

**KANABEC COUNTY  
MORA, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**



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MORA, MINNESOTA  
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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Kanabec County  
Mora, Minnesota

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kanabec County, Minnesota (the County), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2021, 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.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As described in Note 8 to the financial statements, the County restated beginning balances to correct accounting errors in the previously issued financial statements. Our opinions are not modified with respect to the restatement.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, the schedule of intergovernmental revenues, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 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 revenues, 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.

Board of County Commissioners  
Kanabec County

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022, 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 that 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. That 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**

Brainerd, Minnesota  
September 23, 2022



**REQUIRED SUPPLEMENTARY INFORMATION**

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

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, 2021. 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, 2021, and the prior year, 2020, is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2021 include the following:

- County-wide net position increased \$11,804,007 during 2021. This is primarily due to the County's continued investment into capital assets, financed by intergovernmental revenues.
- Overall fund-level revenues totaled \$31,925,646 and were \$4,084,022 less than expenditures. This is primarily due to Road and Bridge and Debt Service expenditures exceeding revenues.
- The General Fund's fund balance increased \$1,455,571 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.

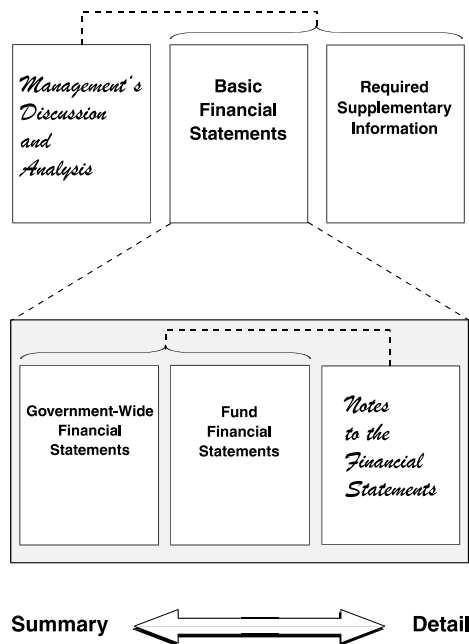
**KANABEC COUNTY  
MORA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**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



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

**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, deferred outflows, liabilities, and deferred inflows. 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.

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

**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.

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

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**NET POSITION**

The County's net position was \$92,477,762 on December 31, 2021 (see Table A-1).

**Table A-1  
The County's Net Position**

	Governmental Activities		Percent Change
	2021	2020	
Current and Other Assets	\$ 85,110,398	\$ 19,177,998	343.8 %
Capital Assets	88,344,459	83,770,858	5.5
Total Assets	<u>173,454,857</u>	<u>102,948,856</u>	68.5
Deferred Outflows of Resources	6,587,993	2,034,959	223.7
Current Liabilities	3,828,253	1,994,966	91.9
Long-Term Liabilities (include current maturities)	74,831,669	17,934,387	317.3
Total Liabilities	<u>78,659,922</u>	<u>19,929,353</u>	294.7
Deferred Inflows of Resources	8,905,166	2,496,333	256.7
Net Position			
Net Investment In Capital Assets	81,707,652	76,230,131	7.2
Restricted	8,111,781	4,138,581	96.0
Unrestricted	2,658,329	2,189,417	21.4
Total Net Position	<u>\$ 92,477,762</u>	<u>\$ 82,558,129</u>	12.0

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

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET POSITION**

The Government-wide total revenues were \$39,395,806 for the year ended December 31, 2021. Property taxes and intergovernmental revenues accounted for 74.3% of total revenue for the year (see Table A-2).

**Table A-2  
Change in Net Position**

	Governmental Activities		Total Percent Change
	2021	2020	
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 4,741,059	\$ 4,695,111	1.0 %
Operating Grants and Contributions	10,585,191	10,357,966	2.2
Capital Grants and Contributions	3,331,370	2,015,524	65.3
General Revenues			
Property Taxes	13,875,076	13,361,726	3.8
Other Taxes	233,095	204,712	13.9
Unrestricted State Aid	1,497,651	1,538,711	(2.7)
Investment Earnings	36,017	65,518	(45.0)
Other	5,096,347	1,337,797	281.0
Total Revenues	<u>39,395,806</u>	<u>33,577,065</u>	17.3
<b>EXPENSES</b>			
General Government	7,460,651	8,589,457	(13.1)
Public Safety	5,981,211	6,172,963	(3.1)
Highways and Streets	4,502,054	4,871,915	(7.6)
Sanitation	110,673	134,267	(17.6)
Human Services	5,710,801	5,639,699	1.3
Health	2,962,474	2,903,284	2.0
Culture and Recreation	170,460	172,799	(1.4)
Economic Development	465,587	135,529	243.5
Conservation of Natural Resources	81,039	75,366	7.5
Interest	146,849	233,033	(37.0)
Total Expenses	<u>27,591,799</u>	<u>28,928,312</u>	(4.6)
<b>CHANGES IN NET POSITION</b>	11,804,007	4,648,753	153.9
Net Position - Beginning of Year	<u>82,558,129</u>	<u>77,909,376</u>	6.0
Restatement	(1,884,374)	-	(100.0)
Net Position - Beginning of Year, as Restated	<u>80,673,755</u>	<u>77,909,376</u>	3.5
<b>NET POSITION - END OF YEAR</b>	<u>\$ 92,477,762</u>	<u>\$ 82,558,129</u>	12.0

Total revenues surpassed expenses, increasing the net position \$11,804,007 over last year.

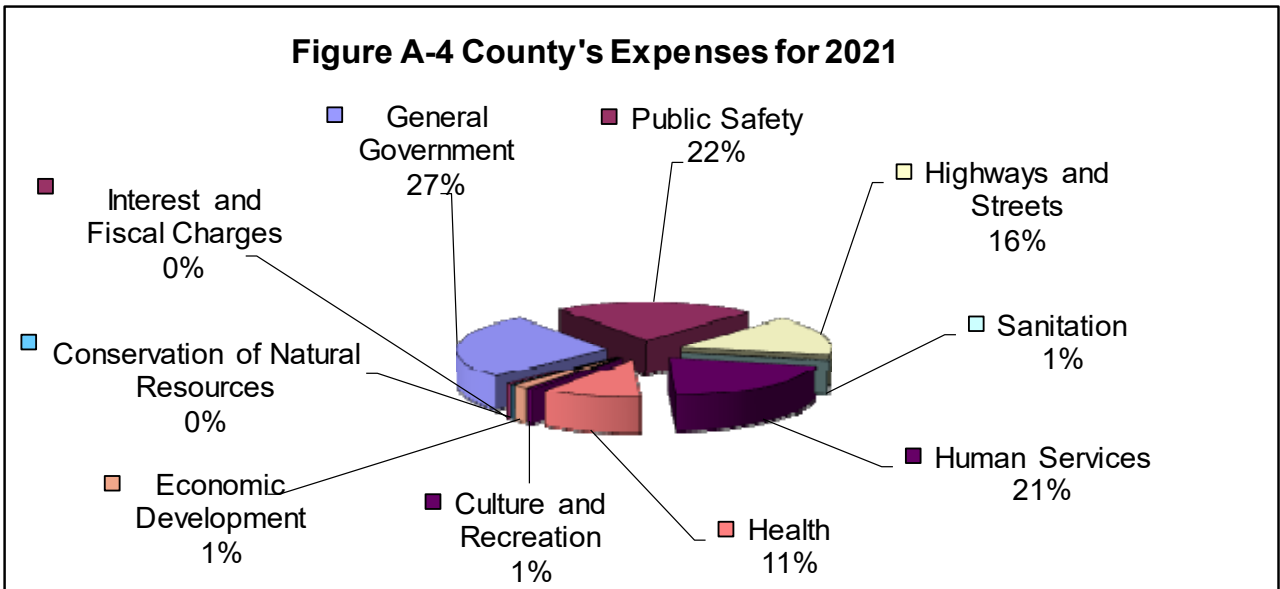
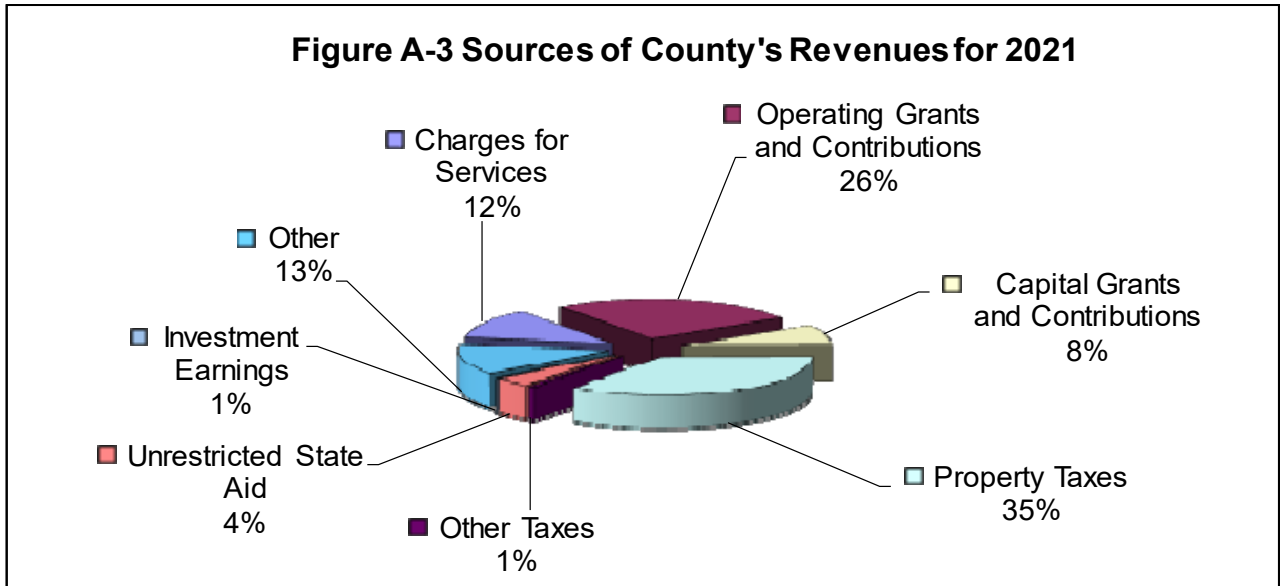
**KANABEC COUNTY  
MORA, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2021**

**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 \$27,591,799.

- Some of the cost was paid by the users of the County's programs \$4,741,059.
- The federal and state governments subsidized certain programs with grants and contributions of \$13,916,561.
- The remainder of the County's governmental activities costs, \$8,934,179, however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid from the combination of \$14,108,171 in property, wheelage, and other taxes, \$1,497,651 of state aid, and \$5,132,364 of investment earnings and other general revenues.





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

**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		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2021	2020		2021	2020	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 7,460,651	\$ 8,589,457	(13.1)%	\$ (4,109,939)	\$ (3,498,047)	(17.5)%
Public Safety	5,981,211	6,172,963	(3.1)	(4,567,411)	(4,645,964)	1.7
Highways and Streets	4,502,054	4,871,915	(7.6)	1,936,410	(1,000,889)	293.5
Sanitation	110,673	134,267	(17.6)	(39,607)	(64,575)	38.7
Human Services	5,710,801	5,639,699	1.3	(883,325)	(1,960,508)	54.9
Health	2,962,474	2,903,284	2.0	(431,562)	(405,718)	(6.4)
Culture and Recreation	170,460	172,799	(1.4)	(170,460)	(172,799)	1.4
Economic Development	465,587	135,529	243.5	(440,487)	197,188	(323.4)
Conservation of Natural Resources	81,039	75,366	7.5	(80,949)	(75,366)	(7.4)
Interest	146,849	233,033	(37.0)	(146,849)	(233,033)	37.0
Total	<u>\$ 27,591,799</u>	<u>\$ 28,928,312</u>	(4.6)	<u>\$ (8,934,179)</u>	<u>\$ (11,859,711)</u>	24.7

**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 \$70,243,494.

Revenues for the County's governmental funds were \$31,925,646 while total expenditures were \$36,009,668.

**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		Change	
	December 31, 2021	December 31, 2020	Increase (Decrease)	Percent
Taxes	\$ 7,923,613	\$ 7,251,662	\$ 671,951	9.3 %
Intergovernmental	2,703,195	4,638,491	(1,935,296)	(41.7)
Charges for Services	2,323,096	2,226,373	96,723	4.3
Interest	34,343	58,927	(24,584)	(41.7)
Miscellaneous and Other	978,277	1,145,961	(167,684)	(14.6)
Total General Fund Revenues	<u>\$ 13,962,524</u>	<u>\$ 15,321,414</u>	<u>\$ (1,358,890)</u>	(8.9)

Total General Fund revenue decreased by \$1,358,890 or 8.9%, from the previous year. The decrease is primarily due to the decrease intergovernmental revenues offset by an increase in tax revenues in 2021 compared to 2020.

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

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund expenditures:

**Table A-5  
General Fund Expenditures**

	Year Ended		Change Increase (Decrease)	Percent
	December 31, 2021	December 31, 2020		
General Government	\$ 6,282,835	\$ 7,948,639	\$ (1,665,804)	(21.0)%
Public Safety	6,623,093	6,436,917	186,176	2.9
Sanitation	110,673	134,267	(23,594)	(17.6)
Conservation of Natural Resources	81,039	75,366	5,673	7.5
Intergovernmental	170,457	172,617	(2,160)	(1.3)
Capital Outlay	138,085	423,011	(284,926)	(67.4)
Debt Service	257,411	203,821	53,590	26.3
Total Expenditures	<u>\$ 13,663,593</u>	<u>\$ 15,394,638</u>	<u>\$ (1,731,045)</u>	(11.2)

The General Fund had total fund balance of \$5,061,488 at the end of the current fiscal year. The fund balance of the General Fund increased \$1,455,571 during the current fiscal year primarily due to sales of capital assets in 2021.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- Actual revenues were \$156,182 more than budget due to the higher than budgeted tax revenues.
- The actual expenditures were \$167,429 more than budget due primarily to more than anticipated expenditures for general government.
- The County made no budget amendments in 2021 related to the General fund.

**OTHER MAJOR FUNDS ANALYSIS**

The Road and Bridge Fund had total fund balance of \$2,595,687 at the end of the current fiscal year. The total change in fund balance of the Road and Bridge Fund was a decrease of \$3,217,126 (before adjustments for inventory), during the current fiscal year primarily due to an increase in capital outlay expenditures in 2021.

The Family Services Fund had total fund balance of \$1,442,329 at the end of the current fiscal year. The fund balance of the Family Services Fund increased \$371,734 during the current fiscal year. This was primarily due less than budgeted expenditures for Income Maintenance and Social Services.

The Economic Development Fund had total fund balance of \$91,512 at the end of the current fiscal year. The fund balance of the Economic Development Fund decreased \$290,483. This was primarily due to additional expenditures related to grant programs in 2021.

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

**OTHER MAJOR FUNDS ANALYSIS (CONTINUED)**

The Community Health Fund had total fund balance of \$721,004 at the end of the current fiscal year. The fund balance of the Community Health Fund increased \$79,091 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 \$(77,592) at the end of the current fiscal year. The fund balance of the Forfeited Tax Fund increased \$18,274 during the current fiscal year due to forfeited land sales revenues in 2021.

The Opioid Settlement Fund had total fund balance of \$0 at the end of the current fiscal year. This fund was established in 2021 to account for the county's portion of the State of Minnesota's share of the national opioid settlement.

The Debt Service Fund had total fund balance of \$60,409,066 at the end of the current fiscal year. The fund balance of the Debt Service Fund decreased \$(1,167,543) during the current fiscal year, which is primarily due to principal payments on outstanding bonds.

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

**CAPITAL ASSETS**

By the end of 2021, the County had invested approximately \$128,000,000 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 \$2,754,103.

**Table A-6  
The County's Capital Assets**

	Governmental Activities		Percent Change
	2021	2020	
Land	\$ 3,331,684	\$ 3,423,981	(2.7)%
Construction-in-Progress	3,373,924	1,158,845	191.1
Infrastructure	90,787,388	86,045,155	5.5
Buildings	21,401,409	21,401,409	-
Machinery, Equipment, and Vehicles	9,382,877	9,267,953	1.2
Less: Accumulated Depreciation	(39,932,823)	(37,526,485)	6.4
Total	<u>\$ 88,344,459</u>	<u>\$ 83,770,858</u>	5.5

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

**LONG-TERM LIABILITIES**

At year-end, the County had \$19,690,832 in long-term liabilities outstanding.

- The County's governmental activities total debt decreased \$4,312,242, due primarily to the changes in assumptions related to the net pension liability and scheduled debt payments which are included in Note 4.G. and Note 3 C., respectively.

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

	2021	Restated 2020	Percent Change
<b>Governmental Activities</b>			
Compensated Absences Payable	\$ 2,480,934	\$ 2,427,332	2.2 %
General Obligation Bonds	5,677,892	6,609,260	(14.1)
Capital Leases Payable	337,215	344,678	(2.2)
Loans Payable	450,780	561,992	(19.8)
Notes Payable	4,551,172	4,722,346	(3.6)
Net Pension Liability	6,192,839	9,337,466	(33.7)
Total	<u>\$ 19,690,832</u>	<u>\$ 24,003,074</u>	(18.0)

**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 2021, the County received half of the Coronavirus Fiscal Recovery funds under ARPA of \$1,584,230. Related to the pandemic, in 2021, the County has been approved for \$3,168,461 of ARPA funding which the second half was received in 2022.

**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.

## **BASIC FINANCIAL STATEMENTS**

**KANABEC COUNTY  
MORA, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and Pooled Investments	\$ 13,256,411
Petty Cash and Change Funds	675
Taxes Receivable	
Delinquent	409,647
Special Assessments Receivable	
Unavailable	212,873
Delinquent	300
Accounts Receivable - Net	228,323
Accrued Interest Receivable	1,127
Due from Other Governments	5,457,560
Due from Hospital	59,093,233
Inventories	506,209
Investment in Joint Ventures	3,567,150
Notes Receivable	2,250,000
Pension Benefits	126,890
Nondepreciable Capital Assets	
Land	3,331,684
Construction in Progress	3,373,924
Depreciable Capital Assets - Net of Depreciation	
Building	15,899,030
Machinery, Vehicles, Furniture, and Equipment	2,784,303
Infrastructure	62,955,518
Total Assets	173,454,857
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	6,515,202
Other Postemployment Benefit Related	53,711
Loss on Refunding	19,080
Total Deferred Outflows of Resources	6,587,993

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2021**

	Governmental Activities
<b>LIABILITIES</b>	
Accounts Payable	\$ 690,224
Salaries Payable	498,408
Contracts Payable	190,000
Due to Other Governments	712,997
Accrued Interest Payable	11,047
Unearned Revenue	1,687,289
Other Postemployment Benefits Liability - Due within One Year	38,288
Compensated Absences Payable - Due within One Year	2,234,296
General Obligation Bonds Payable - Due within One Year	865,000
Gross Revenue Bonds Payable - Due within One Year	987,902
Gross Revenue Note Payable - Due within One Year	177,808
Capital Lease Payable - Due within One Year	79,844
Loans Payable - Due within One Year	67,115
Other Postemployment Benefits Liability - Due in More Than One Year	598,776
General Obligation Bonds Payable - Due in More Than One Year	4,812,892
Gross Revenue Bonds Payable - Due in More Than One Year	53,554,159
Gross Revenue Note Payable - Due in More Than One Year	4,373,364
Capital Lease Payable - Due in More Than One Year	257,371
Compensated Absences Payable - Due in More Than One Year	246,638
Loans Payable - Due in More Than One Year	383,665
Net Pension Liability - Due in More Than One Year	6,192,839
Total Liabilities	78,659,922
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Tax Related	60,377
Pension Related	8,748,810
Other Postemployment Benefit Related	95,979
Total Deferred Inflows of Resources	8,905,166
<b>NET POSITION</b>	
Net Investment in Capital Assets	81,707,652
Restricted for:	
General Government	288,310
Public Safety	256,547
Highways and Streets	3,578,348
Sanitation	1,839,765
Opioid Epidemic Response	683,570
Debt Service	1,338,351
Net Pension Asset	126,890
Unrestricted	2,658,329
Total Net Position	\$ 92,477,762

See accompanying Notes to Basic Financial Statements.

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

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 7,460,651	\$ 2,261,880	\$ 1,088,832	\$ -	\$ (4,109,939)
Public Safety	5,981,211	386,211	1,027,589	-	(4,567,411)
Highways and Streets	4,502,054	132,123	2,974,971	3,331,370	1,936,410
Sanitation	110,673	-	71,066	-	(39,607)
Human Services	5,710,801	854,854	3,972,622	-	(883,325)
Health	2,962,474	1,105,901	1,425,011	-	(431,562)
Culture and Recreation	170,460	-	-	-	(170,460)
Economic Development	465,587	-	25,100	-	(440,487)
Conservation of Natural Resources	81,039	90	-	-	(80,949)
Interest	146,849	-	-	-	(146,849)
Total Governmental Activities	<u>\$ 27,591,799</u>	<u>\$ 4,741,059</u>	<u>\$ 10,585,191</u>	<u>\$ 3,331,370</u>	<u>(8,934,179)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					13,875,076
Wheelage Tax					180,924
Mortgage Registry and Deed Tax					23,315
Gravel Tax					28,856
Tax Increments and Excess TIF					9,599
Payments in Lieu of Tax					108,869
Grants and Contributions not Restricted for a Particular Purpose					1,497,651
Investment Earnings					36,017
Miscellaneous					1,609,936
Gain on the Sale of Capital Assets					3,367,943
Total General Revenues					<u>20,738,186</u>
<b>CHANGE IN NET POSITION</b>					
					11,804,007
Net Position - Beginning of Year					<u>82,558,129</u>
Restatement - See Note 8					<u>(1,884,374)</u>
Net Position - Beginning of Year, as Restated					<u>80,673,755</u>
<b>NET POSITION - END OF YEAR</b>					
					<u>\$ 92,477,762</u>

See accompanying Notes to Basic Financial Statements.



**KANABEC COUNTY  
MORA, MINNESOTA  
BALANCE SHEET —  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

<b>ASSETS</b>	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Economic Development Authority</u>
Cash and Pooled Investments	\$ 6,512,114	\$ 2,709,415	\$ 1,334,939	\$ 96,050
Petty Cash and Change Funds	500	175	-	-
Taxes Receivable - Delinquent	231,846	61,827	66,783	4,566
Special Assessments Receivable - Delinquent	300	-	-	-
Special Assessments Receivable - Unavailable	212,873	-	-	-
Accounts Receivable	73,216	908	43,029	-
Accrued Interest Receivable	1,013	-	-	-
Due from Other Funds	403,371	1,126	-	-
Due from Other Governments	69,247	3,750,511	613,712	-
Due from Hospital	-	-	-	-
Inventories	-	506,209	-	-
Note Receivables	2,250,000	-	-	-
Total Assets	<u>\$ 9,754,480</u>	<u>\$ 7,030,171</u>	<u>\$ 2,058,463</u>	<u>\$ 100,616</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 409,247	\$ 96,085	\$ 138,793	\$ 302
Salaries Payable	267,051	50,970	102,472	3,963
Contracts Payable	-	190,000	-	-
Due to Other Funds	4,134	-	47,746	-
Due to Other Governments	38,172	4,939	54,891	273
Unearned Revenue	1,243,366	443,923	-	-
Total Liabilities	1,961,970	785,917	343,902	4,538
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Tax Related	445,019	61,827	66,783	4,566
Unavailable Revenue - Note Receivable Related	2,250,000	-	-	-
Unavailable Revenue - Grant Related	78	3,578,348	195,608	-
Property Taxes Collected for Subsequent Period	35,925	8,392	9,841	-
Total Deferred Inflows of Resources	<u>2,731,022</u>	<u>3,648,567</u>	<u>272,232</u>	<u>4,566</u>
Total Liabilities and Deferred Inflows of Resources	4,692,992	4,434,484	616,134	9,104

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
BALANCE SHEET (CONTINUED)—  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

Community Health	Forfeited Tax	Opioid Settlement	Debt Service	Total Governmental Funds
\$ 403,149	\$ 880,497	\$ -	\$ 1,320,247	\$ 13,256,411
-	-	-	-	675
11,060	-	-	33,565	409,647
-	-	-	-	300
-	-	-	-	212,873
111,170	-	-	-	228,323
-	-	-	114	1,127
21,811	-	-	-	426,308
340,520	-	683,570	-	5,457,560
-	-	-	59,093,233	59,093,233
-	-	-	-	506,209
-	-	-	-	2,250,000
<u>\$ 887,710</u>	<u>\$ 880,497</u>	<u>\$ 683,570</u>	<u>\$ 60,447,159</u>	<u>\$ 81,842,666</u>
\$ 45,797	\$ -	\$ -	\$ -	\$ 690,224
73,952	-	-	-	498,408
-	-	-	-	190,000
1,735	372,693	-	-	426,308
29,326	585,396	-	-	712,997
-	-	-	-	1,687,289
150,810	958,089	-	-	4,205,226
11,060	-	-	33,565	622,820
-	-	-	-	2,250,000
3,145	-	683,570	-	4,460,749
1,691	-	-	4,528	60,377
<u>15,896</u>	<u>-</u>	<u>683,570</u>	<u>38,093</u>	<u>7,393,946</u>
166,706	958,089	683,570	38,093	11,599,172

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
BALANCE SHEET (CONTINUED)—  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

<b>FUND BALANCES</b>	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Economic Development Authority</u>
Nonspendable				
Inventory	\$ -	\$ 506,209	\$ -	\$ -
Restricted				
E-911	90,430	-	-	-
CWP Septic Loans	327,333	-	-	-
Attorney Forfeited Property	35,666	-	-	-
Sheriff's Forfeited Property	166,117	-	-	-
Land Office Technology Equipment	167,156	-	-	-
Law Library	20,713	-	-	-
Recorder's Equipment	57,191	-	-	-
Rural Addressing	438	-	-	-
SCORE	115,319	-	-	-
Transit MNDOT Fares	174,058	-	-	-
Landfill Closure/Post Closure	1,122,434	-	-	-
Water Planning	40,164	-	-	-
ORD 27	166	-	-	-
Debt Service	-	-	-	-
Gravel Pit Restoration	67,359	-	-	-
Committed				
Road and Bridge Fund Purposes	-	2,089,478	-	-
Family Services Fund Purposes	-	-	1,442,329	-
Community Health Fund Purposes	-	-	-	-
Economic Development Authority Fund Purposes	-	-	-	91,512
Regional Rail Fund Purposes	3,815	-	-	-
Assigned				
Vehicle Pool	127,395	-	-	-
Future Capital Equipment	665,164	-	-	-
Elections	181,635	-	-	-
Sheriff's Contingency	34,780	-	-	-
Transit Unemployment	708,716	-	-	-
Veterans Programs	24,261	-	-	-
Sheriff Community Programs	15,931	-	-	-
KLID	15,000	-	-	-
Unassigned	900,247	-	-	-
Total Fund Balance	<u>5,061,488</u>	<u>2,595,687</u>	<u>1,442,329</u>	<u>91,512</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,754,480</u>	<u>\$ 7,030,171</u>	<u>\$ 2,058,463</u>	<u>\$ 100,616</u>

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
BALANCE SHEET (CONTINUED)—  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

Community Health	Forfeited Tax	Opioid Settlement	Debt Service	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 506,209
-	-	-	-	90,430
-	-	-	-	327,333
-	-	-	-	35,666
-	-	-	-	166,117
-	-	-	-	167,156
-	-	-	-	20,713
-	-	-	-	57,191
-	-	-	-	438
-	-	-	-	115,319
-	-	-	-	174,058
-	-	-	-	1,122,434
-	-	-	-	40,164
-	-	-	-	166
-	-	-	60,409,066	60,409,066
-	-	-	-	67,359
-	-	-	-	2,089,478
-	-	-	-	1,442,329
721,004	-	-	-	721,004
-	-	-	-	91,512
-	-	-	-	3,815
-	-	-	-	127,395
-	-	-	-	665,164
-	-	-	-	181,635
-	-	-	-	34,780
-	-	-	-	708,716
-	-	-	-	24,261
-	-	-	-	15,931
-	-	-	-	15,000
-	(77,592)	-	-	822,655
<u>721,004</u>	<u>(77,592)</u>	<u>-</u>	<u>60,409,066</u>	<u>70,243,494</u>
<u>\$ 887,710</u>	<u>\$ 880,497</u>	<u>\$ 683,570</u>	<u>\$ 60,447,159</u>	<u>\$ 81,842,666</u>

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 70,243,494

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. 88,344,459

Investment in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds. 3,567,150

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. 7,333,569

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	(637,064)
Deferred Outflows of Resources - OPEB Related	53,711
Deferred Inflows of Resources - OPEB Related	(95,979)
Total	(679,332)

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:

Pension Benefits	126,890
Net Pension Liability	(6,192,839)
Deferred Outflows of Resources - Pension Related	6,515,202
Deferred Inflows of Resources - Pension Related	(8,748,810)
Total	(8,299,557)

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	(5,610,000)
Gross Revenue Bond	(54,542,061)
Gross Revenue Note	(4,551,172)
Loss on Refunding	19,080
Loans Payable	(450,780)
Unamortized Discounts	20,815
Unamortized Premium	(88,707)
Compensated Absences Payable	(2,480,934)
Capital Lease Payable	(337,215)
Accrued Interest Payable	(11,047)
Total	(68,032,021)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 92,477,762**

**KANABEC COUNTY  
MORA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge	Family Services	Economic Development Authority
<b>REVENUES</b>				
Taxes	\$ 7,923,613	\$ 2,861,090	\$ 2,032,888	\$ 147,007
Special Assessments	109,899	-	-	-
Licenses and Permits	104,127	35,082	-	-
Intergovernmental	2,703,195	3,439,702	3,435,894	497
Charges for Services	2,323,096	97,041	264,126	-
Fines and Forfeits	34,583	-	-	-
Gifts and Contributions	24,936	-	-	25,100
Interest on Investments	34,343	-	-	-
Miscellaneous	704,732	10,520	587,653	2,500
Total Revenues	<u>13,962,524</u>	<u>6,443,435</u>	<u>6,320,561</u>	<u>175,104</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	6,282,835	-	-	-
Public Safety	6,623,093	-	-	-
Highways and Streets	-	2,930,630	-	-
Sanitation	110,673	-	-	-
Human Services	-	-	5,948,827	-
Health	-	-	-	-
Economic Development	-	-	-	465,587
Conservation	81,039	-	-	-
Total Current	<u>13,097,640</u>	<u>2,930,630</u>	<u>5,948,827</u>	<u>465,587</u>
<b>INTERGOVERNMENTAL</b>				
Culture and Recreation	170,457	-	-	-
<b>CAPITAL OUTLAY</b>				
General Government	127,708	-	-	-
Public Safety	10,377	-	-	-
Highways and Streets	-	6,906,831	-	-
Total Capital Outlay	<u>138,085</u>	<u>6,906,831</u>	<u>-</u>	<u>-</u>
<b>DEBT SERVICE</b>				
Principal	241,975	-	-	-
Interest	15,436	-	-	-
Administrative (Fiscal) Charges	-	-	-	-
Total Debt Service	<u>257,411</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>13,663,593</u>	<u>9,837,461</u>	<u>5,948,827</u>	<u>465,587</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	298,931	(3,394,026)	371,734	(290,483)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	162,000	-	-
Transfers Out	(162,000)	-	-	-
Capital Leases Issued	123,300	-	-	-
Sale of Capital Assets	1,195,340	14,900	-	-
Total Other Financing Sources (Uses)	<u>1,156,640</u>	<u>176,900</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,455,571	(3,217,126)	371,734	(290,483)
Fund Balance - Beginning of Year	3,605,917	5,865,294	1,070,595	381,995
Restatement (See Note 8)	-	-	-	-
Fund Balance - Beginning of Year As Restated	<u>3,605,917</u>	<u>5,865,294</u>	<u>1,070,595</u>	<u>381,995</u>
Increase (Decrease) in Inventories	-	(52,481)	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,061,488</u>	<u>\$ 2,595,687</u>	<u>\$ 1,442,329</u>	<u>\$ 91,512</u>

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

Community Health	Forfeited Tax	Opioid Settlement	Debt Service	Total Governmental Funds
\$ 348,077	\$ -	\$ -	\$ 935,833	\$ 14,248,508
-	-	-	-	109,899
-	-	-	-	139,209
1,792,982	-	-	106,406	11,478,676
837,214	-	-	-	3,521,477
-	-	-	-	34,583
7,859	-	-	-	57,895
-	-	-	1,674	36,017
9,747	984,230	-	-	2,299,382
<u>2,995,879</u>	<u>984,230</u>	<u>-</u>	<u>1,043,913</u>	<u>31,925,646</u>
-	965,956	-	-	7,248,791
-	-	-	-	6,623,093
-	-	-	-	2,930,630
-	-	-	-	110,673
-	-	-	-	5,948,827
2,916,788	-	-	-	2,916,788
-	-	-	-	465,587
-	-	-	-	81,039
<u>2,916,788</u>	<u>965,956</u>	<u>-</u>	<u>-</u>	<u>26,325,428</u>
-	-	-	-	170,457
-	-	-	-	127,708
-	-	-	-	10,377
-	-	-	-	6,906,831
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,044,916</u>
-	-	-	2,059,986	2,301,961
-	-	-	150,975	166,411
-	-	-	495	495
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,211,456</u>	<u>2,468,867</u>
<u>2,916,788</u>	<u>965,956</u>	<u>-</u>	<u>2,211,456</u>	<u>36,009,668</u>
79,091	18,274	-	(1,167,543)	(4,084,022)
-	-	-	-	162,000
-	-	-	-	(162,000)
-	-	-	-	123,300
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,210,240</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,333,540</u>
79,091	18,274	-	(1,167,543)	(2,750,482)
641,913	(95,866)	-	1,263,390	12,733,238
-	-	-	60,313,219	60,313,219
<u>641,913</u>	<u>(95,866)</u>	<u>-</u>	<u>61,576,609</u>	<u>73,046,457</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,481)</u>
<u>\$ 721,004</u>	<u>\$ (77,592)</u>	<u>\$ -</u>	<u>\$ 60,409,066</u>	<u>\$ 70,243,494</u>

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

<b>NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (2,750,482)</b>
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	503,853
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	\$ 7,327,704
Current Year Depreciation	(2,754,103)
Total	4,573,601
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,014,383
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	3,144,627
Change in Deferred Pension Outflows	4,543,552
Change in Net Deferred Pension Inflows	(6,364,908)
Total	1,323,271
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.	
Capital Lease Issued	(123,300)
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	840,000
Gross Revenue Note	171,174
Gross Revenue Bond	1,048,812
Capital Lease	130,763
CWP Loan	111,212
Total	2,301,961
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	2,062
Change in Loss on Refunding	(2,726)
Change in Other Postemployment Benefits	(23,902)
Amortization of Discounts	(2,974)
Amortization of Premiums	94,342
Change in Accrued Compensated Absences	(53,601)
Change in Inventories	(52,481)
Total	(39,280)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 11,804,007</b>

See accompanying Notes to Basic Financial Statements.



**KANABEC COUNTY  
MORA, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION —  
FIDUCIARY FUNDS  
DECEMBER 31, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 31,926	\$ 1,073,591
Taxes For Other Governments	-	552,606
Accounts Receivable	-	20,206
Total Assets	\$ 31,926	\$ 1,646,403
<b>LIABILITIES</b>		
Due to Others	\$ -	\$ 182,775
Due to Other Governments	-	385,545
Total Liabilities	\$ -	\$ 568,320
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Collected for Subsequent Period	\$ -	\$ 49,030
<b>NET POSITION</b>		
Restricted for:		
Individuals, Organizations, and Other Governments	\$ 31,926	\$ 1,029,053

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION —  
FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<b>ADDITIONS</b>		
Contributions - Individuals	\$ 122,399	\$ 362,788
Property Tax Collections for Other Governments	-	10,830,692
Fee Collections for Other Governments and Organizations	-	759,301
License and Fees Collected for State	-	158,182
	122,399	12,110,963
<b>DEDUCTIONS</b>		
Beneficiary Payments to Individuals	123,273	102,590
Payments of Property Tax to Other Governments	-	10,801,411
Payments to State	-	947,937
Administrative Expense	-	3,311
Payments to Other Entities	-	175,762
	123,273	12,031,011
Net Increase (Decrease) in Fiduciary Net Position	(874)	79,952
Fiduciary Net Position - Beginning of Year	32,800	949,101
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	<b>\$ 31,926</b>	<b>\$ 1,029,053</b>

See accompanying Notes to Basic Financial Statements.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

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) for which the County is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the County is not required to include any component units. The County is governed by a five-member board of commissioners elected from districts within the County. The board is organized with a chair and vice-chair elected at the annual meeting in January of each year. The County Coordinator, appointed by the board, serves as the clerk of the board but has no vote.

**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. 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**1. Government-Wide Statements (Continued)**

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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**2. Fund 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 Opioid Settlement Fund is used to account for the county's portion of the State of Minnesota's share of the national opioid settlement. The funding is restated by the settlement agreement reached with pharmaceutical companies and distributors.

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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**2. Fund Financial Statements (Continued)**

Additionally, the County reports the following fiduciary fund type:

*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.

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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2021, 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.

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](http://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, 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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)**

**2. Receivables and Payables (Continued)**

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.

Due from the hospital is the balance outstanding on the hospital debt at December 31 that the hospital will pay each year.

Note receivable balance includes payment from the Hospital for the transfer of Welia Health to the nonprofit. Total receivable is \$250,000 for the next 10 years.

**3. Inventories**

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

**4. 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 one 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.



**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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. Capital Assets (Continued)**

Property, plant, and equipment of the Primary Government 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

**5. 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.

**6. 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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. 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.

**8. 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.

**9. 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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. 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.

**11. 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.

**12. 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, 2021, was \$265,115. Unrestricted net position is the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Revenues (Continued)**

**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.

**F. Change in Reporting Entity**

Based on the criteria for determining component units, the County was required to include Welia Heath as a component unit in prior years. However, as of July 1, 2021, Welia Health became a 501(c)(3) and no longer meets the criteria to be reported as a component unit of the County. See note 8 for additional information regarding the effect of this change.

**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, 2021:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 13,663,593	\$ 13,496,164	\$ 167,429
Road and Bridge Special Revenue Fund	9,837,461	9,694,791	142,670
Economic Development Authority	465,587	153,200	312,387

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 \$77,592; 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3    DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**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.

At December 31, 2021, 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**Custodial Credit Risk – Deposits (Continued)**

As of December 31, 2021, the County had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rating</u>	<u>Concentration Risk</u>
Negotiable Certificates of Deposit				
Bank of Hapoalim	3/25/2024	\$ 353,442	NR	<5%
MAGIC Fund	*	<u>3,437,521</u>	NR	N/A
Total		<u><u>\$ 3,790,963</u></u>		

NR = Not Rated

N/A = Not Subject To Concentration Risk Calculation

\* = No Stated Maturity Date

**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, 2021, the County's investment in Bank Hapoalim was not rated by Moody's and Standards and Poor's; investments in the MAGIC Fund was not rated.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**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	\$ 13,256,411
Petty Cash	675
Private Purpose Trust Fund Cash	31,926
Custodial Funds Cash	1,073,591
Total Cash and Investments	<u>\$ 14,362,603</u>

**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.



**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**Fair Market Value (Continued)**

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.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
<b>Investment by Fair Value</b>				
Negotiable Certificates of Deposit	\$ -	\$ 353,442	\$ -	\$ 353,442
<b>Investments Measured at Amortized Cost</b>				
External Investment Pool				3,437,521
Total Investments				3,790,963
Deposits				9,465,448
Petty Cash				675
Private Purpose Trust Fund				31,926
Custodial Funds				1,073,591
Total Investments				\$ 14,362,603

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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Receivables**

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

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 409,647	\$ -
Special Assessments	213,173	212,873
Accounts	228,323	-
Interest	1,127	-
Due from Other Governments	5,457,560	-
Notes	2,250,000	2,000,000
Due from Hospital	59,093,233	57,927,523
Total Governmental Activities	<u>\$ 67,653,063</u>	<u>\$ 60,140,396</u>

All receivables are expected to be collected in full. The note receivable and due from hospital are owed from Welia Health, a nonprofit. The note receivable is due in annual installment of \$250,000 per annum for a period of 10 years beginning July 1, 2021. Due from hospital is owed to the County in annual scheduled payments. The county will receive these funds over a period of 17 years.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	\$ 3,423,981	\$ -	\$ (92,297)	\$ 3,331,684
Construction-in-Progress	1,158,845	6,833,099	(4,618,020)	3,373,924
Total Capital Assets, Not Being Depreciated	<u>4,582,826</u>	<u>6,833,099</u>	<u>(4,710,317)</u>	<u>6,705,608</u>
Capital Assets, Being Depreciated				
Buildings	21,401,409	-	-	21,401,409
Machinery, Furniture, and Equipment	9,267,953	462,689	(347,765)	9,382,877
Infrastructure	86,045,155	4,742,233	-	90,787,388
Total Capital Assets, Being Depreciated	<u>116,714,517</u>	<u>5,204,922</u>	<u>(347,765)</u>	<u>121,571,674</u>
Less Accumulated Depreciation for				
Buildings	5,114,763	387,616	-	5,502,379
Machinery, Furniture, and Equipment	6,395,165	551,174	(347,765)	6,598,574
Infrastructure	26,016,557	1,815,313	-	27,831,870
Total Accumulated Depreciation	<u>37,526,485</u>	<u>2,754,103</u>	<u>(347,765)</u>	<u>39,932,823</u>
Total Capital Assets, Being Depreciated, Net	<u>79,188,032</u>	<u>2,450,819</u>	<u>-</u>	<u>81,638,851</u>
Governmental Activities Capital Assets, Net	<u>\$ 83,770,858</u>	<u>\$ 9,283,918</u>	<u>\$ (4,710,317)</u>	<u>\$ 88,344,459</u>

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

Governmental Activities:	
General Government	\$ 362,397
Public Safety	348,396
Highways and Streets, Including Depreciation of Infrastructure Assets	<u>2,043,310</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,754,103</u>

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables, and Transfers**

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

**1. Due To/From Other Funds**

Due to Other Funds and Due from Other Funds as of December 31, 2021, expected to be repaid within one year, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Family Services	\$ 28,943	Vehicle Usage, Services
	Community Health	1,735	Fees for Services Performed
	Forfeited Tax	<u>372,693</u>	Forfeited Tax Settlement
	Total General Fund	403,371	
Road and Bridge Fund	General Fund	1,126	Fees for Services Performed
Community Health	General Fund	3,008	Fees for Services Performed
	Family Services Fund	<u>18,803</u>	Fees for Services Performed
	Total Community Health Fund	<u>21,811</u>	
Total Due To/From Other Funds		<u>\$ 426,308</u>	

**2. Interfund Transfers**

Interfund transfers for the year ended December 31, 2021, consisted of the following:

	<u>Amount</u>	<u>Reason</u>
Transfer from the General Fund to the Road and Bridge Fund	<u>\$ 162,000</u>	Ground Maintenance and County Parks

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021
<b>General Obligation Bonds</b>					
2015A General Obligation Refunding Bonds	2027	\$220,000 - \$995,000	2.25 - 3.00	\$ 8,485,000	\$ 5,610,000
Subtotal					5,610,000
Add: Unamortized Premiums					88,707
Less: Unamortized Discounts					(20,815)
Total General Obligation Bonds					<u>\$ 5,677,892</u>
<b>Capital Leases</b>					
Motorola Lease	2021	\$47,420 - \$56,049	3.40	\$ 355,690	\$ -
Vehicle Leases - 2016	2021	\$274 - \$442	1.25 - 1.35	78,958	-
Vehicle Leases - 2017	2022	\$274 - \$321	1.25 - 1.35	44,091	2,891
Phone System	2025	\$3,187	3.00	177,346	89,389
Vehicle Leases - 2020	2025	\$421 - \$569	8.50 - 9.00	175,620	136,289
Vehicle Leases - 2021	2026	\$483 - \$594	1.35	123,300	108,646
Total Capital Leases					<u>\$ 337,215</u>
<b>Direct Borrowing</b>					
Clean Water Partnership Loans (CWP Loans)	2030	\$5,060 - \$11,308	2.00	\$ 665,175	\$ 450,780
Gross Revenue Hospital Bond	2054	\$217,910	3.00	56,600,000	54,542,061
Gross Revenue Hospital Note	2039	\$29,607	3.91	4,900,000	4,551,172
					<u>\$ 59,544,013</u>

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**2. Debt Service Requirements**

Debt service requirements at December 31, 2021, were as follows:

**Governmental Activities**

Year Ending December 31,	General Obligation Bonds		Direct Borrowing CWP Loans		Direct Borrowing Gross Revenue Bonds		Direct Borrowing Gross Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 865,000	\$ 125,775	\$ 67,115	\$ 8,682	\$ 987,902	\$ 1,627,018	\$ 177,808	\$ 177,480
2023	900,000	99,825	68,464	7,333	1,017,977	1,596,943	184,997	170,291
2024	925,000	81,825	69,840	5,956	1,048,969	1,565,951	192,476	162,812
2025	950,000	63,325	71,244	4,552	1,080,904	1,534,016	200,258	155,030
2026	975,000	44,325	52,808	3,121	1,113,811	1,501,109	208,355	146,934
2027-2031	995,000	22,368	121,309	4,899	6,098,817	6,975,783	1,175,152	601,288
2032-2036	-	-	-	-	7,085,460	5,989,140	1,432,714	343,727
2037-2041	-	-	-	-	8,231,718	4,842,882	979,412	59,599
2042-2046	-	-	-	-	9,563,414	3,511,186	-	-
2047-2051	-	-	-	-	11,110,546	1,964,054	-	-
2052-2054	-	-	-	-	7,202,543	333,298	-	-
Total	\$ 5,610,000	\$ 437,443	\$ 450,780	\$ 34,543	\$ 54,542,061	\$ 31,441,380	\$ 4,551,172	\$ 1,817,161

**3. Changes in Long-Term Liabilities**

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

**Governmental Activities**

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 6,450,000	\$ -	\$ 840,000	\$ 5,610,000	\$ 865,000
Unamortized Discounts	(23,789)	-	(2,974)	(20,815)	-
Unamortized Premiums	183,049	-	94,342	88,707	-
Total Bonds Payable	6,609,260	-	931,368	5,677,892	865,000
Loans Payable - Direct Borrowing	561,992	-	111,212	450,780	67,115
Gross Revenue Hospital Bond - Direct Borrowing	55,590,873	-	1,048,812	54,542,061	987,902
Gross Revenue Hospital Note - Direct Borrowing	4,722,346	-	171,174	4,551,172	177,808
Capital Lease Payable	344,678	123,300	130,763	337,215	79,844
Compensated Absences Payable	2,427,332	1,380,347	1,326,745	2,480,934	2,234,296
Governmental Activity Long-Term Liabilities	\$ 70,256,481	\$ 1,503,647	\$ 3,720,074	\$ 68,040,054	\$ 4,411,965

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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**3. Changes in Long-Term Liabilities (Continued)**

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. The loans are to be repaid in amounts ranging from \$5,060 to \$11,308 with 2% interest and final maturity of 2030. The loans are repaid with the proceeds that are collected on the related loans receivable in the General Fund. According to the agreement there are no default, termination, or acceleration clauses applicable to these loans.

**4. Capital Leases**

During 2021, the County entered into five capital leases to purchase vehicles. The leases totaled \$123,300 for a five-year term and are payable through 2026.

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 fully paid off as of December 31, 2021.

During 2015, the County began leasing radio equipment through Motorola for the squad cars under a five-year term for a total of \$355,690 and are fully paid off as of December 31, 2021.

At December 31, 2021, the County has total assets under capital lease of \$843,457 with the related accumulated depreciation of \$408,453. The remaining capital lease obligations are as follows:

<u>Year Ending December 31,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 79,844	\$ 26,258
2023	83,610	18,822
2024	90,887	11,545
2025	75,063	3,818
2026	7,811	137
Total	<u>\$ 337,215</u>	<u>\$ 60,580</u>

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**5. Direct Borrowing**

On January 18, 2018, the County issued the Healthcare Revenue Bond Anticipation Notes, Series 2018 of \$56,600,000 with an interest rate of 2.75%. In connection with this financing, the System's Series 2012C Revenue Bonds and Series 2006A Revenue Bonds were refinanced. The Series 2018 Notes matured on December 1, 2019, at which time they were refinanced with a U.S. Department of Agriculture direct loan of \$56,600,000 at 3.00% interest and a U.S. Department of Agriculture guaranteed loan of \$4,900,000 at 3.91% interest. The Bond and Note were issued to finance the hospital remodel and expansion project. The Bond is due in annual installments of \$2,614,920 maturing on November 1, 2054. The Note is due in annual installments of \$355,288 maturing on November 1, 2039. The Bond and Note are secured by capital assets.

**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**

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

**2. Public Employees Police and Fire Plan**

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

**3. Local Government Correctional Plan**

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



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

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

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

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**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 2021 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, 2021 were \$661,924. The County's contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Fund Contributions**

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the County was required to contribute 17.70% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2021 were \$285,370. The County's contributions were equal to the required contributions as set by state statute.

**3. Correctional Fund Contributions**

Correctional Plan members were required to contribute 5.83% of their annual covered salary in fiscal year 2021 and the County was required to contribute 8.75% for Correctional Plan members. The County's contributions to the Correctional Fund for the year ended December 31, 2021 were \$146,090. The County's contributions were equal to the required contributions as set by state statute.

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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2021, the County reported a liability of \$5,124,538 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$156,538.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.12% at the end of the measurement period and 0.1206% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$ 5,124,538
States Proportionate Share of the Net Pension Liability	156,538
Total	<u>\$ 5,281,076</u>

For the year ended December 31, 2021, the County recognized pension expense of \$37 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$12,630 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

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

At December 31, 2021, 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	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 31,484	\$ 156,826
Changes in Actuarial Assumptions	3,128,936	113,358
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	4,438,066
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	99,080
County Contributions Subsequent to the Measurement Date	358,816	-
Total	<u>\$ 3,519,236</u>	<u>\$ 4,807,330</u>

The \$358,816 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to General Employee Fund pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Kanabec County Pension Expenses Amount
2022	\$ (298,113)
2023	(89,263)
2024	(49,041)
2025	(1,210,493)

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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

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

At December 31, 2021, the County reported a liability of \$1,068,301 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1384% at the end of the measurement period and 0.1436% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached, or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2021, the County recognized pension revenue of \$33,425 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$8,745 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

County's Proportionate Share of the Net Pension Liability	\$ 1,068,301
States Proportionate Share of the Net Pension Liability	48,020
Total	<u>\$ 1,116,321</u>

**KANABEC COUNTY  
MORA, MINNESOTA  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 205,180	\$ -
Changes in Actuarial Assumptions	1,570,124	586,965
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	2,041,253
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	171,574	190,955
County Contributions Subsequent to the Measurement Date	159,087	-
Total	<u>\$ 2,105,965</u>	<u>\$ 2,819,173</u>

The \$159,087 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, 2022. 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
2022	\$ (684,823)
2023	(121,416)
2024	(140,130)
2025	(255,248)
2026	329,322

**KANABEC COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**3. Correctional Plan Pension Costs**

At December 31, 2021, the County reported an asset of \$126,890 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.772% at the end of the measurement period and 0.789% for the beginning of the period.

For the year ended December 31, 2021, the County recognized pension revenue of \$308,854 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2021, 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	\$ -	\$ 72,370
Changes in Actuarial Assumptions	794,296	11,893
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,018,731
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	14,852	19,313
County Contributions Subsequent to the Measurement Date	80,853	-
Total	<u>\$ 890,001</u>	<u>\$ 1,122,307</u>



**KANABEC COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**3. Correctional Plan Pension Costs (Continued)**

The \$80,853 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to the Correctional Plan will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expenses Amount</u>
2022	\$ (46,856)
2023	(4,039)
2024	14,647
2025	(276,911)

**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.

	<u>General Employee Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>	<u>Total</u>
Net Pension Liability	\$ 5,124,538	\$ 1,068,301	\$ -	\$ 6,192,839
Net Pension Asset	-	-	126,890	126,890
Deferred Outflows of Resources Related to Pensions	3,519,236	2,105,965	890,001	6,515,202
Deferred Inflows of Resources Related to Pensions	4,807,330	2,819,173	1,122,307	8,748,810
Pension Expense (Revenue)	12,667	(24,680)	(308,854)	(320,867)

**F. Long-Term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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**NOTE 4 PENSION PLANS (CONTINUED)**

**F. Long-Term Expected Return on Investment (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

**G. Actuarial Assumptions**

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

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

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

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

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

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**NOTE 4 PENSION PLANS (CONTINUED)**

**G. Actuarial Assumptions (Continued)**

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**Police and Fire Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**KANABEC COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**G. Actuarial Assumptions (Continued)**

**Correctional Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**KANABEC COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**H. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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.

**I. Pension Liability Sensitivity**

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

	Proportionate Share of the					
	General Employees Fund		Police and Fire Fund		Correctional Fund	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50 %	\$ 10,451,441	6.50 %	\$ 3,391,676	4.96 %	\$ 1,320,580
Current	6.50	5,124,538	7.50	1,068,301	5.96	(126,890)
1% Increase	7.50	753,488	8.50	(836,290)	6.96	(1,275,611)

**J. Pension Plan Fiduciary Net Position**

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

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**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 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 4,697	\$ 4,697	5%	5%	5%

**KANABEC COUNTY  
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**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, 2021, the following plan participants were covered by the benefit terms:

Active	153
Retirees Receiving Payments	5
Spouses Receiving Payments	1
Total	<u>159</u>

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, 2021. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 (update procedures were used to roll forward the total OPEB liability to the measurement date), 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

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**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, 2021	\$ 584,502
Changes for the Year:	
Service Cost	67,192
Interest	18,423
Assumption Changes	-
Differences Between Expected and Actual Experience	-
Benefit Payments	(33,053)
Net Change in Total OPEB Liability	52,562
Balance - December 31, 2021	\$ 637,064

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:

	1% Decrease (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Discount Rate Sensitivity			
Total OPEB Liability	\$ 688,627	\$ 637,064	\$ 589,184



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**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 health care cost trend rates that are 1% lower (5.50% decreasing to 4.00% over five years) or 1% higher (7.50% decreasing to 6.00% over five years) than the current health care cost trend rates:

	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%)
<u>Medical Trend Rate Sensitivity</u>			
<u>Total OPEB Liability</u>	\$ 557,442	\$ 637,064	\$ 733,632

For the year ended December 31, 2021, the County recognized OPEB expense of \$70,371. The County recognized the following deferred inflows of resources and deferred outflows of resources related to OPEB:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 7,242	\$ 13,606
Difference Between Projected and Actual Experience		82,373
Contributions Subsequent to the Measurement Date	46,469	
Total	<u>\$ 53,711</u>	<u>\$ 95,979</u>

At December 31, 2021, the County reported \$46,469 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, 2022.

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

<u>Year Ending December 31,</u>	<u>OPEB Expense</u>
2022	\$ (15,244)
2023	(15,244)
2024	(15,244)
2025	(15,244)
2026	(15,240)
Thereafter	(12,521)

**KANABEC COUNTY  
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**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 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 2021, 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 2021, the County paid \$161,707 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 one 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 2021, 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 2021, 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.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021 was \$3,567,150. 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 2021 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.

**Central Minnesota Jobs and Training Services, Inc.**

Central Minnesota Jobs and Training Services, Inc. (CMJTS) is a nonprofit employment and training agency and a partner in the Minnesota Work Force Center System. CMJTS is a joint venture established pursuant to Minnesota Statutes §471.59, consisting of 11 counties in Central Minnesota, including Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright Counties and is also a partner of Workforce Service Area 5. CMJTS's mission is to match job seekers, youth, businesses, and those seeking training with the resources available to them. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Board. During 2021, Kanabec County Contributed \$198,379.

Separate, complete financial information can be obtained from Central Minnesota Jobs and Training Services, 406 East 7<sup>th</sup> Street, Monticello, Minnesota 55362.

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**C. Joint Ventures (Continued)**

**Central Minnesota Emergency Medical Services Region**

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minnesota Statute §471.59, to improve access, deliver, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery to services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region's Board has financial responsibility, and Stearns county is the fiscal agent.

During 2021, the County made no payments to the Central Minnesota Emergency Medical Services Region. There is no accumulation of significant financial resources or fiscal distress to the entity.

Separate, complete financial information can be obtained from Central Minnesota Jobs and Training Services, 406 East 7<sup>th</sup> Street, Monticello, Minnesota 55362.

**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 2021, the County made no contributions to the Collaborative.

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

**KANABEC COUNTY  
MORA, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 8 PRIOR PERIOD RESTATEMENT**

During the year ended December 31, 2021, the County noted that an accrual for the PTO payout conversion has not been accrued. This accrual affects the government-wide liabilities and statement of net position.

On July 1, 2021 Welia Health, previously reported as a discretely presented component unit, incorporated as a nonprofit organization. It was determined the County had omitted debt previously issued related to Welia Health in its prior year financial statements which requires a restatement of beginning fund balance in the debt service fund and net position of the governmental activities. In addition, the County should have recognized a receivable in the prior year equal to the amount of the related debt of \$60,313,219. The debt obligations are not recognized on the fund level.

The effects of these restatements on net position for government activities and the fund balance in the debt service fund are as follows:

	Net Position/Fund Balance as Previously Stated	Cumulative Affect of Application of Debt Obligations	Cumulative Affect of Application of PTO Accrual	Net Position/Fund Balance As Restated
Governmental Activities	\$ 82,558,129	\$ -	\$ (1,884,374)	\$ 80,673,755
Debt Service Fund	1,263,390	60,313,219	-	61,576,609

**NOTE 9 SUBSEQUENT EVENTS**

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50% in calendar year 2021 and the remaining 50% no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. The County’s allocation of the State and Local Coronavirus Recovery funds is \$3,168,461 of which \$1,584,230 was received in June 2022.

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For the County, the amount to be received as a result of this litigation is \$683,570 to be received over 18 years, which has been recorded as due from other governments in the current year.

Additionally, the County received their second half of the coronavirus state and local fiscal recovery funds in the amount of \$1,586,635 as declared by the Treasury during 2020.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**



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

	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019
<b>General Employees Retirement Fund - Kanabec County</b>			
County's Proportion of the Net Pension Liability	0.120%	0.121%	0.121%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,124,538	\$ 7,230,521	\$ 6,678,761
State's Proportionate Share of the Net Pension Liability (Asset)	\$ 156,538	\$ 222,930	\$ 207,582
County's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,281,076	\$ 7,453,451	\$ 6,886,343
County's Covered Payroll	\$ 8,641,060	\$ 8,631,413	\$ 8,546,628
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	59.30%	83.77%	78.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	87.00%	79.06%	80.20%
<b>Public Employees Police and Fire Fund</b>			
County's Proportion of the Net Pension Liability (Asset)	0.138%	0.144%	0.154%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,068,301	\$ 1,892,802	\$ 1,639,486
State's Proportionate Share of the Net Pension Liability (Asset)	\$ 48,020	\$ 44,596	\$ -
County's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,116,321	\$ 1,937,398	\$ 1,639,486
County's Covered Payroll	\$ 1,635,622	\$ 1,622,695	\$ 2,408,017
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	65.31%	116.65%	68.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	93.66%	87.19%	89.30%
<b>Public Employees Correctional Fund</b>			
County's Proportion of the Net Pension Liability (Asset)	0.772%	0.789%	0.770%
County's Proportionate Share of the Net Pension Liability (Asset)	\$ (126,890)	\$ 214,143	\$ 106,633
County's Covered Payroll	\$ 1,707,940	\$ 1,717,246	\$ 1,642,689
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	-7.43%	12.47%	6.49%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability (Asset)	101.61%	96.67%	98.20%

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

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

Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.125%	0.121%	0.117%	0.119%
\$ 6,934,488	\$ 7,750,096	\$ 9,516,059	\$ 6,162,015
\$ 227,463	\$ 97,450	\$ 124,251	\$ -
\$ 7,161,951	\$ 7,847,546	\$ 9,640,310	\$ 6,162,015
\$ 8,404,865	\$ 7,822,331	\$ 7,161,882	\$ 7,008,658
82.51%	99.08%	132.87%	87.92%
75.90%	75.90%	68.90%	78.20%
0.141%	0.135%	0.127%	0.122%
\$ 1,505,047	\$ 1,822,661	\$ 5,096,731	\$ 1,386,205
\$ -	\$ -	\$ -	\$ -
\$ 1,505,047	\$ 1,822,661	\$ 5,096,731	\$ 1,386,205
\$ 1,488,422	\$ 1,382,226	\$ 1,223,073	\$ 1,100,671
101.12%	131.86%	416.72%	125.94%
85.43%	85.43%	63.90%	86.60%
0.793%	0.720%	0.710%	0.710%
\$ 130,394	\$ 2,052,007	\$ 2,593,729	\$ 109,766
\$ 1,619,222	\$ 1,476,879	\$ 1,338,653	\$ 1,227,322
8.05%	138.94%	193.76%	8.94%
67.89%	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**

	2021	2020
<b>General Employees Retirement Fund - Kanabec County</b>		
Contractually Required Contribution	\$ 661,924	\$ 645,669
Contributions in Relation to the Contractually Required Contribution	(661,924)	(645,669)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered Payroll	 \$ 8,825,653	 \$ 8,608,920
Contributions as a Percentage of Covered Payroll	7.50%	7.50%
 The System's Covered Payroll	 \$ 29,206,373	 \$ 29,206,373
Contributions as a Percentage of Covered Payroll	7.50%	7.50%
 <b>Public Employees Police and Fire Fund</b>		
Contractually Required Contribution	\$ 285,370	\$ 287,110
Contributions in Relation to the Contractually Required Contribution	(285,370)	(287,110)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered Payroll	 \$ 1,612,260	 \$ 1,622,090
Contributions as a Percentage of Covered Payroll	17.70%	17.70%
 <b>Public Employees Correctional Fund</b>		
Contractually Required Contribution	\$ 146,090	\$ 148,854
Contributions in Relation to the Contractually Required Contribution	(146,090)	(148,854)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered Payroll	 \$ 1,669,600	 \$ 1,701,189
Contributions as a Percentage of Covered Payroll	8.75%	8.75%

**NOTE:** Amounts for prior to 2014 are not available.

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS (CONTINUED)  
LAST TEN FISCAL YEARS**

2019	2018	2017	2016	2015	2014
\$ 564,611	\$ 630,365	\$ 586,563	\$ 555,930	\$ 535,155	\$ 495,857
(564,611)	(630,365)	(586,563)	(555,930)	(535,155)	(495,857)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,528,147	\$ 8,404,867	\$ 7,820,840	\$ 7,412,400	\$ 7,135,400	\$ 6,839,407
7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
\$ 27,509,293	\$ 26,034,973	\$ 24,411,400	\$ 22,843,040	\$ 20,687,187	\$ 18,394,124
7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
\$ 232,343	\$ 241,125	\$ 223,933	\$ 206,674	\$ 192,551	\$ 166,985
(232,343)	(241,125)	(223,933)	(206,674)	(192,551)	(166,985)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,370,755	\$ 1,488,426	\$ 1,382,302	\$ 1,275,765	\$ 1,188,586	\$ 1,091,405
16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
\$ 123,605	\$ 141,682	\$ 126,364	\$ 118,881	\$ 114,901	\$ 108,884
(123,605)	(141,682)	(126,364)	(118,881)	(114,901)	(108,884)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,412,629	\$ 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%	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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,630,536	\$ 7,630,536	\$ 7,923,613	\$ 293,077
Special Assessments	100	100	109,899	109,799
Licenses and Permits	72,300	72,300	104,127	31,827
Intergovernmental	2,739,812	2,739,812	2,703,195	(36,617)
Charges for Services	2,304,424	2,304,424	2,323,096	18,672
Fines and Forfeits	500	500	34,583	34,083
Gifts and Contributions	11,000	11,000	24,936	13,936
Investments Earnings	120,000	120,000	34,343	(85,657)
Miscellaneous	927,670	927,670	704,732	(222,938)
Total Revenues	13,806,342	13,806,342	13,962,524	156,182
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	188,509	188,509	184,008	4,501
Courts	37,500	37,500	35,368	2,132
Law Library	9,000	9,000	9,492	(492)
County Administration	597,971	597,971	595,580	2,391
County Auditor-Treasurer	747,493	747,493	767,642	(20,149)
County Assessor	577,249	577,249	524,516	52,733
Elections	16,640	16,640	8,971	7,669
Data Processing	408,508	408,508	410,524	(2,016)
Attorney	750,418	750,418	803,210	(52,792)
Recorder	206,033	206,033	221,411	(15,378)
Surveyor	17,500	17,500	8,600	8,900
Planning and Zoning	333,505	333,505	332,278	1,227
Buildings and Plant	610,594	610,594	625,392	(14,798)
Veterans Service Officer	123,790	123,790	126,208	(2,418)
Other General Government	447,659	447,659	671,093	(223,434)
Regional Rail Authority	-	-	1,017	(1,017)
Public Transit	912,101	912,101	957,525	(45,424)
Total General Government	5,984,470	5,984,470	6,282,835	(298,365)
<b>PUBLIC SAFETY</b>				
Sheriff	2,641,044	2,641,044	2,666,768	(25,724)
Boat and Water Safety	4,463	4,463	872	3,591
Coroner	40,000	40,000	50,541	(10,541)
E-911 System	67,146	67,146	84,651	(17,505)
County Jail	3,476,971	3,476,971	3,215,600	261,371
Probation and Parole	561,162	561,162	603,661	(42,499)
ATV Program	3,154	3,154	1,000	2,154
Total Public Safety	6,793,940	6,793,940	6,623,093	170,847

*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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>CURRENT (Continued)</b>				
<b>SANITATION</b>				
Solid Waste	\$ 127,423	\$ 127,423	\$ 110,673	\$ 16,750
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	85,161	85,161	81,039	4,122
<b>INTERGOVERNMENTAL</b>				
Culture and Recreation	170,431	170,431	170,457	(26)
<b>CAPITAL OUTLAY</b>				
General Government	162,000	162,000	127,708	34,292
Public Safety	67,954	67,954	10,377	57,577
Total Capital Outlay	<u>229,954</u>	<u>229,954</u>	<u>138,085</u>	<u>91,869</u>
<b>DEBT SERVICE</b>				
Principal Retirement	99,535	99,535	241,975	(142,440)
Interest	5,250	5,250	15,436	(10,186)
Total Debt Service	<u>104,785</u>	<u>104,785</u>	<u>257,411</u>	<u>(152,626)</u>
Total Expenditures	<u>13,496,164</u>	<u>13,496,164</u>	<u>13,663,593</u>	<u>(167,429)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	310,178	310,178	298,931	(11,247)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	12,800	12,800	-	(12,800)
Transfer Out	(519,263)	(519,263)	(162,000)	357,263
Capital Leases Issued	-	-	123,300	123,300
Sale of Capital Assets	50,000	50,000	1,195,340	1,145,340
Total Other Financing Sources (Uses)	<u>(456,463)</u>	<u>(456,463)</u>	<u>1,156,640</u>	<u>1,613,103</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (146,285)</u>	<u>\$ (146,285)</u>	1,455,571	<u>\$ 1,601,856</u>
Fund Balance - Beginning of Year			<u>3,605,917</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,061,488</u>	

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,728,361	\$ 2,728,361	\$ 2,861,090	\$ 132,729
Licenses and Permits	25,000	25,000	35,082	10,082
Intergovernmental	6,354,645	6,354,645	3,439,702	(2,914,943)
Charges for Services	-	-	97,041	97,041
Miscellaneous	170,000	170,000	10,520	(159,480)
Total Revenues	<u>9,278,006</u>	<u>9,278,006</u>	<u>6,443,435</u>	<u>(2,834,571)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	343,370	343,370	291,602	51,768
Maintenance	2,264,917	2,264,917	868,751	1,396,166
Construction	219,483	219,483	234,547	(15,064)
Equipment and Maintenance Shops	703,378	703,378	587,856	115,522
Unallocated - Highways and Streets	788,858	788,858	947,874	(159,016)
Total Current	<u>4,320,006</u>	<u>4,320,006</u>	<u>2,930,630</u>	<u>1,389,376</u>
<b>CAPITAL OUTLAY</b>	5,270,000	5,270,000	6,906,831	(1,636,831)
<b>DEBT SERVICE</b>				
Principal Retirement	99,535	99,535	-	99,535
Interest	5,250	5,250	-	5,250
Total Debt Service	<u>104,785</u>	<u>104,785</u>	<u>-</u>	<u>104,785</u>
Total Expenditures	<u>9,694,791</u>	<u>9,694,791</u>	<u>9,837,461</u>	<u>(142,670)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(416,785)	(416,785)	(3,394,026)	(2,977,241)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	162,000	162,000	162,000	-
Sale of Capital Assets	-	-	14,900	14,900
Total Other Financing Sources (Uses)	<u>162,000</u>	<u>162,000</u>	<u>176,900</u>	<u>14,900</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (254,785)</u>	<u>\$ (254,785)</u>	<u>(3,217,126)</u>	<u>\$ (2,962,341)</u>
Fund Balance - Beginning of Year			5,865,294	
<b>DECREASE IN INVENTORIES</b>			<u>(52,481)</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,595,687</u>	

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,258,822	\$ 2,258,822	\$ 2,032,888	\$ (225,934)
Intergovernmental	3,345,872	3,345,872	3,435,894	90,022
Charges for Services	118,000	118,000	264,126	146,126
Miscellaneous	497,000	497,000	587,653	90,653
Total Revenues	<u>6,219,694</u>	<u>6,219,694</u>	<u>6,320,561</u>	<u>100,867</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	2,000,976	2,000,976	1,876,988	123,988
Social Services	4,218,718	4,218,718	4,071,839	146,879
Total Human Services	<u>6,219,694</u>	<u>6,219,694</u>	<u>5,948,827</u>	<u>270,867</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>371,734</u>	<u>371,734</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>371,734</u>	<u>\$ 371,734</u>
Fund Balance - Beginning of Year			<u>1,070,595</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,442,329</u>	

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 147,007	\$ (2,993)
Intergovernmental	-	-	497	497
Charges for Services	1,200	1,200	-	(1,200)
Gifts and Contributions	2,000	2,000	25,100	23,100
Miscellaneous	-	-	2,500	2,500
Total Revenues	<u>153,200</u>	<u>153,200</u>	<u>175,104</u>	<u>21,904</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>ECONOMIC DEVELOPMENT</b>				
Economic Development	<u>153,200</u>	<u>153,200</u>	<u>465,587</u>	<u>(312,387)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(290,483)</u>	<u>\$ (290,483)</u>
Fund Balance - Beginning of Year			<u>381,995</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 91,512</u>	

*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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 393,091	\$ 393,091	\$ 348,077	\$ (45,014)
Intergovernmental	1,622,888	1,622,888	1,792,982	170,094
Charges for Services	1,107,850	1,107,850	837,214	(270,636)
Gifts and Contributions	10,000	10,000	7,859	(2,141)
Miscellaneous	17,225	17,225	9,747	(7,478)
Total Revenues	<u>3,151,054</u>	<u>3,151,054</u>	<u>2,995,879</u>	<u>(155,175)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HEALTH</b>				
Community Health	3,101,054	3,101,054	2,916,788	184,266
Total Health	<u>3,101,054</u>	<u>3,101,054</u>	<u>2,916,788</u>	<u>184,266</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	50,000	50,000	79,091	29,091
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	50,000	50,000	-	(50,000)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>79,091</u>	<u>\$ 20,909</u>
Fund Balance - Beginning of Year			<u>641,913</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 721,004</u>	

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, 2021**

	Measurement Date <u>January 1, 2021</u>	Measurement Date <u>January 1, 2020</u>	Measurement Date <u>January 1, 2019</u>	Measurement Date <u>January 1, 2018</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 67,192	\$ 65,077	\$ 62,244	\$ 65,311
Interest	18,423	25,684	21,054	18,997
Benefit Payments	(33,053)	(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	<u>52,562</u>	<u>(42,919)</u>	<u>41,991</u>	<u>65,965</u>
Total OPEB Liability - Beginning	584,502	627,421	585,430	519,465
Total OPEB Liability - Ending	<u>\$ 637,064</u>	<u>\$ 584,502</u>	<u>\$ 627,421</u>	<u>\$ 585,430</u>
Covered Employee Payroll	\$ 9,268,029	\$ 8,976,299	\$ 9,258,853	\$ 8,989,178
County's OPEB Liability as a Percentage of Covered Employee Payroll	7%	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.

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

**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, Debt Service Fund, and Opioid Settlement 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, 2021:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 13,663,593	\$ 13,496,164	\$ 167,429
Road and Bridge Special Revenue Fund	9,837,461	9,694,791	142,670
Economic Development Authority	465,587	153,200	312,387

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

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

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended December 31, 2021.

**General Employees Plan**

2021

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There were no changes in plan provisions since the prior valuation.

2020

*Changes in Actuarial Assumptions*

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) 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.

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

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

**General Employees Plan (Continued)**

2020 (Continued)

*Changes in Plan Provisions*

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

2019

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

The employer supplemental 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.

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

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

**General Employees Plan (Continued)**

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.
- 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.

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

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

**Police and Fire Plan**

2021

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There were no changes in plan provisions since the previous valuation.

2020

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2019

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.



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

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

**Police and Fire Plan (Continued)**

2018

*Changes in Actuarial Assumptions*

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

*Changes in Plan 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.

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

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

**Police and Fire Plan (Continued)**

2017 (Continued)

*Changes in Actuarial Assumptions (Continued)*

- Assumed 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%.

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

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

**Correctional Plan**

2021

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2020

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2019

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

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

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

**Correctional Plan (Continued)**

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.

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.

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

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

**Correctional Plan (Continued)**

2016

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015

*Changes in Actuarial Assumptions*

- There have been no changes since the prior valuation

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**NOTE 4 OTHER POSTEMPLOYMENT 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:

2021

- There have been no changes since the prior valuation.

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%.

**SUPPLEMENTARY INFORMATION**

**KANABEC COUNTY  
MORA, MINNESOTA  
DESCRIPTION OF FUNDS**

**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  
DECEMBER 31, 2021**

	Custodial Funds			
	Taxes and Penalties	Mortgage Registry and State Deed	State Revenue	Prepaid Tax
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 422,071	\$ 71,964	\$ 21,512	\$ 49,030
Taxes For Other Governments	552,606	-	-	-
Accounts Receivable	-	-	-	-
Total Assets	<u>974,677</u>	<u>71,964</u>	<u>21,512</u>	<u>49,030</u>
<b>LIABILITIES</b>				
Due to Others	182,775	-	-	-
Due to Other Governments	239,296	71,964	21,512	-
Total Liabilities	<u>422,071</u>	<u>71,964</u>	<u>21,512</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Collected for Subsequent Period	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,030</u>
<b>NET POSITION</b>				
Restricted for:				
Individuals, Organizations, and Other Governments	<u>\$ 552,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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

Custodial Funds						
Employee Wellness	Snake River Watershed	Estate Recoveries	Jail Inmate	Civil Process	Kanabec County Collaborative	Total Custodial Funds
\$ 720	\$ 312,442	\$ 4,175	\$ 118,461	\$ 36,476	\$ 36,740	\$ 1,073,591
-	-	-	-	-	-	552,606
-	-	-	-	-	20,206	20,206
<u>720</u>	<u>312,442</u>	<u>4,175</u>	<u>118,461</u>	<u>36,476</u>	<u>56,946</u>	<u>1,646,403</u>
-	-	-	-	-	-	182,775
-	38,640	4,175	-	-	9,958	385,545
-	<u>38,640</u>	<u>4,175</u>	-	-	<u>9,958</u>	<u>568,320</u>
-	-	-	-	-	-	49,030
<u>\$ 720</u>	<u>\$ 273,802</u>	<u>\$ -</u>	<u>\$ 118,461</u>	<u>\$ 36,476</u>	<u>\$ 46,988</u>	<u>\$ 1,029,053</u>

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

	Custodial Funds			
	Taxes and Penalties	Mortgage Registry and State Deed	State Revenue	Prepaid Tax
<b>ADDITIONS</b>				
Contributions:				
Individuals	\$ -	\$ -	\$ 30,454	\$ -
Property Tax Collections for Other Governments	10,830,692	-	-	-
Fee Collections for Other Governments and Organizations	-	759,301	-	-
License and Fees Collected for State	-	-	-	-
Total Additions	<u>10,830,692</u>	<u>759,301</u>	<u>30,454</u>	<u>-</u>
<b>DEDUCTIONS</b>				
Beneficiary Payments to Individuals	-	-	-	-
Payments of Property Tax to Other Governments	10,801,411	-	-	-
Payments to State	-	759,301	30,454	-
Administrative Expense	-	-	-	-
Payments to Other Entities	-	-	-	-
Total Deductions	<u>10,801,411</u>	<u>759,301</u>	<u>30,454</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	29,281	-	-	-
Fiduciary Net Position - Beginning of Year	<u>523,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION - END OF YEAR</b>	<u>\$ 552,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Custodial Funds						
Employee Wellness	Snake River Watershed	Estate Recoveries	Jail Inmate	Civil Process	Kanabec County Collaborative	Total Custodial Funds
\$ 3,042	\$ 48,619	\$ -	\$ 76,805	\$ 92,742	\$ 111,126	\$ 362,788
-	-	-	-	-	-	10,830,692
-	-	-	-	-	-	759,301
-	-	158,182	-	-	-	158,182
<u>3,042</u>	<u>48,619</u>	<u>158,182</u>	<u>76,805</u>	<u>92,742</u>	<u>111,126</u>	<u>12,110,963</u>
-	-	-	42,469	60,121	-	102,590
-	-	-	-	-	-	10,801,411
-	-	158,182	-	-	-	947,937
3,311	-	-	-	-	-	3,311
-	39,894	-	-	-	135,868	175,762
<u>3,311</u>	<u>39,894</u>	<u>158,182</u>	<u>42,469</u>	<u>60,121</u>	<u>135,868</u>	<u>12,031,011</u>
(269)	8,725	-	34,336	32,621	(24,742)	79,952
989	265,077	-	84,125	3,855	71,730	949,101
<u>\$ 720</u>	<u>\$ 273,802</u>	<u>\$ -</u>	<u>\$ 118,461</u>	<u>\$ 36,476</u>	<u>\$ 46,988</u>	<u>\$ 1,029,053</u>

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUES  
YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge	Welfare	Economic Development Authority	Community Health	Debt Service	Total
<b>SHARED REVENUE</b>							
State							
Highway Users Tax	\$ -	\$ 1,570,556	\$ -	\$ -	\$ -	\$ -	\$ 1,570,556
Market Value Credit - Agriculture	131,321	30,678	35,974	-	6,180	16,553	220,706
PERA Rate Reimbursement	33,206	3,293	7,613	-	-	-	44,112
Disparity Reduction Aid	2,542	594	696	-	120	320	4,272
Police Aid	151,843	-	-	-	-	-	151,843
County Program Aid	708,789	165,583	194,173	-	33,355	89,343	1,191,243
Aquatic Invasive Species Aid	48,349	-	-	-	-	-	48,349
E-911	132,420	-	-	-	-	-	132,420
Total Shared Revenue	<u>1,208,470</u>	<u>1,770,704</u>	<u>238,456</u>	<u>-</u>	<u>39,655</u>	<u>106,216</u>	<u>3,363,501</u>
<b>REIMBURSEMENT FOR SERVICES</b>							
Human Services	-	-	1,002,601	-	283,287	-	1,285,888
<b>PAYMENTS</b>							
Local							
Local	-	-	-	-	27,597	-	27,597
Payments in Lieu of Taxes	107,144	438	512	497	88	190	108,869
Total Payments	<u>107,144</u>	<u>438</u>	<u>512</u>	<u>497</u>	<u>27,685</u>	<u>190</u>	<u>136,466</u>
<b>GRANTS</b>							
State							
Minnesota Department/Board of							
Corrections	137,559	-	-	-	-	-	137,559
Health	-	-	-	-	443,920	-	443,920
Natural Resources	49,651	-	-	-	-	-	49,651
Human Services	-	-	688,673	-	89,388	-	778,061
Peace Officers Board	22,668	-	-	-	-	-	22,668
Pollution Control Agency	71,066	-	-	-	-	-	71,066
Water and Soil Board	62,864	-	-	-	-	-	62,864
Transportation	419,547	-	-	-	-	-	419,547
Public Safety	11,951	-	-	-	1,824	-	13,775
Veteran Affairs	10,000	-	-	-	-	-	10,000
Total State Grants	<u>785,306</u>	<u>-</u>	<u>688,673</u>	<u>-</u>	<u>535,132</u>	<u>-</u>	<u>2,009,111</u>
Federal							
Department of							
Agriculture	23,528	-	151,559	-	114,090	-	289,177
Justice	37,276	-	-	-	-	-	37,276
Education	-	-	-	-	918	-	918
Transportation	88,621	1,668,560	-	-	-	-	1,757,181
Treasury	344,185	-	-	-	-	-	344,185
Homeland Security	17,116	-	-	-	-	-	17,116
Health and Human Services	91,549	-	1,354,093	-	792,215	-	2,237,857
Total Federal Grants	<u>602,275</u>	<u>1,668,560</u>	<u>1,505,652</u>	<u>-</u>	<u>907,223</u>	<u>-</u>	<u>4,683,710</u>
Total State and Federal Grants	<u>1,387,581</u>	<u>1,668,560</u>	<u>2,194,325</u>	<u>-</u>	<u>1,442,355</u>	<u>-</u>	<u>6,692,821</u>
Total Intergovernmental Revenues	<u>\$ 2,703,195</u>	<u>\$ 3,439,702</u>	<u>\$ 3,435,894</u>	<u>\$ 497</u>	<u>\$ 1,792,982</u>	<u>\$ 106,406</u>	<u>\$ 11,478,676</u>

**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, each major fund, and the aggregate remaining fund information of Kanabec County (the County), Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Kanabec County's basic financial statements, and have issued our report thereon dated September 23, 2022.

***Report on 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, and 2021-004 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

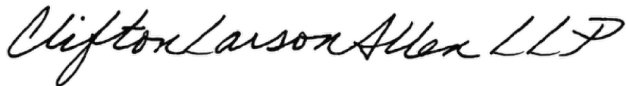
As part of obtaining reasonable assurance about whether Kanabec County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**Kanabec County's Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kanabec County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 23, 2022



## 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**

#### ***Opinion on Each Major Federal Program***

We have audited Kanabec County's (the County) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

#### ***Basis for Opinion on Each Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

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



### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

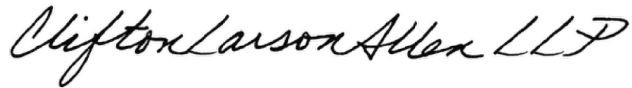
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 23, 2022

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 30, 2021**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?       X       Yes                      No
  - Significant deficiency(ies) identified?                      Yes       X       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
  - Significant deficiency(ies) identified?                      Yes       X       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)?                      Yes       X       No

***Identification of major programs:***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
20.205	Highway Planning and Construction (Part of Highway Planning and Construction Cluster)
93.778	Medical Assistance Program (Medicaid Cluster)

- Dollar threshold used to determine Type A projects:       \$750,000
- Auditee qualify as low-risk auditee?                      Yes       X       No

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings***

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**2021-001      SEGREGATION OF DUTIES**

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

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

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

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

**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 2020-001.

**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.

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-002      AUDIT ADJUSTMENTS**

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

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

**Condition:**      As part of the audit, we proposed adjustments for accruals, account reclassifications, prior period adjustments and adjustments to the fiduciary funds. 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.

**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 2020-002.

**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.

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-003      ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

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

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

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

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

**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 2020-003.

**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.

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-004      REVIEW ADJUSTMENTS TO INVENTORY**

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

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

**Condition:**              The Road and Bridge inventory adjustments were not reviewed by someone other than the person entering them and additional adjustments were required for the year ended December 31, 2021.

**Cause:**                      Lack of procedures.

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

**Repeat Finding:**          Yes - Finding 2020-004.

**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.

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***Section III – Major Program Findings and Compliance***

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

**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section IV – Other Items for Consideration – Minnesota Legal Compliance***

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**2021-005      UNCLAIMED PROPERTY**

**Criteria or Specific**

**Requirements:** 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:** 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.

**Effect:** County not in compliance with state statute.

**Repeat Finding:** Yes – Finding 2020-008

**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.



**KANABEC COUNTY  
MORA, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section V – Previously Report Items Resolved***

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Timely Deposits (2020-005)

**Resolution:** Per testing throughout the audit, there was no instances of deposits that were not made on a timely basis.

Controls over Annual Highway Report (2020-006)

**Resolution:** Per testing throughout the audit, there were no instances of material errors in the annual highway report.

Timely Reporting (2020-007)

**Resolution:** No expenditures reported on the schedule of expenditures of federal awards for client assistance listing number 21.019 in 2021 that required reporting, thus finding is not applicable for 2021.

Minnesota Legal Compliance – Prompt Payment of Claims (2020-009)

**Resolution:** Per testing throughout the audit, there was no instances of payments tested that were not paid within the standard timeline of 35 days from receipt.

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

Federal Grantor Pass Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Human Services				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	\$ 114,090	\$ -
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total SNAP Cluster \$174,013)	10.561	202MN101S2514, 202MN12- 7Q7503,202MN101S2520	174,013	-
Total Department of Agriculture			288,103	-
<b>U.S. Department of Justice</b>				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVSP-2020-KANABECCO	51,804	-
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838	15-0404-0-1-754	6,183	-
Total U.S. Department of Justice			57,987	-
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	8611229	1,668,560	-
COVID-19 Tribal Transit Program	20.509	MN18X081	54,221	-
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety (Total Highway Safety Cluster \$1,649)	20.600	18X9204020MN15	736	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	18X9205464MN14	1,599	-
National Priority Safety Programs (Total Highway Safety Cluster \$1,649)	20.616	18X920405BMN14	913	-
Total Department of Transportation			1,726,029	-
<b>U.S. Department of Treasury</b>				
Passed Through Minnesota Department of Revenue				
COVID-19 Coronavirus Relief Fund	21.019	SLT0016	915	-
Direct				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A, Direct	343,270	-
Total Department of Treasury			344,185	-
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	H181A140029	2,280	-
<b>U.S. Department of Health and Human Services</b>				
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 \$35,971)	93.044	315-15-003B-002	35,971	-
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	U90TP000418	56,122	-
Early Hearing Detection and Intervention	93.251	H61MC00035	225	-
COVID-19 Immunization CoAg and Vaccines for Children Program	93.268	12-700-00113	82,442	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NH23IP922628	67,889	-
Public Health Emergency Response: Cooperative Agreement for Emergency Responses: Public Health Crisis Response	93.354	Not Provided	239	-
Temporary Assistance for Needy Families (Total Assistance Listing 93.558 \$216,421)	93.558	2001MNTANF	11,793	-
Maternal and Child Health Services Block Grant to the States	93.994	BO4MC32551	25,454	-

*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, 2021**

Federal Grantor Pass Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2001MNFPS	\$ 4,271	\$ -
Temporary Assistance for Needy Families (Total TANF Assistance Listing 93.558 \$216,421)	93.558	2001MNTANF	204,628	-
Child Support Enforcement	93.563	2004MNCSES, 2004MNCEST	376,403	-
Refugee Support Services Program	93.566	2001MNRCA	375	-
Child Care and Development Block Grant (Total CCDF Cluster \$6,743)	93.575	G2001MNCCDF	3,676	-
Community - Based Child Abuse Prevention Grants	93.590	G-2002MNFPG	1,810	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Total CCDF Cluster \$6,743)	93.596	G2001MNCCDF	3,067	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2001MNCWSS	1,754	-
COVID-19 Stephanie Tubbs Jones Child Welfare Services Program (Total 93.645 \$3,916)	93.645	G-2001MNCWSS	2,162	-
Foster Care Title IV-E	93.658	2001MNFOS	119,537	-
Social Services Block Grant	93.667	G-2001MNSOSR	105,259	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood (Total Assistance Listing #93.674 \$7,799)	93.674	G-2001MNCILP	1,616	-
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood (Total Assistance Listing #93.674 \$7,799)	93.674	G-2001MNCILP	6,183	-
Money Follows the Person Rebalancing Demonstration	93.791	Not Provided	864	-
Children's Health Insurance Program	93.767	2005MN5R21	534	-
Medical Assistance Program (Total Medicaid Cluster \$679,274)	93.778	2005MN5ADM	679,274	-
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	Not Provided	21,997	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T11010034-12	152,087	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	D89MC28263	<u>271,751</u>	<u>-</u>
Total Department of Health and Human Services			2,237,383	-
<b>U.S. Department of Social Security Administration</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Social Security Disability Insurance (Total Disability Insurance/ SSI cluster \$717)	96.001	Not Provided	<u>717</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	5795910900	<u>17,116</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 4,673,800</u>	<u>\$ -</u>

Clusters of programs are groupings of closely related programs that share common compliance requirements.

*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, 2021**

**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, 2021. 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 Assistance Listing Number 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	\$ 4,683,710
Expenditures included on the Schedule of Expenditures of Federal Awards that are not considered Intergovernmental Revenues	92,299
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	<u>(102,209)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,673,800</u></u>



## 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, and the aggregate remaining fund information of Kanabec County, Minnesota (the County), as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 23, 2022.

In connection with our audit, we noted that Kanabec County failed to comply with provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2021-005. 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 – bid laws, depositories of public funds and public 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.

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

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**

Brainerd, Minnesota  
September 23, 2022



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