQUENT EVENTS

Due to the uncertainty related to COVID-19's impact on County operations, the County will receive a $3,168,461 grant from the year 2021 to the year 2024 from the federal government as a part of the American Rescue Plan Act (ARPA). These funds are available to the County for a range of allowable uses through December 31, 2024 and will support the County during this uncertain time.

The County and Welia Health entered into an agreement effective July 1, 2021 whereby the Hospital will no longer be a component of the County. Welia, a nonprofit organization will lease all hospital and clinic property from the County and Welia will have all control of operations and management of the hospital. After the existing bonds are extinguished, the County will transfer title of the Hospital to Welia. Welia will pay the County $400,000 in cash at Closing for satellite clinics, as well as $250,000 per year for 10 years, and $200,000 per year thereafter.

NOTE 11 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 11 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, 2020, the allowance for doubtful account was $4,473,000. 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 acquisition 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 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds

1. Assets

Deposits

The Hospital deposits in banks at December 31, 2020 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, 2020, the Hospital had total cash and investments of $90,842,149 of which $4,077,306 was classified as noncurrent.

Receivables

Patient accounts receivable reported as current assets by the Hospital at December 31, 2020 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	$ 16,424,806
Other	917,140
Less: Allowance for Uncollectible Amounts	(4,473,000)
Net Patient Accounts Receivable	$ 12,868,946

Capital Assets

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

	Balance December 31, 2019	Additions	Transfers and Retirements	Balance December 31, 2020
Capital Assets, Not Being Depreciated				
Land	$ 1,996,692	$ -	$ -	$ 1,996,692
Construction-in-Progress	897,410	2,863,516	(3,760,926)	-
Total Capital Assets Not Being Depreciated	2,894,102	2,863,516	(3,760,926)	1,996,692
Capital Assets Depreciated				
Land Improvements	3,260,272	-	-	3,260,272
Buildings	61,212,211	-	1,441,944	62,654,155
Fixed Equipment	18,043,745	-	-	18,043,745
Movable Equipment	24,602,829	1,420,987	1,283,755	27,307,571
Ambulance and Minor Equipment	744,796	17,300	35,981	798,077
Total Capital Assets Being Depreciated	107,863,853	1,438,287	2,761,680	112,063,820
Less: Accumulated Depreciation for				
Land Improvements	1,295,319	235,648	-	1,530,967
Buildings	14,113,914	2,961,213	-	17,075,127
Fixed Equipment	8,549,357	1,020,683	-	9,570,040
Movable Equipment	17,437,746	1,554,632	-	18,992,378
Ambulance and Minor Equipment	666,187	53,152	-	719,339
Total Accumulated Depreciation	42,062,523	5,825,328	-	47,887,851
Capital Assets, Net	$ 68,695,432	$ (1,523,525)	$ (999,246)	$ 66,172,661

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2020, 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.	$ 55,590,925
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 0.35% to 1.6% to May 1, 2022. Secured by the Revenue and Taxing Powers of Kanabec County.	620,000
U.S. Department of Agriculture direct financing of $4,900,000, due in installments of $355,288, including interest of 3.91%, to November 2039. Secured by Capital Assets.	4,722,348
Small Business Administration (SBA) Paycheck Protection Program (PPP) direct borrowing loan of $5,825,300. If the SBA determines theHospital will be obligated to repay, the Hospital will pay at a rate of 1.0% interest over a period of two years. The Hospital has applied for forgiveness of the loan, but has not received confirmation. Principal and interest payments commence through the maturity date of April 2022.	5,825,300
Capital Lease obligation for medical equipment. Due in seven annual installments of $46,080, to 2027. Secured by medical equipment.	1,259,280
Total	68,017,853
Less: Current Maturities	(4,359,657)
Unamortized Bond Discount	(2,683)
Total Long-Term Portion	$ 63,655,513

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Liabilities (Continued)

The following schedule summarizes the changes related to debt outstanding at December 31, 2020:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due in One Year
General Obligation Bonds	$ 920,000	$ -	$ (300,000)	$ 620,000	$ 310,000
Revenue Bonds	56,523,590	-	(932,665)	55,590,925	961,113
Revenue Note - Direct Financing	4,886,603	-	(164,255)	4,722,348	170,898
PPP Loan - Direct Borrowing	-	5,825,300	-	5,825,300	2,871,566
Capital Lease Obligation	-	1,290,000	(30,720)	1,259,280	46,080
Bond Discount	(4,609)	-	(1,926)	(2,683)	-
Total	$ 62,325,584	$ 7,115,300	$ (1,429,566)	$ 68,015,170	$ 4,359,657

In 2019, the Hospital agreed to terms on a direct financing revenue note with the USDA to refinance the acquisition and betterment of the hospital, nursing home, and related medical facilities. The Hospital is required to repay the funds.

In 2020, the Hospital agreed to terms on a direct borrowing Paycheck Protection Program (PPP) loan to cover lost payroll wages during the COVID-19 pandemic. At this time, the hospital has requested forgiveness of the loan from the SBA, but has not received confirmation. The first payment was due November 2020, however a 10 month deference was allowed by the Treasury. If the Hospital is required to repay the funds, payments will commence until April 2022. If the SBA approves the forgiveness, the Hospital is not required to repay any funds.

Following is a maturity schedule of long-term debt as of December 31, 2020:

Year Ending	G.O. Bonds		Revenue Bonds	
December 31,	Principal	Interest	Principal	Interest
2021	$ 310,000	$ 7,130	$ 958,714	$ 1,656,206
2022	310,000	2,480	987,902	1,627,018
2023	-	-	1,017,977	1,596,943
2024	-	-	1,048,969	1,565,951
2025	-	-	1,080,904	1,534,016
2026-2030	-	-	5,918,629	7,155,971
2031-2035	-	-	6,876,122	6,198,478
2036-2040	-	-	7,988,514	5,086,086
2041-2045	-	-	9,280,865	3,793,735
2046-2050	-	-	10,782,287	2,292,313
2051-2055	-	-	9,649,990	590,869
Total	$ 620,000	$ 9,610	$ 55,590,873	$ 33,097,586

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Liabilities (Continued)

Year Ending	Revenue Note - Direct Financing		PPP Loan - Direct Borrowing	
December 31,	Principal	Interest	Principal	Interest
2021	$ 170,898	$ 184,390	$ 2,871,566	$ 88,314
2022	177,808	177,480	2,953,734	6,146
2023	184,997	170,291	-	-
2024	192,476	162,812	-	-
2025	200,258	155,030	-	-
2026-2030	1,129,487	646,954	-	-
2031-2035	1,377,039	399,401	-	-
2036-2040	1,289,383	105,193	-	-
Total	$ 4,722,346	$ 2,001,551	$ 5,825,300	$ 94,460

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, 2020 were $2,190,478, 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, 2020, there were two retirees receiving benefits from the System’s health plan. There were no inactive employees entitled to but not yet receiving benefits.

Funding Status

The Hospital’s plan is financed on a “pay-as-you-go” basis. The Hospital 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.

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Other Postemployment Benefits (Continued)

Total OPEB Liability (Continued)

The changes in total OPEB liability are as follows:

	Total OPEB
Balances - December 31, 2019	$ 969,447
Changes for the Year:	
Service Cost	93,111
Interest Cost	34,355
Differences Between Expected and Actuarial Experience	(192,129)
Changes in Assumptions or Other Inputs	(16,634)
Contributions - Employer	-
Net Investment Income	-
Benefit Payments	(43,292)
Administrative Expense	-
Net Changes	(124,589)
Balances - December 31,2020	$ 844,858

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:

Discount Rate Sensitivity	1% Decrease (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Net OPEB Liability (Asset)	$ 918,018	$ 844,858	$ 776,172

Medical Trend Rate Sensitivity	1% Decrease (5.50%)	Current Trend (6.50%)	1% Increase (7.50%)
Total OPEB Liability	$ 736,230	$ 844,858	$ 976,150

For the year ended December 31, 2020, the System recognized OPEB expenses of $127,466. At December 31, 2020, the System report deferred outflows of resources and deferred inflows of resources related to OPEB. The full amount of deferred outflows is related to 2020.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions	$ 22,468	-
Total	$ 22,468	$ -

At December 31, 2020, the County reported $22,468 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, 2021.

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Other Postemployment Benefits (Continued)

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 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.90 %
20-Year Municipal Bond Yield	2.90
Inflation Rate	2.50
Salary Increases	Vary by Service Years
Health Care Trend Rates	6.50 % Decreasing to 5.00 % over 6 years

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

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.

Experience gains and losses are amortized over a closed period starting on January 1, 2020 equal to the average remaining service of active and inactive plan members.

NOTE 11 COMPONENT UNIT DISCLOSURES (CONTINUED)

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 $1,787,185 in 2020 for the use of the equipment. Accounts payable to CMDI for these services at December 31, 2020, amounted to $169,371. At December 31, 2020, the System owned 3.02% of CMDI. The outstanding balance in joint ventures consists primarily of CMDI. Separate financial statements of CMDI are prepared and are available from CMDI.

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.

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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, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018
General Employees Retirement Fund - Kanabec County			
County's Proportion of the Net Pension Liability	0.121%	0.121%	0.125%
County's Proportionate Share of the Net Pension Liability	$ 7,230,521	$ 6,678,761	$ 6,934,488
State's Proportionate Share of the Net Pension Liability	$ 222,930	$ 207,582	$ 227,463
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 7,453,451	$ 6,886,343	$ 7,161,951
County's Covered Payroll	$ 8,631,413	$ 8,546,628	$ 8,404,865
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	83.77%	78.14%	82.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	75.90%
General Employees Retirement Fund - Welia Health			
Welia Health's Proportion of the Net Pension Liability	0.391%	0.391%	0.373%
Welia Health's Proportionate Share of the Net Pension Liability	$ 23,412,259	$ 20,970,647	$ 20,703,606
State's Proportionate Share of the Net Pension Liability	$ 722,055	$ 651,805	$ 679,218
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 24,134,314	$ 21,622,452	$ 21,382,824
Welia Health's Covered Payroll	$ 30,904,890	$ 28,814,166	$ 26,801,936
Welia Health's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	75.76%	72.78%	77.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	75.90%
Public Employees Police and Fire Fund			
County's Proportion of the Net Pension Liability	0.144%	0.154%	0.141%
County's Proportionate Share of the Net Pension Liability	$ 1,892,802	$ 1,639,486	$ 1,505,047
State's Proportionate Share of the Net Pension Liability	$ 44,596	$ -	$ -
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 1,937,398	$ 1,639,486	$ 1,505,047
County's Covered Payroll	$ 1,622,695	$ 2,408,017	$ 1,488,422
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	116.65%	68.08%	101.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.30%	85.43%
Public Employees Correctional Fund			
County's Proportion of the Net Pension Liability	0.789%	0.770%	0.793%
County's Proportionate Share of the Net Pension Liability	$ 214,143	$ 106,633	$ 130,394
County's Covered Payroll	$ 1,717,246	$ 1,642,689	$ 1,619,222
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	12.47%	6.49%	8.05%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.67%	98.20%	67.89%

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.

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

Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.121%	0.117%	0.119%
$ 7,750,096	$ 9,516,059	$ 6,162,015
$ 97,450	$ 124,251	$ -
$ 7,847,546	$ 9,640,310	$ 6,162,015
$ 7,822,331	$ 7,161,882	$ 7,008,658
99.08%	132.87%	87.92%
75.90%	68.90%	78.20%
0.375%	0.346%	0.334%
$ 23,958,904	$ 28,069,125	$ 17,299,248
$ 301,301	$ 366,578	$ -
$ 24,260,205	$ 28,435,703	$ 17,299,248
$ 25,116,433	$ 23,150,342	$ 20,870,249
95.39%	121.25%	82.89%
75.90%	68.90%	78.20%
0.135%	0.127%	0.122%
$ 1,822,661	$ 5,096,731	$ 1,386,205
$ -	$ -	$ -
$ 1,822,661	$ 5,096,731	$ 1,386,205
$ 1,382,226	$ 1,223,073	$ 1,100,671
131.86%	416.72%	125.94%
85.43%	63.90%	86.60%
0.720%	0.710%	0.710%
$ 2,052,007	$ 2,593,729	$ 109,766
$ 1,476,879	$ 1,338,653	$ 1,227,322
138.94%	193.76%	8.94%
67.89%	58.20%	96.90%

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

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

	2020	2019
General Employees Retirement Fund - Kanabec County		
Contractually Required Contribution	$ 645,669	$ 564,611
Contributions in Relation to the Contractually Required Contribution	(645,669)	(564,611)
Contribution Deficiency (Excess)	$ -	$ -
County's Covered Payroll	$ 8,608,920	$ 7,528,147
Contributions as a Percentage of Covered Payroll	7.50%	7.50%
General Employees Retirement Fund - Welia Health		
Contractually Required Contribution	$ 2,190,478	$ 2,063,197
Contributions in Relation to the Contractually Required Contribution	(2,190,478)	(2,063,197)
Contribution Deficiency (Excess)	$ -	$ -
The System's Covered Payroll	$ 29,206,373	$ 27,509,293
Contributions as a Percentage of Covered Payroll	7.50%	7.50%
Public Employees Police and Fire Fund		
Contractually Required Contribution	$ 287,110	$ 232,343
Contributions in Relation to the Contractually Required Contribution	(287,110)	(232,343)
Contribution Deficiency (Excess)	$ -	$ -
County's Covered Payroll	$ 1,622,090	$ 1,370,755
Contributions as a Percentage of Covered Payroll	17.70%	16.95%
Public Employees Correctional Fund		
Contractually Required Contribution	$ 148,854	$ 123,605
Contributions in Relation to the Contractually Required Contribution	(148,854)	(123,605)
Contribution Deficiency (Excess)	$ -	$ -
County's Covered Payroll	$ 1,701,189	$ 1,412,629
Contributions as a Percentage of Covered Payroll	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
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS

2018	2017	2016	2015	2014
$ 630,365	$ 586,563	$ 555,930	$ 535,155	$ 495,857
(630,365)	(586,563)	(555,930)	(535,155)	(495,857)
$ -	$ -	$ -	$ -	$ -
$ 8,404,867	$ 7,820,840	$ 7,412,400	$ 7,135,400	$ 6,839,407
7.50%	7.50%	7.50%	7.50%	7.25%
$ 1,952,623	$ 1,830,855	$ 1,713,228	$ 1,551,539	$ 1,333,574
(1,952,623)	(1,830,855)	(1,713,228)	(1,551,539)	(1,333,574)
$ -	$ -	$ -	$ -	$ -
$ 26,034,973	$ 24,411,400	$ 22,843,040	$ 20,687,187	$ 18,394,124
7.50%	7.50%	7.50%	7.50%	7.25%
$ 241,125	$ 223,933	$ 206,674	$ 192,551	$ 166,985
(241,125)	(223,933)	(206,674)	(192,551)	(166,985)
$ -	$ -	$ -	$ -	$ -
$ 1,488,426	$ 1,382,302	$ 1,275,765	$ 1,188,586	$ 1,091,405
16.20%	16.20%	16.20%	16.20%	15.30%
$ 141,682	$ 126,364	$ 118,881	$ 114,901	$ 108,884
(141,682)	(126,364)	(118,881)	(114,901)	(108,884)
$ -	$ -	$ -	$ -	$ -
$ 1,619,223	$ 1,444,160	$ 1,358,640	$ 1,313,154	$ 1,244,389
8.75%	8.75%	8.75%	8.75%	8.75%

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 6,899,928	$ 6,899,928	$ 7,251,662	$ 351,734
Special Assessments	200	200	107,196	106,996
Licenses and Permits	64,066	64,066	89,216	25,150
Intergovernmental	2,779,057	2,779,057	4,638,491	1,859,434
Charges for Services	2,266,953	2,266,953	2,226,373	(40,580)
Fines and Forfeits	-	-	23,128	23,128
Gifts and Contributions	11,500	11,500	19,017	7,517
Investments Earnings	120,864	120,864	58,927	(61,937)
Miscellaneous	953,952	953,952	907,404	(46,548)
Total Revenues	13,096,520	13,096,520	15,321,414	2,224,894
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	195,385	195,385	153,665	41,720
Courts	34,500	34,500	31,360	3,140
Law Library	9,000	9,000	5,594	3,406
County Administration	515,512	515,512	465,501	50,011
County Auditor-Treasurer	679,056	679,056	747,093	(68,037)
County Assessor	555,414	555,414	511,723	43,691
Elections	53,600	53,600	52,064	1,536
Data Processing	390,178	390,178	388,670	1,508
Attorney	725,114	725,114	775,695	(50,581)
Recorder	136,247	136,247	203,657	(67,410)
Surveyor	12,500	12,500	3,900	8,600
Planning and Zoning	276,728	276,728	267,159	9,569
Buildings and Plant	687,894	687,894	662,886	25,008
Veterans Service Officer	117,283	117,283	127,385	(10,102)
Other General Government	423,633	423,633	2,702,366	(2,278,733)
Regional Rail Authority	-	-	1,729	(1,729)
Public Transit	1,204,751	1,204,751	848,192	356,559
Total General Government	6,016,795	6,016,795	7,948,639	(1,931,844)
PUBLIC SAFETY				
Sheriff	2,566,867	2,566,867	2,625,069	(58,202)
Boat and Water Safety	6,600	6,600	2,673	3,927
Coroner	40,000	40,000	40,460	(460)
E-911 System	67,146	67,146	13,685	53,461
County Jail	3,492,851	3,492,851	3,156,943	335,908
Probation and Parole	555,112	555,112	597,565	(42,453)
ATV Program	3,154	3,154	522	2,632
Total Public Safety	6,731,730	6,731,730	6,436,917	294,813

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
EXPENDITURES (Continued)				
CURRENT (Continued)				
SANITATION				
Solid Waste	$ 132,210	$ 132,210	$ 134,267	$ (2,057)
CONSERVATION OF NATURAL RESOURCES				
County Extension	84,986	84,986	75,366	9,620
INTERGOVERNMENTAL				
Culture and Recreation	172,739	172,739	172,617	122
CAPITAL OUTLAY				
General Government	87,078	87,078	117,989	(30,911)
Public Safety	135,954	135,954	305,022	(169,068)
Total Capital Outlay	223,032	223,032	423,011	(199,979)
DEBT SERVICE				
Principal Retirement	80,259	80,259	188,902	(108,643)
Interest	4,977	4,977	14,919	(9,942)
Total Debt Service	85,236	85,236	203,821	(118,585)
Total Expenditures	13,446,728	13,446,728	15,394,638	(1,947,910)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(350,208)	(350,208)	(73,224)	276,984
OTHER FINANCING SOURCES (USES)				
Transfer In	5,000	5,000	-	(5,000)
Transfer Out	(62,000)	(62,000)	(330,747)	(268,747)
Loans Issued	-	-	91,785	91,785
Capital Leases Issued	-	-	293,609	293,609
Sale of Capital Assets	350,000	350,000	7,717	(342,283)
Total Other Financing Sources (Uses)	293,000	293,000	62,364	(230,636)
NET CHANGE IN FUND BALANCE	$ (57,208)	$ (57,208)	(10,860)	$ 46,348
Fund Balance - Beginning of Year			3,616,777	
FUND BALANCE - END OF YEAR			$ 3,605,917	

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,563,552	$ 2,563,552	$ 3,008,326	$ 444,774
Licenses and Permits	34,000	34,000	23,851	(10,149)
Intergovernmental	2,960,000	2,960,000	4,200,900	1,240,900
Charges for Services	-	-	186,818	186,818
Miscellaneous	150,000	150,000	10,526	(139,474)
Total Revenues	5,707,552	5,707,552	7,430,421	1,722,869
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	334,857	334,857	277,570	57,287
Maintenance	1,519,785	1,519,785	919,908	599,877
Construction	411,000	411,000	302,837	108,163
Equipment and Maintenance Shops	748,457	748,457	584,619	163,838
Unallocated - Highways and Streets	775,453	775,453	955,848	(180,395)
Total Current	3,789,552	3,789,552	3,040,782	748,770
CAPITAL OUTLAY	1,980,000	1,980,000	3,055,460	(1,075,460)
DEBT SERVICE				
Principal Retirement	80,259	80,259	1,217	79,042
Interest	4,977	4,977	99	4,878
Total Debt Service	85,236	85,236	1,316	83,920
Total Expenditures	5,854,788	5,854,788	6,097,558	(242,770)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(147,236)	(147,236)	1,332,863	1,480,099
OTHER FINANCING SOURCES (USES)				
Transfer In	62,000	62,000	330,747	268,747
Sale of Capital Assets	-	-	33,718	33,718
Total Other Financing Sources (Uses)	62,000	62,000	364,465	302,465
NET CHANGE IN FUND BALANCE	$ (85,236)	$ (85,236)	1,697,328	$ 1,782,564
Fund Balance - Beginning of Year			4,067,446	
INCREASE IN INVENTORIES			100,520	
FUND BALANCE - END OF YEAR			$ 5,865,294	

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,265,748	$ 2,265,748	$ 2,040,375	$ (225,373)
Intergovernmental	3,250,847	3,250,847	3,151,581	(99,266)
Charges for Services	113,000	113,000	208,414	95,414
Miscellaneous	558,272	558,272	544,799	(13,473)
Total Revenues	6,187,867	6,187,867	5,945,169	(242,698)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	1,990,046	1,990,046	1,885,563	104,483
Social Services	4,197,821	4,197,821	3,900,997	296,824
Total Human Services	6,187,867	6,187,867	5,786,560	401,307
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	158,609	158,609
NET CHANGE IN FUND BALANCE	$ -	$ -	158,609	$ 158,609
Fund Balance - Beginning of Year			911,986	
FUND BALANCE - END OF YEAR			$ 1,070,595	

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 147,996	$ 147,996	$ 145,150	$ (2,846)
Intergovernmental	-	-	332,425	332,425
Charges for Services	1,200	1,200	80	(1,120)
Gifts and Contributions	3,000	3,000	750	(2,250)
Miscellaneous	-	-	100	100
Total Revenues	152,196	152,196	478,505	326,309
EXPENDITURES				
CURRENT				
ECONOMIC DEVELOPMENT				
Economic Development	152,196	152,196	135,529	16,667
NET CHANGE IN FUND BALANCE	$ -	$ -	342,976	$ 342,976
Fund Balance - Beginning of Year			39,019	
FUND BALANCE - END OF YEAR			$ 381,995	

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

KANABEC COUNTY
MORA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE —
COMMUNITY HEALTH FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 339,657	$ 339,657	$ 304,907	$ (34,750)
Intergovernmental	1,644,464	1,644,464	1,650,833	6,369
Charges for Services	1,164,474	1,164,474	885,916	(278,558)
Gifts and Contributions	11,000	11,000	5,312	(5,688)
Miscellaneous	12,725	12,725	7,902	(4,823)
Total Revenues	3,172,320	3,172,320	2,854,870	(317,450)
EXPENDITURES				
CURRENT				
HEALTH				
Community Health	3,092,320	3,092,320	2,930,317	162,003
Total Health	3,092,320	3,092,320	2,930,317	162,003
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,000	80,000	(75,447)	(155,447)
OTHER FINANCING SOURCES (USES)				
Transfers In	80,000	80,000	-	80,000
NET CHANGE IN FUND BALANCE	$ 160,000	$ 160,000	(75,447)	$ (75,447)
Fund Balance - Beginning of Year			717,360	
FUND BALANCE - END OF YEAR			$ 641,913	

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, 2020

	Measurement Date January 1, 2020	Measurement Date Jnauary 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability			
Service Cost	$ 65,077	$ 62,244	$ 65,311
Interest	25,684	21,054	18,997
Benefit Payments	(33,505)	(19,535)	(18,343)
Differences Between Expected and Actual Experience	(109,833)	-	-
Assumption Changes	9,658	(21,772)	-
Net Change in Total OPEB Liability	(42,919)	41,991	65,965
Total OPEB Liability - Beginning	627,421	585,430	519,465
Total OPEB Liability - Ending	$ 584,502	$ 627,421	$ 585,430
Covered Employee Payroll	$ 8,976,299	$ 9,258,853	$ 8,989,178
County's OPEB Liability as a Percentage of Covered Employee Payroll	7%	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.

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

NOTE 1 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.

NOTE 2 EXCESS OF EXPENDITURES OVER BUDGET

The following fund had expenditures in excess of budget at the fund level for the year ended December 31, 2020:

	Actual	Budget	Excess
General Fund	$ 15,394,638	$ 13,446,728	$ 1,947,910
Road and Bridge Special Revenue Fund	6,097,558	5,854,788	242,770

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

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended December 31, 2020.

General Employees Plan

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

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

General Employees Plan (Continued)

2019 (Continued)

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio, to 0% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.

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

General Employees Plan (Continued)

2017 (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement fund changed from $21.0 million to $31.0 million in in calendar years 2019 to 2031. The State's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total net pension liability by $1.0 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Plan

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

Police and Fire Plan (Continued)

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed from 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019, and 17.7% of pay effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed from 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect was proposed rates that averaged 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.0% for vested and nonvested deferred members. The CSA has been changed to 33.0% for vested members and 2.0% 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.

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

Police and Fire Plan (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed 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 65.0% to 60.0%.
- 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 & Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 to 2.5% per year thereafter, to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.0% funding threshold was changed from inflation up to 2.5%, to a fixed 2.5%.

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

Correctional Plan

2020

Changes in Actuarial Assumptions
- The morality projection scale was changed from MP-2018 to MP-2019.

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

2019

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

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

2018

Changes in Actuarial Assumptions
- The Single Discount Rate was changed from 5.96% per annum to 7.0% per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed from 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.5% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85.0% for two consecutive years or 80.0% for one year, the maximum increase will be lowered to 1.5%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

Correctional Plan (Continued)

2017

Changes in Actuarial Assumptions

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1.0% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 OTHER POSTEMPLOYMENT 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:

2020

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

2019

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

2018

- The discount rate was changed from 3.50% to 3.30%

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

Custodial Funds

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

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

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

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

The Employee Wellness Committee Fund is used to account for the receipts and disbursements related to the County's Wellness program fully funded by employee contributions.

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

The Estate Recoveries Fund is used to account for the receipts and disbursements related to the amounts owed the state related to MA estate recoveries.

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

The Civil Process Fund is used to account for receipts and disbursements relating to forfeitures as outlined by state statutes.

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

KANABEC COUNTY
MORA, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Custodial Funds			
	Taxes and Penalties	**Mortgage Registry and State Deed**	**State Revenue**	**Prepaid Tax**
ASSETS				
Cash and Cash Equivalents	$ 274,318	$ 30,867	$ 16,348	$ 52,394
Taxes For Other Governments	523,325	-	-	-
Accounts Receivable	-	35,643	-	-
Total Assets	797,643	66,510	16,348	52,394
LIABILITIES				
Due to Other Governments	274,318	66,510	16,348	-
Total Liabilities	274,318	66,510	16,348	-
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Collected for Subsequent Period	-	-	-	52,394
NET POSITION				
Restricted for:				
Individuals, Organizations, and Other Governments	$ 523,325	$ -	$ -	$ -

KANABEC COUNTY
MORA, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Custodial Funds							
	Employee Wellness	**Snake River Watershed**	**Estate Recoveries**	**Jail Inmate**	**Civil Process**	**Kanabec County Collaborative**	**Total Custodial Funds**
	$ 989	$ 290,077	$ 458	$ 84,125	$ 3,855	$ 71,730	$ 825,161
	-	-	-	-	-	-	523,325
	-	-	-	-	-	-	35,643
	989	290,077	458	84,125	3,855	71,730	1,384,129
	-	25,000	458	-	-	-	382,634
	-	25,000	458	-	-	-	382,634
	-	-	-	-	-	-	52,394
	$ 989	$ 265,077	$ -	$ 84,125	$ 3,855	$ 71,730	$ 949,101

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

	Custodial Funds			
	Taxes and Penalties	**Mortgage Registry and State Deed**	**State Revenue**	**Prepaid Tax**
ADDITIONS				
Contributions:				
Individuals	$ -	$ -	$ 19,264	$ -
Property Tax Collections for Other Governments	8,166,836	-	-	-
Fee Collections for Other Governments and Organizations	-	624,268	-	-
License and Fees Collected for State	-	-	-	-
Total Additions	8,166,836	624,268	19,264	-
DEDUCTIONS				
Beneficiary Payments to Individuals	-	-	-	-
Payments of Property Tax to Other Governments	8,145,696	-	-	-
Payments to State	-	624,268	19,264	-
Administrative Expense	-	-	-	-
Payments to Other Entities	-	-	-	-
Total Deductions	8,145,696	624,268	19,264	-
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	21,140	-	-	-
Fiduciary Net Position - Beginning of Year, as Previously Reported	-	-	-	-
Change in Accounting Principle	502,185	-	-	-
Fiduciary Net Position - Beginning of Year, as Restated	502,185	-	-	-
FIDUCIARY NET POSITION - END OF YEAR	$ 523,325	$ -	$ -	$ -

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

Custodial Funds						
Employee Wellness	**Snake River Watershed**	**Estate Recoveries**	**Jail Inmate**	**Civil Process**	**Kanabec County Collaborative**	**Total Custodial Funds**
$ 4,710	$ 48,706	$ -	$ 89,426	$ 35,472	$ 78,725	$ 276,303
-	-	-	-	-	-	8,166,836
-	-	-	-	-	-	624,268
-	-	46,505	-	-	-	46,505
4,710	48,706	46,505	89,426	35,472	78,725	9,113,912
-	-	-	75,955	32,672	-	108,627
-	-	-	-	-	-	8,145,696
-	-	46,505	-	-	-	690,037
3,721	1,151	-	-	-	-	4,872
-	25,572	-	-	-	139,150	164,722
3,721	26,723	46,505	75,955	32,672	139,150	9,113,954
989	21,983	-	13,471	2,800	(60,425)	(42)
-	-	-	-	-	-	-
-	243,094	-	70,654	1,055	132,155	949,143
-	243,094	-	70,654	1,055	132,155	949,143
$ 989	$ 265,077	$ -	$ 84,125	$ 3,855	$ 71,730	$ 949,101

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge	Welfare	Economic Development Authority	Community Health	Debt Service	Total
SHARED REVENUE							
State							
Highway Users Tax	$ -	$ 3,756,347	$ -	$ -	$ -	$ -	$ 3,756,347
Market Value Credit - Agriculture	131,987	40,394	38,985	-	5,871	17,614	234,851
PERA Rate Reimbursement	34,089	3,257	7,798	-	-	-	45,144
Disparity Reduction Aid	2,401	735	710	-	107	320	4,273
Police Aid	144,916	-	-	-	-	-	144,916
County Program Aid	672,250	205,742	198,566	-	29,904	89,713	1,196,175
Aquatic Invasive Species Aid	48,439	-	-	-	-	-	48,439
E-911	89,238	-	-	-	-	-	89,238
Total Shared Revenue	1,123,320	4,006,475	246,059	-	35,882	107,647	5,519,383
REIMBURSEMENT FOR SERVICES							
Human Services	-	-	858,700	-	224,080	-	1,082,780
PAYMENTS							
Local							
Local	-	-	2,500	10,000	41,600	-	54,100
Payments in Lieu of Taxes	108,834	638	616	538	92	227	110,945
Total Payments	108,834	638	3,116	10,538	41,692	227	165,045
GRANTS							
State							
Minnesota Department/Board of							
Corrections	145,464	-	-	-	-	-	145,464
Health	-	-	-	-	408,144	-	408,144
Natural Resources	34,483	-	-	-	-	-	34,483
Human Services	-	-	673,944	-	123,434	-	797,378
Peace Officers Board	20,700	-	-	-	-	-	20,700
Finance	-	-	-	321,887	-	-	321,887
Miscellaneous Boards	-	48,447	-	-		-	48,447
Pollution Control Agency	69,692	-	-	-	-	-	69,692
Water and Soil Board	62,864	-	-	-	-	-	62,864
Transportation	331,831	-	-	-	-	-	331,831
Public Safety	18,723	-	-	-	2,640	-	21,363
Veteran Affairs	10,000	-	-	-	-	-	10,000
Total State Grants	693,757	48,447	673,944	321,887	534,218	-	2,272,253
Federal							
Department of							
Agriculture	27,437	-	136,563	-	126,789	-	290,789
Justice	54,939	-	-	-	-	-	54,939
Education	-	-	-	-	1,260	-	1,260
Transportation	357,548	-	-	-	-	-	357,548
Treasury	2,154,346	-	-	-	-	-	2,154,346
Homeland Security	-	145,340	-	-	-	-	145,340
Health and Human Services	105,808	-	1,233,199	-	686,912	-	2,025,919
Election Assistance Commission	12,502	-	-	-	-	-	12,502
Total Federal Grants	2,712,580	145,340	1,369,762	-	814,961	-	5,042,643
Total State and Federal Grants	3,406,337	193,787	2,043,706	321,887	1,349,179	-	7,314,896
Total Intergovernmental Revenue	$ 4,638,491	$ 4,200,900	$ 3,151,581	$ 332,425	$ 1,650,833	$ 107,874	$ 14,082,104

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, 2020, 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 28, 2021. This report does not include the results of Welia Health as a separate report was issued as part of Welia Health's audit.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items, 2020-001, 2020-002, 2020-003 and 2020-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-005 and 2020-006 to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 28, 2021

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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, 2020. 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 had no federal grant expenditures in 2020.

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.

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 2020-007. 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.

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 2020-007 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.

Board of County Commissioners
Kanabec County

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 28, 2021

KANABEC COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 30, 2020

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? __X__ Yes ____ No

   - Were significant deficiency(ies) identified not considered to be a material weakness(es)? __X__ Yes ____ No

3. Noncompliance material to basic financial statements noted? ____ Yes __X__ No

Federal Awards

1. Internal control over compliance:

   - Material weakness(es) identified? ____ Yes __X__ No

   - Were significant deficiency(ies) identified not considered to be a material weakness(es)? __X__ Yes ____ No

2. Type of auditor's report issued on compliance for major programs: Unmodified

3. 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 Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to determine Type A projects: $750,000

Auditee qualify as low-risk auditee? ____ Yes __X__ No

Section II – Financial Statement Findings

2020-001 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 and Context: 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 2019-001.

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.

2020-002 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 and Context: As part of the audit, we proposed account reclassification entries relating to accruals, other reclassifications, and GASB No. 84 implementation. 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 2019-002.

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.

2020-003 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 and Context: 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 2019-003.

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.

2020-004 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 and Context: 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, 2020.

Cause: Lack of procedures.

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

Repeat Finding: Prior year finding identified as Finding 2019-004.

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.

2020-005 TIMELY DEPOSITS

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

Criteria: Standard internal control procedures recommend that deposits should be made on a daily basis.

Condition and Context: Various departments in the County do not deposit on a daily basis.

Cause: Past practice.

Possible Effect: The County's failure to make daily deposits increases the risk that fraud could occur and not be detected in a timely manner.

Repeat Finding: No.

Recommendation: We recommend the departments deposit their collections with the County Auditor-Treasurer office on a daily basis in order to minimize the risk of misappropriation of assets.

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

2020-006 Controls over Annual Highway Report

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

Criteria: Standard internal control procedures recommend that the highway report be completed in a timely manner, and the amounts reviewed for accuracy.

Condition and Context: The highway report submitted for the audit contained several material adjustments and was not consistent throughout the report.

Cause: The highway accountant's time was split 50% with the driver license center, which did not leave sufficient time to complete the highway report.

Possible Effect: The County's failure to prepare an accurate and complete highway report increases the likelihood of fraud or material misstatement that could occur and not be detected in a timely manner.

Repeat Finding: No.

Recommendation: We recommend the highway accountant not have time split between multiple departments, and to be able to focus on the proper procedures for the highway report and accounting duties.

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

Section III – Findings and Questioned Costs – Major Federal Programs

2020-007 TIMELY REPORTING

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

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

Criteria: Guidance from the State of Minnesota dated October 22, 2020 "FAQ's for Local Governments receiving Coronavirus Relief Funds (CRF)", reports must be filed by the 7th business day of the month.

Condition and Context: During our testing of reporting, it was noted that two out of five Coronavirus Relief Fund reports tested were not submitted within the state's required deadline. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Accounting Standards and Single Audits.*

Cause: Management took additional time to compile the reports and allowable expenses due to it being a new grant.

Effect: The County did not submit the reports by the state's required deadline. These reports could be refused or disqualified.

Questioned Costs: None.

Repeat Finding: Not applicable.

Recommendation: It is recommended that the County follow the state's guidance for reporting deadlines.

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

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2020-008 MINNESOTA LEGAL COMPLIANCE - 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 2019-006

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.

2020-009 MINNESOTA LEGAL COMPLIANCE - 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 several payments tested were not paid within the standard timeline of 35 days from receipt. This was due to staff working from home for the pandemic and delays in approvals of invoices.

Possible Effect: County not in compliance with state statute.

Repeat Finding: Yes – Finding 2019-007.

Recommendation: We recommend the County review 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.

PREVIOUSLY REPORTED ITEMS RESOLVED:

Asset Verification (2019-005)

Resolution: CLA tested five case files from the previous year, and discussed with the County, who has implemented the appropriate procedures for asset verification. No similar issues noted in 2020.

KANABEC COUNTY
MORA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass Through Agency Grant Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	$ 118,560	$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total SNAP Cluster $164,000)	10.561	202MN101S2514, 202MN12-7Q7503,202MN101S2520	164,000	-
Total Department of Agriculture			282,560	-
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVSP-2020-KANABECCO	54,939	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	MN18X081	53,543	-
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program (Total 20.509 $376,827)	20.509	MN18X081	323,284	-
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety (Total Highway Safety Cluster $7,155)	20.600	18X9204020MN15	4,989	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	18X9205464MN14	4,718	-
National Priority Safety Programs (Total Highway Safety Cluster $7,155)	20.616	18X920405BMN14	2,166	-
Total Department of Transportation			388,700	-
U.S. Department of Treasury				
Passed Through Minnesota Department of Revenue				
COVID-19 Coronavirus Relief Fund	21.019	SLT0016	2,154,346	248,860
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H181A140029	1,260	-
U.S. Federal Election Assistance Commission				
Passed Through Minnesota Secretary of State				
COVID-19 2018 HAVA Election Security Grants	90.404	EAC201908MNCOVID	12,502	-
U.S. Department of Health and Human Services				
Direct				
Drug-Free Communities Support Program Grants	93.276	N/A - Direct Grant	17,953	-
Passed Through the Minnesota Council on Aging				
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers (Total Aging Cluster $20,009)	93.044	315-15-003B-002	20,009	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	U90TP000418	16,928	-
Early Hearing Detection and Intervention	93.251	H61MC00035	225	-
Immunization CoAg and Vaccines for Children Program	93.268	12-700-00113	3,223	-
Temporary Assistance for Needy Families (Total CFDA 93.558 $210,653)	93.558	2001MNTANF	28,925	-
Maternal and Child Health Services Block Grant to the States	93.994	BO4MC32551	15,727	-

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, 2020

Federal Grantor Pass Through Agency Grant Program or Cluster 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				
Promoting Safe and Stable Families	93.556	2001MNFPSS	$ 5,638	$ -
Temporary Assistance for Needy Families (Total TANF CFDA 93.558 $210,653)	93.558	2001MNTANF	181,728	-
Child Support Enforcement	93.563	2004MNCSES, 2004MNCEST	373,096	-
Refugee Support Services Program	93.566	2001MNRCMA	181	-
Child Care and Development Block Grant (Total CCDF Cluster $2,190)	93.575	G2001MNCCDF	2,190	-
Community - Based Child Abuse Prevention Grants	93.590	G-2002MNFRPG	2,628	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2001MNCWSS	2,584	-
COVID-19 Stephanie Tubbs Jones Child Welfare Services Program (Total 93.645 $8,582)	93.645	G-2001MNCWSS	5,998	-
Foster Care Title IV-E	93.658	2001MNFOST	68,800	-
Social Services Block Grant	93.667	G-2001MNSOSR	98,864	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-2001MNCILP	1,779	-
Children's Health Insurance Program	93.767	2005MN5R21	391	-
Medical Assistance Program (Total Medicaid Cluster $712,183)	93.778	2005MN5ADM	712,183	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI1010034-12	120,833	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	D89MC28263	398,969	-
Total Department of Health and Human Services			2,078,852	-
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	145,340	-
Total Cash Type Federal Awards			$ 5,118,499	$ 248,860

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

CCDF Cluster	$ 2,190
Medicaid Cluster	712,183
SNAP Cluster	164,000
Highway Safety Cluster	7,155
Aging Cluster	20,009

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

KANABEC COUNTY
MORA, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE 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.

NOTE 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, 2020. 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.

NOTE 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 the cost principles contained in the Uniform Guidance, for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowable costs. Under these principles, 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.

NOTE 4 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Reconciliation to Schedule of Intergovernmental Revenue	
Federal Grant Revenue Per Schedule of Intergovernmental Revenue	$ 5,042,643
Expenditures included on the Schedule of Expenditures of Federal Awards that are not considered Intergovernmental Revenues	102,209
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	(26,353)
Expenditures per Schedule of Expenditures of Federal Awards	$ 5,118,499

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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, 2020, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 28, 2021. 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, we noted that Kanabec County failed to comply with provisions of the claims and disbursements and miscellaneous provisions of *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 as described in the schedule of findings and questioned costs as items 2020-008 and 2020-009. Also, 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, and public indebtedness sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

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 28, 2021