

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

---

**AITKIN COUNTY**  
**AITKIN, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**For the Year Ended December 31, 2009**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	12
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	21
Proprietary Fund		
Long Lake Conservation Center Enterprise Fund		
Statement of Net Assets	Exhibit 7	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 8	23
Statement of Cash Flows	Exhibit 9	24
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 10	25
Notes to the Financial Statements		26

**AITKIN COUNTY  
AITKIN, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	60
Road and Bridge Special Revenue Fund	Schedule 2	63
Health and Human Services Special Revenue Fund	Schedule 3	64
Forfeited Tax Sale Special Revenue Fund	Schedule 4	65
Notes to the Required Supplementary Information		66
Supplementary Information		
Governmental Funds		
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement 1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	70
Budgetary Comparison Schedules		
Forest Development Special Revenue Fund	Schedule 5	72
Unorganized Road, Bridge, and Fire Special Revenue Fund	Schedule 6	73
Ditch Special Revenue Fund	Schedule 7	74
Jail Bond Debt Service Fund	Schedule 8	75
Fiduciary Funds		
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	76
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 9	78
Balance Sheet - By Ditch - Ditch Special Revenue Fund	Schedule 10	79

**AITKIN COUNTY  
AITKIN, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

	<u>Reference</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 11	81
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		93
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		96
Schedule of Expenditures of Federal Awards	Schedule 12	99
Notes to the Schedule of Expenditures of Federal Awards		101

This page was left blank intentionally.



This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**ORGANIZATION  
AS OF DECEMBER 31, 2009**

		<u>Term Expires</u>
Elected		
Commissioners		
District 1	Mark Wedel	January 2011
District 2	Laurie Westerlund	January 2012
District 3	Paul Bailey	January 2011
District 4	Brian Napstad	January 2012
District 5	Galen Tveit	January 2011
Attorney	Jim Ratz	January 2011
Auditor	Kirk Peysar	January 2011
Recorder	Diane Lafferty	January 2011
Sheriff	Scott Turner	January 2011
Treasurer	Lori Grams	January 2011
Appointed		
Administrator	Patrick Wussow	Indefinite
Assessor	Mike Dangers	December 2012
Engineer	John Welle	December 2012
Coroner	Dr. M. B. McGee	Indefinite
Health and Human Services		
Director	Tom Burke	Indefinite
Land Commissioner	Mark Jacobs	Indefinite
Veterans Service Officer	Penny Harms	Indefinite

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Aitkin County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Aitkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Aitkin Municipal Airport Commission has restructured its accounting responsibilities and is no longer being reported as a component unit of Aitkin County.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Aitkin County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of Aitkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 19, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

Aitkin County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities have total net assets of \$95,707,937, of which \$66,164,839 is invested in capital assets, net of related debt, and \$6,595,071 is restricted to specific purposes.
- Business-type activities have total net assets of \$3,627,612. Invested in capital assets, net of related debt, represents \$3,891,245 of the total. Of the total business-type net assets, \$2,000 is restricted for specific uses.
- Aitkin County's net assets increased by \$3,759,111 for the year ended December 31, 2009. Of the increase, \$3,974,524 was in governmental activities net assets, and business-type activities decreased net assets by \$215,413.
- The cost of primary government activities increased by \$33,731 to \$24,804,910 for the current fiscal year. Program revenues of \$13,812,047 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$14,751,974.
- Governmental funds' fund balances increased by \$285,283.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

### **Government-Wide Financial Statements--Statement of Net Assets and Statement of Activities**

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

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

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

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

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

## **Fund Financial Statements**

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

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

**Proprietary funds**--When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

## **Reporting the County's Fiduciary Responsibilities**

The County is the trustee, or fiduciary, over certain assets. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **THE COUNTY AS A WHOLE**

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities for the year ended December 31, 2009, with comparative amounts for 2008. Unless otherwise indicated, all amounts are in thousands.

**Table 1  
Net Assets**

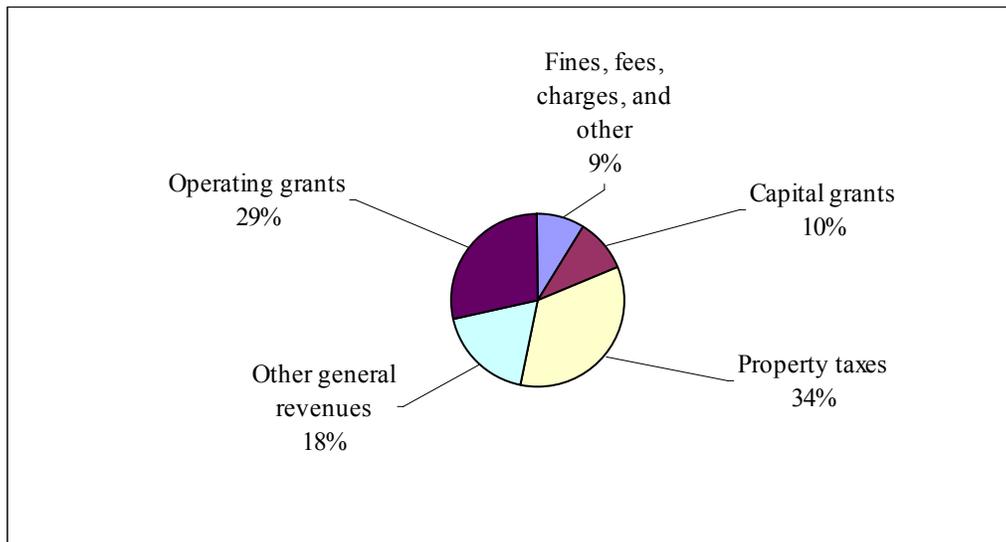
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 33,805	\$ 33,893	\$ (233)	\$ (121)	\$ 33,572	\$ 33,772
Capital assets	68,040	63,852	3,891	4,032	71,931	67,884
<b>Total Assets</b>	<b>\$ 101,845</b>	<b>\$ 97,745</b>	<b>\$ 3,658</b>	<b>\$ 3,911</b>	<b>\$ 105,503</b>	<b>\$ 101,656</b>
Long-term debt outstanding	\$ 3,319	\$ 3,806	\$ 15	\$ 17	\$ 3,334	\$ 3,823
Other liabilities	2,818	2,206	15	51	2,833	2,257
<b>Total Liabilities</b>	<b>\$ 6,137</b>	<b>\$ 6,012</b>	<b>\$ 30</b>	<b>\$ 68</b>	<b>\$ 6,167</b>	<b>\$ 6,080</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 66,165	\$ 61,553	\$ 3,891	\$ 4,032	\$ 70,056	\$ 65,585
Restricted	6,595	6,429	2	5	6,597	6,434
Unrestricted	22,948	23,751	(265)	(194)	22,683	23,557
<b>Total Net Assets</b>	<b>\$ 95,708</b>	<b>\$ 91,733</b>	<b>\$ 3,628</b>	<b>\$ 3,843</b>	<b>\$ 99,336</b>	<b>\$ 95,576</b>

**Table 2  
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues						
Fines, fees, charges, and other	\$ 2,609	\$ 2,708	\$ 653	\$ 775	\$ 3,262	\$ 3,483
Operating grants	7,956	6,734	6	16	7,962	6,750
Capital grants	2,577	2,336	10	52	2,587	2,388
General revenues						
Property taxes	9,581	9,257	-	-	9,581	9,257
Other taxes	1,101	1,308	-	-	1,101	1,308
Grants and contributions	1,897	1,801	2	2	1,899	1,803
Other general revenues	2,172	2,905	-	-	2,172	2,905
<b>Total Revenues</b>	<b>\$ 27,893</b>	<b>\$ 27,049</b>	<b>\$ 671</b>	<b>\$ 845</b>	<b>\$ 28,564</b>	<b>\$ 27,894</b>
<b>Expenses</b>						
General government	\$ 5,011	\$ 4,891	\$ -	\$ -	\$ 5,011	\$ 4,891
Public safety	4,536	4,968	-	-	4,536	4,968
Highways and streets	4,946	5,487	-	-	4,946	5,487
Sanitation	300	317	-	-	300	317
Human services	5,495	5,139	-	-	5,495	5,139
Health	612	634	-	-	612	634
Culture and recreation	806	376	-	-	806	376
Conservation of natural resources	2,001	1,782	886	953	2,887	2,735
Economic development	117	109	-	-	117	109
Interest	94	115	-	-	94	115
<b>Total Expenses</b>	<b>\$ 23,918</b>	<b>\$ 23,818</b>	<b>\$ 886</b>	<b>\$ 953</b>	<b>\$ 24,804</b>	<b>\$ 24,771</b>

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Increase (Decrease) in Net Assets	\$ 3,975	\$ 3,231	\$ (215)	\$ (108)	\$ 3,760	\$ 3,123
Net Assets, January 1	91,733	88,502	3,843	3,951	95,576	92,453
Net Assets, December 31	<u>\$ 95,708</u>	<u>\$ 91,733</u>	<u>\$ 3,628</u>	<u>\$ 3,843</u>	<u>\$ 99,336</u>	<u>\$ 95,576</u>

### Total County Revenues by Source



### Governmental Activities

The cost of all activities this year was \$23,918. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes was \$9,581 because some of the cost was paid by those who directly benefited from the programs (\$2,609) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,533).

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3  
Governmental Activities**

Activity	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Human services	\$ 5,495	\$ 5,139	\$ 2,619	\$ 2,278
General government	5,011	4,891	3,898	3,669
Highways and streets	4,946	5,487	(1,607)	(228)
Public safety	4,536	4,968	3,657	4,228
Conservation of natural resources	2,001	1,782	1,217	1,448
Totals	\$ 21,989	\$ 22,267	\$ 9,784	\$ 11,395

### **Business-Type Activities**

Revenues of the County's business-type activities decreased by 20.6 percent, primarily due to the receipt of grants in 2008. Income from fees decreased 15.8 percent, and expenses decreased by 7.0 percent.

### **The County's Funds**

As the County completed the year, its governmental funds reported a combined fund balance of \$27,445, which is above last year's total of \$27,160. The Road and Bridge Special Revenue Fund's change in fund balance (an increase of \$1,095 for 2009) represented the largest increase in governmental fund balances. Most of the Road and Bridge Special Revenue Fund's increase is due to receipt of state funding. The Health and Human Services Special Revenue Fund balance increased \$121. The General Fund saw a reduction in fund balance of \$923.

### **General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were \$324 below the final budget amounts. Significant positive variances include the following: general government expenditures were less than budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2009, the County had \$71,931 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$4,046, or 6.0 percent, over the last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,520	\$ 2,288	\$ 15	\$ 15	\$ 2,535	\$ 2,303
Construction in progress	378	563	1	2	379	565
Buildings and improvements	9,197	9,403	3,855	3,994	13,052	13,397
Machinery and equipment	2,196	2,496	20	21	2,216	2,517
Infrastructure	53,749	49,103	-	-	53,749	49,103
Totals	<u>\$ 68,040</u>	<u>\$ 63,853</u>	<u>\$ 3,891</u>	<u>\$ 4,032</u>	<u>\$ 71,931</u>	<u>\$ 67,885</u>

This year's major additions include:

CSAH 10	Grading and Aggregate Base	\$ 1,722
CSAH 1	Shoulder Widening; Aggregate Base; Bituminous Surface	1,569
CSAH 14	Bridge Replacement	981

The County's fiscal year 2010 capital budget calls for it to spend another \$6,474 for capital projects, principally for highways and streets improvements. Additional information on capital assets is found in Note 3.A.3. to the financial statements.

### Debt

At year-end, the County had \$2,367 in bonds, notes, and loans outstanding, versus \$2,816 last year, a decrease of 15.9 percent, as shown in Table 5.

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

	Governmental Activities	
	2009	2008
General obligation bonds (backed by the County)	\$ 1,760	\$ 2,075
General obligation revenue notes	50	50
Certificates of participation	115	225
Clear Water Partnership Project notes	23	47
Minnesota Department of Agriculture loans	129	129
Minnesota Department of Natural Resources loan	290	290
Totals	<u>\$ 2,367</u>	<u>\$ 2,816</u>

The County's general obligation bond rating is "A1," a rating assigned by national rating agencies to the County's debt. The state limits the amount of net debt the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this \$62,738 state-imposed limit.

Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for the business-type activities.

- The State of Minnesota had projected a significant budget deficit; the County experienced reductions through unallotment of County Program Aid in 2009. It is expected that there will be significant reductions in state aids to local governments in 2010 and 2011.
- An increase in the unemployment rate in 2010 could impact the level of services requested by County residents.
- The population of Aitkin County is increasing dramatically. This increase is creating increased demands for services across several service areas.
- The potential for deflation in real estate market values could result in tax rate increases.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional information, contact Kirk Peysar, Aitkin County Auditor, Aitkin County Courthouse, 209 Second Street N.W., Room 202, Aitkin, Minnesota 56431.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 27,903,415	\$ -	\$ 27,903,415
Petty cash and change funds	6,000	-	6,000
Cash with fiscal agent	135,732	-	135,732
Cash with escrow agent	202,893	-	202,893
Taxes receivable			
Prior - net	487,453	-	487,453
Special assessments receivable			
Prior - net	1,825	-	1,825
Noncurrent - net	18,300	-	18,300
Accounts receivable - net	2,626,515	11,095	2,637,610
Accrued interest receivable	117,874	-	117,874
Loan receivable	133,863	-	133,863
Internal balances	251,016	(251,016)	-
Due from other governments	1,660,370	-	1,660,370
Inventories	209,545	4,452	213,997
Prepaid items	6,807	-	6,807
Deposits receivable	25,000	-	25,000
Restricted assets			
Cash and pooled investments	-	2,000	2,000
Deferred charges	18,121	-	18,121
Capital assets			
Non-depreciable	2,898,260	16,400	2,914,660
Depreciable - net of accumulated depreciation	65,141,579	3,874,844	69,016,423
<b>Total Assets</b>	<b>\$ 101,844,568</b>	<b>\$ 3,657,775</b>	<b>\$ 105,502,343</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 475,142	\$ 8,038	\$ 483,180
Salaries payable	310,394	6,968	317,362
Contracts payable	434,143	-	434,143
Due to other governments	274,519	-	274,519
Advances from other governments	1,249,182	-	1,249,182
Accrued interest payable	2,827	-	2,827
Unearned revenue	71,801	-	71,801
Long-term liabilities			
Due within one year	458,981	-	458,981
Due in more than one year	2,859,642	15,157	2,874,799
<b>Total Liabilities</b>	<b>\$ 6,136,631</b>	<b>\$ 30,163</b>	<b>\$ 6,166,794</b>

The notes to the financial statements are an integral part of this statement.

Page 12

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 66,164,839	\$ 3,891,245	\$ 70,056,084
Restricted for			
General government	469,706	-	469,706
Public safety	553,433	-	553,433
Culture and recreation	348,826	-	348,826
Conservation of natural resources	2,301,842	-	2,301,842
Highways and streets	572,734	-	572,734
Sanitation	621,114	-	621,114
Debt service	532,751	-	532,751
Other purposes	1,194,665	2,000	1,196,665
Unrestricted	22,948,027	(265,633)	22,682,394
<b>Total Net Assets</b>	<b>\$ 95,707,937</b>	<b>\$ 3,627,612</b>	<b>\$ 99,335,549</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 5,010,460	\$ 975,957
Public safety	4,535,825	557,183
Highways and streets	4,946,400	286,763
Sanitation	300,176	18,982
Human services	5,495,399	599,682
Health	612,213	87,728
Culture and recreation	806,241	20,368
Conservation of natural resources	2,000,794	21,012
Economic development	116,894	41,715
Interest	94,137	-
<b>Total governmental activities</b>	<b>\$ 23,918,539</b>	<b>\$ 2,609,390</b>
<b>Business-type activities</b>		
Long Lake Conservation Center	886,371	652,519
<b>Total Primary Government</b>	<b>\$ 24,804,910</b>	<b>\$ 3,261,909</b>

**General Revenues**

Property taxes  
Mortgage registry and deed tax  
Other taxes  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain from sale of assets

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
		<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 136,205	\$ -	\$ (3,898,298)	\$ -	\$ (3,898,298)
321,175	-	(3,657,467)	-	(3,657,467)
3,689,606	2,577,209	1,607,178	-	1,607,178
-	-	(281,194)	-	(281,194)
2,276,743	-	(2,618,974)	-	(2,618,974)
660,396	-	135,911	-	135,911
109,532	-	(676,341)	-	(676,341)
762,743	-	(1,217,039)	-	(1,217,039)
-	-	(75,179)	-	(75,179)
-	-	(94,137)	-	(94,137)
<b>\$ 7,956,400</b>	<b>\$ 2,577,209</b>	<b>\$ (10,775,540)</b>	<b>\$ -</b>	<b>\$ (10,775,540)</b>
6,529	10,000	-	(217,323)	(217,323)
<b>\$ 7,962,929</b>	<b>\$ 2,587,209</b>	<b>\$ (10,775,540)</b>	<b>\$ (217,323)</b>	<b>\$ (10,992,863)</b>
		\$ 9,580,835	\$ -	\$ 9,580,835
		17,259	-	17,259
		36,859	-	36,859
		1,046,671	-	1,046,671
		1,896,752	1,888	1,898,640
		497,977	22	497,999
		1,656,768	-	1,656,768
		16,943	-	16,943
		<b>\$ 14,750,064</b>	<b>\$ 1,910</b>	<b>\$ 14,751,974</b>
		\$ 3,974,524	\$ (215,413)	\$ 3,759,111
		<b>91,733,413</b>	<b>3,843,025</b>	<b>95,576,438</b>
		<b>\$ 95,707,937</b>	<b>\$ 3,627,612</b>	<b>\$ 99,335,549</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Forfeited Tax Sale</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 14,636,356	\$ 3,231,680	\$ 4,408,793	\$ 2,911,021	\$ 2,715,565	\$ 27,903,415
Petty cash and change funds	3,000	-	3,000	-	-	6,000
Cash with fiscal agent	135,732	-	-	-	-	135,732
Cash with escrow agent	202,893	-	-	-	-	202,893
Taxes receivable						
Prior	260,903	90,628	114,414	-	21,508	487,453
Special assessments						
Prior	-	-	-	-	1,825	1,825
Noncurrent	-	-	-	-	18,300	18,300
Accounts receivable	49,592	525	22,063	2,554,335	-	2,626,515
Accrued interest receivable	117,874	-	-	-	-	117,874
Loans receivable	133,863	-	-	-	-	133,863
Due from other funds	525,734	49,634	-	-	313,431	888,799
Due from other governments	66,225	983,888	364,135	2,035	244,087	1,660,370
Prepaid expense	-	-	6,807	-	-	6,807
Inventories	-	209,545	-	-	-	209,545
Deposits receivable	25,000	-	-	-	-	25,000
<b>Total Assets</b>	<b>\$ 16,157,172</b>	<b>\$ 4,565,900</b>	<b>\$ 4,919,212</b>	<b>\$ 5,467,391</b>	<b>\$ 3,314,716</b>	<b>\$ 34,424,391</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 230,091	\$ 59,282	\$ 139,860	\$ 17,202	\$ 28,707	\$ 475,142
Salaries payable	158,218	62,188	73,661	11,376	4,951	310,394
Contracts payable	-	434,143	-	-	-	434,143
Due to other funds	-	-	15,699	572,450	49,634	637,783
Due to other governments	-	-	95,724	178,795	-	274,519
Advances from other governments	-	1,249,182	-	-	-	1,249,182
Deferred revenue - unavailable	199,456	648,994	87,222	2,554,335	36,637	3,526,644
Timber permit bonds	-	-	-	71,801	-	71,801
<b>Total Liabilities</b>	<b>\$ 587,765</b>	<b>\$ 2,453,789</b>	<b>\$ 412,166</b>	<b>\$ 3,405,959</b>	<b>\$ 119,929</b>	<b>\$ 6,979,608</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Forfeited Tax Sale</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>(Continued)</b>						
<b>Fund Balances</b>						
Reserved for						
Environmental uses	\$ -	\$ -	\$ -	\$ -	\$ 482,468	\$ 482,468
Missing heirs	-	-	-	20,336	-	20,336
Inventories	-	209,545	-	-	-	209,545
Capital membership	25,000	-	-	-	-	25,000
County development	-	-	-	1,172,514	-	1,172,514
Sobriety court fees	25,959	-	-	-	-	25,959
Law library	-	-	-	10,753	-	10,753
Sheriff's contingency	5,000	-	-	-	-	5,000
Debt service	338,624	-	-	-	-	338,624
Loans receivable	133,863	-	-	-	-	133,863
Recorder's equipment purchases	206,946	-	-	-	-	206,946
Recorder's technology	247,007	-	-	-	-	247,007
Attorney grant carryover	5,000	-	-	-	-	5,000
Enhanced 911	412,913	-	-	-	-	412,913
Conservation of natural resources	19,680	-	-	-	-	19,680
Gun permit carryover	42,909	-	-	-	-	42,909
Prisoner welfare	66,652	-	-	-	-	66,652
STS carryover	1,689	-	-	-	-	1,689
Unclaimed property	-	-	-	1,815	-	1,815
Forfeited tax sale	-	-	-	86,553	-	86,553
Parks	219,317	-	-	-	-	219,317
Unreserved						
Designated for						
Future expenditures	651,045	-	-	-	-	651,045
Cash flows	8,728,645	-	-	-	-	8,728,645
Solid waste	621,114	-	-	-	-	621,114
Economic development	607,638	-	-	-	-	607,638
Workers' compensation	-	-	-	769,461	-	769,461
Undesignated	3,210,406	1,902,566	4,507,046	-	-	9,620,018
Unreserved, reported in nonmajor						
Special revenue funds	-	-	-	-	2,518,192	2,518,192
Debt service fund	-	-	-	-	194,127	194,127
<b>Total Fund Balances</b>	<b>\$ 15,569,407</b>	<b>\$ 2,112,111</b>	<b>\$ 4,507,046</b>	<b>\$ 2,061,432</b>	<b>\$ 3,194,787</b>	<b>\$ 27,444,783</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,157,172</b>	<b>\$ 4,565,900</b>	<b>\$ 4,919,212</b>	<b>\$ 5,467,391</b>	<b>\$ 3,314,716</b>	<b>\$ 34,424,391</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 27,444,783</b>
Amounts reported for governmental activities in the statement of net assets 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.		68,039,839
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Deferred revenue		3,526,644
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 - including issuance premium	\$ (1,864,281)	
Notes	(72,870)	
Loans payable	(418,797)	
Compensated absences (not reported in the funds)	(847,675)	
Accrued interest payable	(2,827)	
Certificates of participation	(115,000)	
Deferred debt issuance charges	18,121	
	<u>                    </u>	<u>(3,303,329)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 95,707,937</u></u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Forfeited Tax Sale</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 5,140,257	\$ 1,813,356	\$ 2,213,442	\$ -	\$ 439,348	\$ 9,606,403
Special assessments	-	-	-	-	1,513	1,513
Licenses and permits	134,471	-	-	-	2,720	137,191
Intergovernmental	2,779,514	7,801,466	3,391,363	220,967	436,997	14,630,307
Charges for services	1,199,944	271,697	23,555	26,051	-	1,521,247
Fines and forfeits	18,346	-	-	-	-	18,346
Gifts and contributions	1,200	-	-	-	-	1,200
Interest on investments	487,933	-	-	-	10,044	497,977
Miscellaneous	299,125	15,046	599,682	1,527,580	26,007	2,467,440
<b>Total Revenues</b>	<b>\$ 10,060,790</b>	<b>\$ 9,901,565</b>	<b>\$ 6,228,042</b>	<b>\$ 1,774,598</b>	<b>\$ 916,629</b>	<b>\$ 28,881,624</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ 4,736,964	\$ -	\$ -	\$ 58,601	\$ 2,237	\$ 4,797,802
Public safety	4,382,899	-	-	-	18,719	4,401,618
Highways and streets	-	9,480,921	-	-	-	9,480,921
Sanitation	285,365	-	-	-	-	285,365
Human services	-	-	5,495,415	-	-	5,495,415
Health	3,590	-	611,995	-	-	615,585
Culture and recreation	810,244	-	-	-	-	810,244
Conservation of natural resources	269,844	-	-	903,831	815,458	1,989,133
Economic development	117,524	-	-	-	-	117,524
<b>Debt service</b>						
Principal	134,505	-	-	-	315,000	449,505
Interest	10,323	-	-	-	103,750	114,073
<b>Total Expenditures</b>	<b>\$ 10,751,258</b>	<b>\$ 9,480,921</b>	<b>\$ 6,107,410</b>	<b>\$ 962,432</b>	<b>\$ 1,255,164</b>	<b>\$ 28,557,185</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (690,468)</b>	<b>\$ 420,644</b>	<b>\$ 120,632</b>	<b>\$ 812,166</b>	<b>\$ (338,535)</b>	<b>\$ 324,439</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>	<u>Forfeited Tax Sale</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ 335,149	\$ 713,879	\$ -	\$ -	\$ 313,431	\$ 1,362,459
Transfers out	(568,141)	-	-	(637,450)	(156,868)	(1,362,459)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (232,992)</u>	<u>\$ 713,879</u>	<u>\$ -</u>	<u>\$ (637,450)</u>	<u>\$ 156,563</u>	<u>\$ -</u>
<b>Change in Fund Balance</b>	<b>\$ (923,460)</b>	<b>\$ 1,134,523</b>	<b>\$ 120,632</b>	<b>\$ 174,716</b>	<b>\$ (181,972)</b>	<b>\$ 324,439</b>
<b>Fund Balance - January 1</b>	<b>16,492,867</b>	<b>1,016,744</b>	<b>4,386,414</b>	<b>1,886,716</b>	<b>3,376,759</b>	<b>27,159,500</b>
<b>Increase (decrease) in reserved for inventories</b>	<u>-</u>	<u>(39,156)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,156)</u>
<b>Fund Balance - December 31</b>	<u><b>\$ 15,569,407</b></u>	<u><b>\$ 2,112,111</b></u>	<u><b>\$ 4,507,046</b></u>	<u><b>\$ 2,061,432</b></u>	<u><b>\$ 3,194,787</b></u>	<u><b>\$ 27,444,783</b></u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 324,439**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable, less any deferred amounts due to other governments.

December 31		
Deferred revenue - unavailable	\$ 3,526,644	
January 1		
Deferred revenue - unavailable	(4,511,092)	(984,448)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 6,381,786	
Net book value of assets sold	(4,114)	
Current year depreciation	(2,190,563)	4,187,109

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets.

Principal repayments		
General obligation bonds	\$ 315,000	
Certificates of participation	110,000	
Notes	24,505	449,505

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	\$ 2,704	
Change in compensated absences	17,138	
Amortization of deferred debt issuance costs	(3,624)	
Amortization of bond premiums	20,857	
Change in inventories	(39,156)	(2,081)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,974,524**

**PROPRIETARY FUND**

This page was left blank intentionally.

**LONG LAKE CONSERVATION CENTER  
ENTERPRISE FUND**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
DECEMBER 31, 2009**

**Assets**

**Current assets**

Accounts receivable - net	\$	11,095
Inventories		4,452

<b>Total current assets</b>	<b>\$</b>	<b>15,547</b>
-----------------------------	-----------	---------------

**Restricted assets**

Cash and pooled investments	\$	2,000
-----------------------------	----	-------

**Noncurrent assets**

Capital assets		
Nondepreciable	\$	16,400
Depreciable - net		3,874,844

<b>Total noncurrent assets</b>	<b>\$</b>	<b>3,891,244</b>
--------------------------------	-----------	------------------

<b>Total Assets</b>	<b>\$</b>	<b>3,908,791</b>
---------------------	-----------	------------------

**Liabilities**

**Current liabilities**

Accounts payable	\$	8,038
Salaries payable		6,968
Due to other funds		251,016

<b>Total current liabilities</b>	<b>\$</b>	<b>266,022</b>
----------------------------------	-----------	----------------

**Noncurrent liabilities**

Compensated absences payable - long-term		15,157
--	--	--------

<b>Total Liabilities</b>	<b>\$</b>	<b>281,179</b>
--------------------------	-----------	----------------

**Net Assets**

Invested in capital assets - net of related debt	\$	3,891,245
Restricted for		
Publications		2,000
Unrestricted		(265,633)

<b>Total Net Assets</b>	<b>\$</b>	<b>3,627,612</b>
-------------------------	-----------	------------------

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Operating Revenues</b>	
Program packages	\$ 599,971
Resale	47,623
Miscellaneous	4,925
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 652,519</b>
<b>Operating Expenses</b>	
Personal services	\$ 528,421
Other services and charges	23,083
Supplies	84,726
Utilities	52,830
Advertising	3,208
Insurance	17,688
Staff training	576
Postage	886
Depreciation	150,592
Resale	24,361
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 886,371</b>
<b>Operating Income (Loss)</b>	<b>\$ (233,852)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 1,888
Interest income	22
Gifts and contributions	16,529
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 18,439</b>
<b>Change in Net Assets</b>	<b>\$ (215,413)</b>
<b>Net Assets - January 1</b>	<b>3,843,025</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 3,627,612</b>
	<hr/> <hr/>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 656,476
Payments to suppliers	(218,485)
Payments to employees	(556,788)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (118,797)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	\$ 1,888
Contributions	6,529
Interfund	109,865
	<hr/>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ 118,282</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital contributions	\$ 10,000
Purchases of capital assets	(9,507)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ 493</u></b>
<b>Cash Flows from Investing Activities</b>	
Interest	<u>\$ 22</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ -</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>2,000</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 2,000</u></u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (233,852)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 150,592
(Increase) decrease in accounts receivable	3,957
(Increase) decrease in inventories	(930)
Increase (decrease) in accounts payable	(10,197)
Increase (decrease) in salaries payable	(25,825)
Increase (decrease) in compensated absences payable	(2,542)
	<hr/>
<b>Total adjustments</b>	<b><u>\$ 115,055</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ (118,797)</u></u></b>

The notes to the financial statements are an integral part of this statement.

Page 24

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2009**

**Assets**

Cash and pooled investments	\$ 786,177
Due from other governments	<u>1,025</u>
<b>Total Assets</b>	<b><u><u>\$ 787,202</u></u></b>

**Liabilities**

Accounts payable	\$ 132,238
Due to other governments	<u>654,964</u>
<b>Total Liabilities</b>	<b><u><u>\$ 787,202</u></u></b>

This page was left blank intentionally.

**AITKIN COUNTY**  
**AITKIN, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

---

---

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Aitkin County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Aitkin County. Aitkin County has no component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Component Unit

The Aitkin Municipal Airport Commission is jointly governed by the City of Aitkin and Aitkin County. The Airport Commission was reported as a component unit of Aitkin County in its financial statements at December 31, 2008. Prior to 2009, the City and the County had split responsibilities for the accounting and record keeping of the Airport Commission. Effective January 1, 2009, all of the accounting and record keeping Airport responsibilities for the Airport Commission were turned over to the City of Aitkin, along with the cash on hand with the County Treasurer. With this change in responsibilities, the Airport Commission is now reported as a component unit of the City of Aitkin in its financial statements. Aitkin County is reporting the Airport Commission as a jointly-governed organization.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and its business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed in a separate column in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those 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.

The Health and Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Forfeited Tax Sale Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota, pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

The County reports the following major enterprise fund:

The Long Lake Conservation Center Enterprise Fund is used to account for the operation of a conservation school primarily for young adults.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The Jail Bond Debt Service Fund is used to account for the accumulation of resources to the payment of principal, interest, and related costs for the 2005 General Obligation Jail Refunding Bonds.

The Environmental Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust, and the interest may be spent only on improvements of natural resources.

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Aitkin County considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$487,933.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

Aitkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All receivables 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 May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Inventories and Prepaid Items

All inventories are valued at cost. The Road and Bridge Special Revenue Fund uses an average cost method to value inventory, and the Long Lake Conservation Center Enterprise Fund uses the first in/first out method. Inventories in governmental funds are reported as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are reported as expenses when consumed.

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

**AITKIN COUNTY**  
**AITKIN, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 75
Building improvements	20 - 30
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**AITKIN COUNTY**  
**AITKIN, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$1,249 as of December 31, 2009. This deficit will be eliminated by future special assessment levies against benefited properties.

B. Expenditures in Excess of Budget

For the year ended December 31, 2009, expenditures exceeded appropriations in the Road and Bridge Special Revenue Fund by \$1,332,335; the Health and Human Services Special Revenue Fund by \$95,968; the Unorganized Road, Bridge, and Fire Special Revenue Fund by \$966; and the Jail Bond Debt Service Fund by \$12,625. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the Unorganized Road, Bridge, and Fire Special Revenue Fund and by the use of fund balances in the Road and Bridge Special Revenue Fund, the Health and Human Services Special Revenue Fund, and the Jail Bond Debt Service Fund.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 27,903,415
Petty cash and change funds	6,000
Cash with escrow agent	202,893
Cash with fiscal agent	135,732
Business-type activities	
Cash and pooled investments - restricted assets	2,000
Statement of fiduciary net assets	
Cash and pooled investments	<u>786,177</u>
 Total Cash and Investments	 <u>\$ 29,036,217</u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy that collateral or bonds will be required for all uninsured amounts on deposit, and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is that brokers may hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available, with the exception of investments held within the MAGIC Fund. As of December 31, 2009, none of the County's investments were subject to custodial credit risk.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit, and corporate securities may be held up to \$2,000,000 per issuer.

The following table presents the County's deposit and investment balances at December 31, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Government National Mortgage Association Pool	N/A	N/A		05/15/2021	\$ 5,226
Government National Mortgage Association Pool	N/A	N/A		12/15/2022	2,514
Total Government National Mortgage Association Pools					\$ 7,740
Federal Home Loan Mortgage Corporation Bond	AAA	S&P		04/21/2014	\$ 1,002,737
Federal Home Loan Mortgage Corporation Bond	N/R	N/A		04/01/2017	385
Total Federal Home Loan Mortgage Corporation Bonds			6.8%		\$ 1,003,122
Federal Home Loan Bank Bonds	AAA	S&P		10/08/2014	\$ 2,005,000
Federal Home Loan Bank Bonds	AAA	S&P		10/15/2014	2,505,468
Federal Home Loan Bank Bonds	AAA	S&P		11/07/2014	1,001,562
Federal Home Loan Bank Bonds	AAA	S&P		12/11/2015	999,000
Federal Home Loan Bank Bonds	AAA	S&P		10/21/2016	1,957,100
Federal Home Loan Bank Bonds	AAA	S&P		10/26/2016	850,265
Total Federal Home Loan Bank Bonds			57.39%		\$ 9,318,395
Federal Farm Credit Banks	AAA			07/14/2014	\$ 1,984,653
Federal Farm Credit Banks	AAA			08/18/2014	1,010,938
Total Federal Farm Credit Banks			18.45%		\$ 2,995,591

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Investment pools/mutual funds					
Wells Fargo - Advantage Prime Fund	AAA	S&P	N/A	N/A	\$ 2,383
MAGIC Fund	N/R	N/A	N/A	N/A	473,238
First American Treasury Obligations Fund	AAA	S&P	N/A	N/A	202,893
Total investment pools/mutual funds					\$ 678,514
Negotiable certificates of deposit					
Hinsdale Bank & Trust	N/A	N/A	N/A	05/07/2010	\$ 97,202
First Mariner Bank	N/A	N/A	N/A	07/15/2010	98,731
Discover Bank	N/A	N/A	N/A	07/16/2010	97,699
Marshall & Ilsley Bank	N/A	N/A	N/A	07/16/2010	97,719
Southwest Bank	N/A	N/A	N/A	07/16/2010	97,719
Wachovia Bank	N/A	N/A	N/A	07/19/2010	97,720
Atlantic Coast Bank	N/A	N/A	N/A	08/18/2010	100,996
GE Capital Financial, Inc.	N/A	N/A	N/A	09/20/2010	98,153
GE Money Bank	N/A	N/A	N/A	09/20/2010	98,156
American Express Bank	N/A	N/A	N/A	11/12/2010	98,448
Goldman Sachs Bank	N/A	N/A	N/A	11/12/2010	98,489
American Express Centurion Bank	N/A	N/A	N/A	11/26/2010	98,507
Sovereign Bank	N/A	N/A	N/A	11/26/2010	98,521
CIT Bank	N/A	N/A	N/A	05/16/2011	97,933
Sallie Mae Bank	N/A	N/A	N/A	05/20/2011	97,923
Midwest Bank & Trust	N/A	N/A	N/A	05/27/2011	98,169
Carolina First Bank	N/A	N/A	N/A	05/31/2011	97,961
Sallie Mae Bank	N/A	N/A	N/A	06/03/2011	151,980
Capmark Bank	N/A	N/A	N/A	07/15/2011	246,007
Compass Bank	N/A	N/A	N/A	07/15/2011	164,674
Total negotiable certificates of deposit					\$ 2,232,707
Total investments					\$ 16,236,069
Deposits					12,794,148
Petty cash					6,000
Total Cash and Investments					\$ 29,036,217

N/A - Not Applicable  
N/R - Not Rated  
S&P - Standard and Poor's

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables, net of uncollectible amounts, as of December 31, 2009, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 487,453	\$ -
Special assessments	20,125	18,300
Due from other governments	1,660,370	-
Accounts	2,626,515	-
Interest	117,874	-
Loans	133,863	133,863
Deposits	25,000	25,000
	\$ 5,071,200	\$ 177,163
Business-Type Activities		
Accounts	\$ 11,095	\$ -

An allowance for uncollectible receivables related to timber sales is included in the above figures. The allowance at December 31, 2009, is \$239,389.

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,287,593	\$ 232,876	\$ -	\$ 2,520,469
Construction in progress	563,558	204,682	390,449	377,791
	\$ 2,851,151	\$ 437,558	\$ 390,449	\$ 2,898,260
Capital assets depreciated				
Buildings	\$ 14,621,107	\$ 165,985	\$ -	\$ 14,787,092
Machinery, furniture, and equipment	8,444,775	175,219	125,221	8,494,773
Infrastructure	62,866,686	5,993,473	-	68,860,159
	\$ 85,932,568	\$ 6,334,677	\$ 125,221	\$ 92,142,024

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 5,217,982	\$ 371,915	\$ -	\$ 5,589,897
Machinery, furniture, and equipment	5,949,098	471,161	121,107	6,299,152
Infrastructure	13,763,909	1,347,487	-	15,111,396
Total accumulated depreciation	\$ 24,930,989	\$ 2,190,563	\$ 121,107	\$ 27,000,445
Total capital assets depreciated, net	\$ 61,001,579	\$ 4,144,114	\$ 4,114	\$ 65,141,579
Governmental Activities Capital Assets, Net	\$ 63,852,730	\$ 4,581,672	\$ 394,563	\$ 68,039,839

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Construction in progress	2,000	-	1,000	1,000
Total capital assets not depreciated	\$ 17,400	\$ -	\$ 1,000	\$ 16,400
Capital assets depreciated				
Buildings	\$ 5,707,768	\$ 6,350	\$ -	\$ 5,714,118
Machinery, furniture, and equipment	149,388	4,157	1,782	151,763
Total capital assets depreciated	\$ 5,857,156	\$ 10,507	\$ 1,782	\$ 5,865,881
Less: accumulated depreciation for				
Buildings	\$ 1,713,515	\$ 146,109	\$ -	\$ 1,859,624
Machinery, furniture, and equipment	128,712	4,483	1,782	131,413
Total accumulated depreciation	\$ 1,842,227	\$ 150,592	\$ 1,782	\$ 1,991,037
Total capital assets depreciated, net	\$ 4,014,929	\$ (140,085)	\$ -	\$ 3,874,844
Business-Type Activities Capital Assets, Net	\$ 4,032,329	\$ (140,085)	\$ 1,000	\$ 3,891,244

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	211,088
Public safety		242,732
Highways and streets, including depreciation of infrastructure assets		1,634,994
Health and human services		30,953
Sanitation		14,565
Culture and recreation		3,485
Conservation of natural resources		52,746
Total Depreciation Expense - Governmental Activities	\$	2,190,563
Business-Type Activities		
Long Lake Conservation Center	\$	150,592

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Forfeited Tax Sale	\$ 259,019	Forfeited tax sale apportionment
	Long Lake Conservation Center	251,016	Fund deficit cash balance
	Health and Human Services	15,699	Services provided
Total due to General Fund		\$ 525,734	
Road and Bridge Fund	Nonmajor governmental funds	49,634	Services provided
Nonmajor governmental funds	Forfeited Tax Sale	313,431	Forfeited tax sale apportionment
Total Due To/From Other Funds		\$ 888,799	

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	\$ 324,019	Forfeited tax sale apportionment and transfer of funds to cover expenditures Reimburse for expenditure
Nonmajor governmental funds	<u>11,130</u>	
Total transferred to General Fund	<u>\$ 335,149</u>	
Transfers to Road and Bridge Fund from General Fund	\$ 568,141	Cover local share of a road project Provide funds for services
Nonmajor governmental funds	<u>145,738</u>	
Total transferred to Road and Bridge Fund	<u>\$ 713,879</u>	
Transfer to nonmajor governmental funds from Forfeited Tax Sale Fund	\$ 313,431	Forfeited tax sale apportionment and transfer of funds to cover expenditures
Total Interfund Transfers	<u>\$ 1,362,459</u>	

C. Liabilities

1. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
2005 General Obligation Jail Refunding Bonds	2014	\$260,000 - \$335,000	5.00	\$ 2,920,000	\$ 1,760,000
1999B General Obligation Revenue Notes	2014	\$50,000	0.00	50,000	50,123
2000A Certificates of Participation	2010	\$20,000 - \$115,000	5.00 - 5.90	<u>845,000</u>	<u>115,000</u>
Total General Obligation Bonds and Notes				<u>\$ 3,815,000</u>	<u>\$ 1,925,123</u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt

Governmental Activities (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
1999 Clean Water Partnership Project Notes	2010	\$10,595	0.00	\$ 211,864	\$ 10,595
2000 Clean Water Partnership Project Notes	2013	\$3,386	2.00	<u>32,450</u>	<u>12,152</u>
Total Clean Water Partnership Project Notes				<u>\$ 244,314</u>	<u>\$ 22,747</u>
1999 Minnesota Department of Agriculture Loans	2019	\$73,930	0.00	\$ 73,930	\$ 73,930
2001 Minnesota Department of Agriculture Loans	2018	\$54,867	0.00	<u>54,867</u>	<u>54,867</u>
Total Minnesota Department of Agriculture Loans				<u>\$ 128,797</u>	<u>\$ 128,797</u>
2006 Minnesota Department of Natural Resources Land Exchange Loan	2011	\$290,000	0.00	<u>\$ 290,000</u>	<u>\$ 290,000</u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		General Obligation Revenue Notes		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 330,000	\$ 88,000	\$ -	\$ -	\$ 115,000	\$ 3,393
2011	350,000	71,500	-	-	-	-
2012	365,000	54,000	-	-	-	-
2013	380,000	35,750	-	-	-	-
2014	335,000	16,750	50,123	-	-	-
2015 - 2019	-	-	-	-	-	-
Totals	\$ 1,760,000	\$ 266,000	\$ 50,123	\$ -	\$ 115,000	\$ 3,393

Year Ending December 31	Clean Water Partnership Project Notes of 1999		Clean Water Partnership Project Notes of 2000		Minnesota Department of Agriculture Loans of 1999	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 10,595	\$ -	\$ 3,386	\$ 226	\$ -	\$ -
2011	-	-	3,454	158	-	-
2012	-	-	3,523	89	-	-
2013	-	-	1,789	18	-	-
2014	-	-	-	-	-	-
2015 - 2019	-	-	-	-	73,930	-
Totals	\$ 10,595	\$ -	\$ 12,152	\$ 491	\$ 73,930	\$ -

Year Ending December 31	Minnesota Department of Agriculture Loans of 2001		Minnesota Department of Natural Resources Land Exchange Loan of 2006		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ -	\$ -	\$ -	\$ -	\$ 458,981	\$ 91,619
2011	-	-	290,000	-	643,454	71,658
2012	-	-	-	-	368,523	54,089
2013	-	-	-	-	381,789	35,768
2014	-	-	-	-	385,123	16,750
2015 - 2019	54,867	-	-	-	128,797	-
Totals	\$ 54,867	\$ -	\$ 290,000	\$ -	\$ 2,366,667	\$ 269,884

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable					
Bonds	\$ 2,075,000	\$ -	\$ 315,000	\$ 1,760,000	\$ 330,000
Bond premium	125,137	-	20,857	104,280	-
G.O. revenue notes	50,123	-	-	50,123	-
Certificates of participation	225,000	-	110,000	115,000	115,000
 Total bonds and notes payable	 \$ 2,475,260	 \$ -	 \$ 445,857	 \$ 2,029,403	 \$ 445,000
 Clear Water Partnership Project Notes of 1999	 31,781	 -	 21,186	 10,595	 10,595
Clear Water Partnership Project Notes of 2000	15,471	-	3,319	12,152	3,386
Minnesota Department of Agriculture Loans of 1999	73,930	-	-	73,930	-
Minnesota Department of Agriculture Loans of 2001	54,867	-	-	54,867	-
Minnesota Department of Natural Resources Land Exchange Loan of 2006	290,000	-	-	290,000	-
Compensated absences	864,813	1,097,868	1,115,006	847,675	-
 Governmental Activities Long-Term Liabilities	 <u>\$ 3,806,122</u>	 <u>\$ 1,097,868</u>	 <u>\$ 1,585,368</u>	 <u>\$ 3,318,622</u>	 <u>\$ 458,981</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 17,699	\$ 34,619	\$ 37,161	\$ 15,157	\$ -

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Aitkin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 573,744	\$ 505,637	\$ 467,526
Public Employees Police and Fire Fund	155,283	136,125	119,174
Public Employees Correctional Fund	93,818	91,464	87,883

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Five Board members of Aitkin County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The 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.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,425	\$ 7,425
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items (Continued)

B. Joint Ventures

Northeast Minnesota Office of Job Training

Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties (excluding the City of Duluth) entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of developing and implementing a private and public job training program. The United States Congress, through the Job Training Partnership Act of 1982, authorized states to establish “service delivery areas” to provide programs to achieve full employment through the use of grants. The counties identified above are defined as a service delivery area, and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for the service delivery area. The County is not a funding mechanism for this organization.

The governing body is composed of seven members, one member from the Board of Commissioners of each of the participating counties.

A summary of the financial information of the Northeast Minnesota Office of Job Training’s government-wide statements for June 30, 2009, was:

Total Assets	\$ 3,038,740
Total Liabilities	1,650,067
Total Net Assets	1,388,673
Total Revenues	5,598,127
Total Expenses	5,589,058
Change in Net Assets	9,069

Separate financial information can be obtained from:

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

Northern Counties Land Use Board

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

**AITKIN COUNTY**  
**AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northern Counties Land Use Board (Continued)

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

A summary of the government-wide financial statements at December 31, 2006 (most recent available), is shown below:

Total Assets	\$	75,537
Total Liabilities		20,061
Total Net Assets		55,476
Total Revenues		23,750
Total Expenses		7,780
Change in Net Assets		15,970

Aitkin County provided no funding to this organization during 2009.

Separate financial information can be obtained from:

Northern Counties Land Use Board  
P. O. Box 136  
Ranier, Minnesota 56668

Joint County Natural Resources Board

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Joint County Natural Resources Board (Continued)

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

In the event of dissolution of the Joint County Natural Resources Board, the net assets of the Joint County Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Aitkin County provided no funding to this organization during 2009.

The Joint County Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties.

Complete financial information can be obtained from:

Joint County Natural Resources Board  
Wayne Bendickson, Treasurer  
Box 808  
Baudette, Minnesota 56623

Aitkin-Itasca-Koochiching Community Health Services Board

Aitkin, Itasca, and Koochiching Counties entered into a joint powers agreement, creating and operating the Aitkin-Itasca-Koochiching Community Health Services Board, effective January 1, 1977. This agreement is entered into under the authority of the Community Health Services Act of 1976 and is pursuant to the provisions of Minn. Stat. § 471.59 for the development and maintenance of an integrated system of community health services.

The Community Health Services Board is composed of two members from Aitkin and Koochiching Counties and three members from Itasca County, each appointed by the participating counties. Itasca County maintains the accounting records of the Community Health Services Board. Funding is obtained through federal, state, local, and private sources. Aitkin County provided no funding to this organization during 2009.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Aitkin-Itasca-Koochiching Community Health Services Board (Continued)

Complete financial information can be obtained from:

Aitkin-Itasca-Koochiching Community Health Services Board  
Itasca County Courthouse  
123 - 4th Street N. E.  
Grand Rapids, Minnesota 55744

Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related shoreland areas within the counties.

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Cass County maintains the accounting records of the Board. Funding is obtained through federal, state, local, and private sources. Aitkin County provided \$1,500 to this organization during 2009.

Complete financial information can be obtained from:

Mississippi Headwaters Board  
Cass County Courthouse  
4th Street and Minnesota Avenue  
Walker, Minnesota 56484

Snake River Watershed Management Board

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Snake River Watershed Management Board (Continued)

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

Aitkin County	20.8%
Kanabec County	49.5
Mille Lacs County	9.2
Pine County	20.5

Aitkin County provided \$10,079 to this organization during 2009. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial information can be obtained from:

Snake River Watershed Management Board  
Kanabec County Courthouse  
18 North Vine Street  
Mora, Minnesota 55051

Minnesota Counties Information System (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota Counties Information System (MCIS) (Continued)

Separate financial information can be obtained from:

Minnesota Counties Information System  
413 Southeast 7th Avenue  
Grand Rapids, Minnesota 55744

C. Jointly-Governed Organizations

Aitkin County Family Services Collaborative

The Aitkin County Family Services Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Aitkin County has no operational or financial control over the Collaborative. The County is the fiscal agent for the Collaborative and accounts for it in an agency fund.

Aitkin Municipal Airport Commission

The Aitkin Municipal Airport Commission is authorized by Minn. Stat. ch. 360. The Airport Commission is governed by a five-member Board of Directors--three members are appointed by the Aitkin County Board, and two are appointed by the City of Aitkin. The proprietary interest in the Airport Commission's assets is divided two-thirds to Aitkin County and one-third to the City of Aitkin as per the contractual agreement. All cash of the Airport Commission is on deposit with the City of Aitkin at December 31, 2009.

D. Minnesota Community Capital Fund

The County is a Class A member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout greater Minnesota by pooling local revolving loan fund resources and providing professional management services to support local efforts. The MCCF is designed to provide its members with greater lending flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited local resources.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items (Continued)

E. Tax-Forfeited Land

The County manages approximately 221,453 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs, such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,255,646	\$ 6,255,646	\$ 5,140,257	\$ (1,115,389)
Licenses and permits	117,960	117,960	134,471	16,511
Intergovernmental	1,306,945	1,306,945	2,779,514	1,472,569
Charges for services	1,462,318	1,462,318	1,199,944	(262,374)
Fines and forfeits	33,250	33,250	18,346	(14,904)
Gifts and contributions	600	600	1,200	600
Investment earnings	800,000	800,000	487,933	(312,067)
Miscellaneous	238,724	238,724	299,125	60,401
<b>Total Revenues</b>	<b>\$ 10,215,443</b>	<b>\$ 10,215,443</b>	<b>\$ 10,060,790</b>	<b>\$ (154,653)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 216,857	\$ 216,857	\$ 219,875	\$ (3,018)
Courts	58,250	58,250	72,544	(14,294)
County administration	350,799	350,799	292,105	58,694
County auditor	554,500	554,500	540,640	13,860
Motor vehicle	-	-	1,588	(1,588)
County treasurer	215,730	215,730	197,991	17,739
County assessor	745,907	745,907	679,485	66,422
Elections	6,296	6,296	215,245	(208,949)
Data processing	424,651	424,651	408,859	15,792
Central services	321,183	321,183	314,629	6,554
Attorney	832,413	832,413	767,553	64,860
Recorder	237,985	237,985	253,889	(15,904)
Planning and zoning	396,741	396,741	342,393	54,348
Buildings and plant	65,000	65,000	719	64,281
Maintenance	349,419	349,419	322,256	27,163
Veterans service officer	72,730	72,730	81,026	(8,296)
Motor pool	26,440	26,440	24,697	1,743
Housing and development	1,500	1,500	1,470	30
<b>Total general government</b>	<b>\$ 4,876,401</b>	<b>\$ 4,876,401</b>	<b>\$ 4,736,964</b>	<b>\$ 139,437</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,894,567	\$ 1,894,567	\$ 1,717,228	\$ 177,339
Boat and water safety	71,700	71,700	84,163	(12,463)
Snowmobile	30,635	30,635	22,082	8,553
Coroner	39,500	39,500	65,082	(25,582)
E-911 system	42,290	42,290	27,518	14,772
Community corrections	2,481,978	2,481,978	2,292,717	189,261
Crime victim	45,872	45,872	45,887	(15)
Civil defense	16,078	16,078	60,279	(44,201)
Other public safety	16,210	16,210	67,943	(51,733)
<b>Total public safety</b>	<b>\$ 4,638,830</b>	<b>\$ 4,638,830</b>	<b>\$ 4,382,899</b>	<b>\$ 255,931</b>
<b>Sanitation</b>				
Solid waste	\$ 259,014	\$ 259,014	\$ 217,283	\$ 41,731
Environmental health	68,421	68,421	68,082	339
<b>Total sanitation</b>	<b>\$ 327,435</b>	<b>\$ 327,435</b>	<b>\$ 285,365</b>	<b>\$ 42,070</b>
<b>Health</b>				
Water wells	<b>\$ 4,100</b>	<b>\$ 4,100</b>	<b>\$ 3,590</b>	<b>\$ 510</b>
<b>Culture and recreation</b>				
Historical society	\$ 17,575	\$ 17,575	\$ 17,526	\$ 49
Parks	574,465	574,465	546,477	27,988
Regional library	227,052	227,052	226,392	660
Tourism	21,300	21,300	19,849	1,451
<b>Total culture and recreation</b>	<b>\$ 840,392</b>	<b>\$ 840,392</b>	<b>\$ 810,244</b>	<b>\$ 30,148</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 151,790	\$ 151,790	\$ 118,857	\$ 32,933
Soil and water conservation	112,434	112,434	112,434	-
Agricultural inspections	4,800	4,800	2,405	2,395
Agricultural society/County fair	15,075	15,075	36,148	(21,073)
<b>Total conservation of natural resources</b>	<b>\$ 284,099</b>	<b>\$ 284,099</b>	<b>\$ 269,844</b>	<b>\$ 14,255</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 915	\$ 915	\$ 839	\$ 76
Airports	21,220	21,220	21,220	-
Other	82,129	82,129	95,465	(13,336)
<b>Total economic development</b>	<b>\$ 104,264</b>	<b>\$ 104,264</b>	<b>\$ 117,524</b>	<b>\$ (13,260)</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 134,505	\$ (134,505)
Interest	\$ -	\$ -	\$ 10,323	\$ (10,323)
<b>Total Expenditures</b>	<b>\$ 11,075,521</b>	<b>\$ 11,075,521</b>	<b>\$ 10,751,258</b>	<b>\$ 324,263</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (860,078)</b>	<b>\$ (860,078)</b>	<b>\$ (690,468)</b>	<b>\$ 169,610</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 417,909	\$ 417,909	\$ 335,149	\$ (82,760)
Transfers out	-	-	(568,141)	(568,141)
<b>Total Other Financing Sources     (Uses)</b>	<b>\$ 417,909</b>	<b>\$ 417,909</b>	<b>\$ (232,992)</b>	<b>\$ (650,901)</b>
<b>Change in Fund Balance</b>	<b>\$ (442,169)</b>	<b>\$ (442,169)</b>	<b>\$ (923,460)</b>	<b>\$ (481,291)</b>
<b>Fund Balance - January 1</b>	<b>16,492,867</b>	<b>16,492,867</b>	<b>16,492,867</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 16,050,698</b>	<b>\$ 16,050,698</b>	<b>\$ 15,569,407</b>	<b>\$ (481,291)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,193,436	\$ 2,193,436	\$ 1,813,356	\$ (380,080)
Intergovernmental	6,121,400	6,121,400	7,801,466	1,680,066
Charges for services	405,750	405,750	271,697	(134,053)
Miscellaneous	-	-	15,046	15,046
<b>Total Revenues</b>	<b>\$ 8,720,586</b>	<b>\$ 8,720,586</b>	<b>\$ 9,901,565</b>	<b>\$ 1,180,979</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 443,133	\$ 443,133	\$ 453,840	\$ (10,707)
Engineering	579,866	579,866	563,958	15,908
Maintenance	2,851,437	2,851,437	2,619,620	231,817
Construction	4,274,150	4,274,150	5,843,503	(1,569,353)
<b>Total Expenditures</b>	<b>\$ 8,148,586</b>	<b>\$ 8,148,586</b>	<b>\$ 9,480,921</b>	<b>\$ (1,332,335)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 572,000</b>	<b>\$ 572,000</b>	<b>\$ 420,644</b>	<b>\$ (151,356)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	713,879	713,879
<b>Change in Fund Balance</b>	<b>\$ 572,000</b>	<b>\$ 572,000</b>	<b>\$ 1,134,523</b>	<b>\$ 562,523</b>
<b>Fund Balance - January 1</b>	<b>1,016,744</b>	<b>1,016,744</b>	<b>1,016,744</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(39,156)</b>	<b>(39,156)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,588,744</b>	<b>\$ 1,588,744</b>	<b>\$ 2,112,111</b>	<b>\$ 523,367</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,673,113	\$ 2,673,113	\$ 2,213,442	\$ (459,671)
Intergovernmental	2,689,169	2,689,169	3,391,363	702,194
Charges for services	20,050	20,050	23,555	3,505
Miscellaneous	477,671	477,671	599,682	122,011
<b>Total Revenues</b>	<b>\$ 5,860,003</b>	<b>\$ 5,860,003</b>	<b>\$ 6,228,042</b>	<b>\$ 368,039</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,441,628	\$ 1,441,628	\$ 1,443,023	\$ (1,395)
Social services	3,936,519	3,936,519	4,052,392	(115,873)
<b>Total human services</b>	<b>\$ 5,378,147</b>	<b>\$ 5,378,147</b>	<b>\$ 5,495,415</b>	<b>\$ (117,268)</b>
<b>Health</b>				
WIC	\$ 2,690	\$ 2,690	\$ 3,998	\$ (1,308)
Nursing service	21,900	21,900	16,628	5,272
Transportation	52,000	52,000	43,885	8,115
Maternal and child health	14,330	14,330	22,855	(8,525)
Miscellaneous	542,375	542,375	524,629	17,746
<b>Total health</b>	<b>\$ 633,295</b>	<b>\$ 633,295</b>	<b>\$ 611,995</b>	<b>\$ 21,300</b>
<b>Total Expenditures</b>	<b>\$ 6,011,442</b>	<b>\$ 6,011,442</b>	<b>\$ 6,107,410</b>	<b>\$ (95,968)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (151,439)</b>	<b>\$ (151,439)</b>	<b>\$ 120,632</b>	<b>\$ 272,071</b>
<b>Fund Balance - January 1</b>	<b>4,386,414</b>	<b>4,386,414</b>	<b>4,386,414</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,234,975</b>	<b>\$ 4,234,975</b>	<b>\$ 4,507,046</b>	<b>\$ 272,071</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,673,113	\$ 2,673,113	\$ 2,213,442	\$ (459,671)
Intergovernmental	2,689,169	2,689,169	3,391,363	702,194
Charges for services	20,050	20,050	23,555	3,505
Miscellaneous	477,671	477,671	599,682	122,011
<b>Total Revenues</b>	<b>\$ 5,860,003</b>	<b>\$ 5,860,003</b>	<b>\$ 6,228,042</b>	<b>\$ 368,039</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,441,628	\$ 1,441,628	\$ 1,443,023	\$ (1,395)
Social services	3,936,519	3,936,519	4,052,392	(115,873)
<b>Total human services</b>	<b>\$ 5,378,147</b>	<b>\$ 5,378,147</b>	<b>\$ 5,495,415</b>	<b>\$ (117,268)</b>
<b>Health</b>				
Women, infants, and children	\$ 2,690	\$ 2,690	\$ 3,998	\$ (1,308)
Nursing service	21,900	21,900	16,628	5,272
Transportation	52,000	52,000	43,885	8,115
Maternal and child health	14,330	14,330	22,855	(8,525)
Miscellaneous	542,375	542,375	524,629	17,746
<b>Total health</b>	<b>\$ 633,295</b>	<b>\$ 633,295</b>	<b>\$ 611,995</b>	<b>\$ 21,300</b>
<b>Total Expenditures</b>	<b>\$ 6,011,442</b>	<b>\$ 6,011,442</b>	<b>\$ 6,107,410</b>	<b>\$ (95,968)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (151,439)</b>	<b>\$ (151,439)</b>	<b>\$ 120,632</b>	<b>\$ 272,071</b>
<b>Fund Balance - January 1</b>	<b>4,386,414</b>	<b>4,386,414</b>	<b>4,386,414</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,234,975</b>	<b>\$ 4,234,975</b>	<b>\$ 4,507,046</b>	<b>\$ 272,071</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

---

---

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

By July of each year, all departments submit requests for appropriations to the County Administrator so that a budget can be prepared. Before September 30, the proposed budget is presented to the County Board for review. A final budget is adopted by the Board and certified to the Auditor no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the Road and Bridge Special Revenue Fund by \$1,332,335 and the Health and Human Services Special Revenue Fund by \$95,968. These expenditures in excess of appropriations were funded by the use of fund balance.

This page was left blank intentionally.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

The Forest Development Special Revenue Fund is used to account for funds used in developing forests in the County. Financing is provided by forfeited tax settlements, grants, and payments in lieu of taxes.

The Unorganized Road, Bridge, and Fire Special Revenue Fund is used to account for funds used to provide road maintenance and fire protection for unorganized townships.

The Ditch Special Revenue Fund is used to account for funds used for public improvements and services for the ditch system.

The Land Exchange Revolving Loan Special Revenue Fund is used to account for revolving loan funds provided by 2006 Minn. Law ch. 243, sec. 20.

The Jail Bond Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs for the 2005 General Obligation Jail Refunding Bonds.

The Environmental Permanent Fund is used to account for funds collected from the sale of County-owned lakeshore leased lots. In accordance with 1998 Minn. Laws ch. 389, art. 16, § 31, the principal on these sales must remain in an environmental trust, and the interest may be spent only on improvement of natural resources.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>Special Revenue Funds</u>		
	<u>Forest Development</u>	<u>Unorganized Road, Bridge, and Fire</u>	<u>Ditch</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,498,774	\$ 439,662	\$ 27,929
Taxes receivable			
Prior	-	2,243	-
Special assessments receivable			
Prior	-	-	1,825
Noncurrent	-	-	18,300
Due from other funds	297,963	15,468	-
Due from other governments	17,087	-	-
<b>Total Assets</b>	<b><u>\$ 1,813,824</u></b>	<b><u>\$ 457,373</u></b>	<b><u>\$ 48,054</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 27,995	\$ 512	\$ 200
Salaries payable	4,951	-	-
Due to other funds	-	20,657	28,977
Deferred revenue - unavailable	-	1,709	20,126
<b>Total Liabilities</b>	<b><u>\$ 32,946</u></b>	<b><u>\$ 22,878</u></b>	<b><u>\$ 49,303</u></b>
<b>Fund Balances</b>			
Reserved for environmental uses	\$ -	\$ -	\$ -
Unreserved			
Designated for debt service	-	-	-
Undesignated	1,780,878	434,495	(1,249)
<b>Total Fund Balances</b>	<b><u>\$ 1,780,878</u></b>	<b><u>\$ 434,495</u></b>	<b><u>\$ (1,249)</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,813,824</u></b>	<b><u>\$ 457,373</u></b>	<b><u>\$ 48,054</u></b>

Statement 1

<u>Land Exchange Revolving Loan</u>	<u>Total</u>	<u>Debt Service Fund Jail Bond</u>	<u>Permanent Fund Environmental</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
\$ 77,068	\$ 2,043,433	\$ 189,664	\$ 482,468	\$ 2,715,565
-	2,243	19,265	-	21,508
-	1,825	-	-	1,825
-	18,300	-	-	18,300
-	313,431	-	-	313,431
227,000	244,087	-	-	244,087
<b><u>\$ 304,068</u></b>	<b><u>\$ 2,623,319</u></b>	<b><u>\$ 208,929</u></b>	<b><u>\$ 482,468</u></b>	<b><u>\$ 3,314,716</u></b>
\$ -	\$ 28,707	\$ -	\$ -	\$ 28,707
-	4,951	-	-	4,951
-	49,634	-	-	49,634
-	21,835	14,802	-	36,637
<b><u>\$ -</u></b>	<b><u>\$ 105,127</u></b>	<b><u>\$ 14,802</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 119,929</u></b>
\$ -	\$ -	\$ -	\$ 482,468	\$ 482,468
-	-	194,127	-	194,127
304,068	2,518,192	-	-	2,518,192
<b><u>\$ 304,068</u></b>	<b><u>\$ 2,518,192</u></b>	<b><u>\$ 194,127</u></b>	<b><u>\$ 482,468</u></b>	<b><u>\$ 3,194,787</u></b>
<b><u>\$ 304,068</u></b>	<b><u>\$ 2,623,319</u></b>	<b><u>\$ 208,929</u></b>	<b><u>\$ 482,468</u></b>	<b><u>\$ 3,314,716</u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Special Revenue Funds</u>		
	<u>Forest Development</u>	<u>Unorganized Road, Bridge, and Fire</u>	<u>Ditch</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 75,769	\$ -
Licenses and permits	2,720	-	-
Special assessments	-	-	1,513
Intergovernmental	338,932	24,592	-
Investment earnings	-	-	106
Miscellaneous	4,975	20	21,012
<b>Total Revenues</b>	<b><u>\$ 346,627</u></b>	<b><u>\$ 100,381</u></b>	<b><u>\$ 22,631</u></b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ -	\$ 2,237	\$ -
Public safety	-	18,719	-
Conservation of natural resources	813,055	-	2,403
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<b><u>\$ 813,055</u></b>	<b><u>\$ 20,956</u></b>	<b><u>\$ 2,403</u></b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b><u>\$ (466,428)</u></b>	<b><u>\$ 79,425</u></b>	<b><u>\$ 20,228</u></b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 297,963	\$ 15,468	\$ -
Transfers out	-	(145,448)	(290)
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 297,963</u></b>	<b><u>\$ (129,980)</u></b>	<b><u>\$ (290)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (168,465)</u></b>	<b><u>\$ (50,555)</u></b>	<b><u>\$ 19,938</u></b>
<b>Fund Balance - January 1</b>	<b><u>1,949,343</u></b>	<b><u>485,050</u></b>	<b><u>(21,187)</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 1,780,878</u></b>	<b><u>\$ 434,495</u></b>	<b><u>\$ (1,249)</u></b>

Statement 2

<u>Land Exchange Revolving Loan</u>	<u>Total</u>	<u>Debt Service Fund Jail Bond</u>	<u>Permanent Fund Environmental</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
\$ -	\$ 75,769	\$ 363,579	\$ -	\$ 439,348
-	2,720	-	-	2,720
-	1,513	-	-	1,513
-	363,524	73,473	-	436,997
105	211	-	9,833	10,044
-	26,007	-	-	26,007
<b>\$ 105</b>	<b>\$ 469,744</b>	<b>\$ 437,052</b>	<b>\$ 9,833</b>	<b>\$ 916,629</b>
\$ -	\$ 2,237	\$ -	\$ -	\$ 2,237
-	18,719	-	-	18,719
-	815,458	-	-	815,458
-	-	315,000	-	315,000
-	-	103,750	-	103,750
<b>\$ -</b>	<b>\$ 836,414</b>	<b>\$ 418,750</b>	<b>\$ -</b>	<b>\$ 1,255,164</b>
<b>\$ 105</b>	<b>\$ (366,670)</b>	<b>\$ 18,302</b>	<b>\$ 9,833</b>	<b>\$ (338,535)</b>
\$ -	\$ 313,431	\$ -	\$ -	\$ 313,431
-	(145,738)	-	(11,130)	(156,868)
<b>\$ -</b>	<b>\$ 167,693</b>	<b>\$ -</b>	<b>\$ (11,130)</b>	<b>\$ 156,563</b>
<b>\$ 105</b>	<b>\$ (198,977)</b>	<b>\$ 18,302</b>	<b>\$ (1,297)</b>	<b>\$ (181,972)</b>
<b>303,963</b>	<b>2,717,169</b>	<b>175,825</b>	<b>483,765</b>	<b>3,376,759</b>
<b>\$ 304,068</b>	<b>\$ 2,518,192</b>	<b>\$ 194,127</b>	<b>\$ 482,468</b>	<b>\$ 3,194,787</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
FOREST DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 2,720	\$ (1,280)
Intergovernmental	146,000	146,000	338,932	192,932
Miscellaneous	16,050	16,050	4,975	(11,075)
<b>Total Revenues</b>	<b>\$ 166,050</b>	<b>\$ 166,050</b>	<b>\$ 346,627</b>	<b>\$ 180,577</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Forest resource	\$ 118,597	\$ 118,597	\$ 109,057	\$ 9,540
Reforestation	374,054	374,054	387,619	(13,565)
Memorial forest	290,890	290,890	270,126	20,764
Forest road	51,628	51,628	46,252	5,376
Gravel pit	5,000	5,000	1	4,999
<b>Total Expenditures</b>	<b>\$ 840,169</b>	<b>\$ 840,169</b>	<b>\$ 813,055</b>	<b>\$ 27,114</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (674,119)</b>	<b>\$ (674,119)</b>	<b>\$ (466,428)</b>	<b>\$ 207,691</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	395,080	395,080	297,963	(97,117)
<b>Change in Fund Balance</b>	<b>\$ (279,039)</b>	<b>\$ (279,039)</b>	<b>\$ (168,465)</b>	<b>\$ 110,574</b>
<b>Fund Balance - January 1</b>	<b>1,949,343</b>	<b>1,949,343</b>	<b>1,949,343</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,670,304</b>	<b>\$ 1,670,304</b>	<b>\$ 1,780,878</b>	<b>\$ 110,574</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 59,990	\$ 59,990	\$ 75,769	\$ 15,779
Intergovernmental	-	-	24,592	24,592
Miscellaneous	-	-	20	20
<b>Total Revenues</b>	<b>\$ 59,990</b>	<b>\$ 59,990</b>	<b>\$ 100,381</b>	<b>\$ 40,391</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other general government	\$ 1,740	\$ 1,740	\$ 2,237	\$ (497)
<b>Public safety</b>				
Emergency services	18,250	18,250	18,719	(469)
<b>Total Expenditures</b>	<b>\$ 19,990</b>	<b>\$ 19,990</b>	<b>\$ 20,956</b>	<b>\$ (966)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 79,425</b>	<b>\$ 39,425</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 15,468	\$ 15,468
Transfers out	(40,000)	(40,000)	(145,448)	(105,448)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (40,000)</b>	<b>\$ (40,000)</b>	<b>\$ (129,980)</b>	<b>\$ (89,980)</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (50,555)</b>	<b>\$ (50,555)</b>
<b>Fund Balance - January 1</b>	<b>485,050</b>	<b>485,050</b>	<b>485,050</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 485,050</b>	<b>\$ 485,050</b>	<b>\$ 434,495</b>	<b>\$ (50,555)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 1,513	\$ 1,513
Investment earnings	898	898	106	(792)
Miscellaneous	-	-	21,012	21,012
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 898</b>	<b>\$ 898</b>	<b>\$ 22,631</b>	<b>\$ 21,733</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation</b>				
Conservation of natural resources	3,526	3,526	2,403	1,123
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,628)</b>	<b>\$ (2,628)</b>	<b>\$ 20,228</b>	<b>\$ 22,856</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(290)	(290)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Change in Fund Balance</b>	<b>\$ (2,628)</b>	<b>\$ (2,628)</b>	<b>\$ 19,938</b>	<b>\$ 22,566</b>
<b>Fund Balance - January 1</b>	<b>(21,187)</b>	<b>(21,187)</b>	<b>(21,187)</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ (23,815)</b>	<b>\$ (23,815)</b>	<b>\$ (1,249)</b>	<b>\$ 22,566</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
JAIL BOND DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 438,900	\$ 438,900	\$ 363,579	\$ (75,321)
Intergovernmental	-	-	73,473	73,473
<b>Total Revenues</b>	<b>\$ 438,900</b>	<b>\$ 438,900</b>	<b>\$ 437,052</b>	<b>\$ (1,848)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 295,000	\$ 295,000	\$ 315,000	\$ (20,000)
Interest	111,125	111,125	103,750	7,375
<b>Total Expenditures</b>	<b>\$ 406,125</b>	<b>\$ 406,125</b>	<b>\$ 418,750</b>	<b>\$ (12,625)</b>
<b>Change in Fund Balance</b>	<b>\$ 32,775</b>	<b>\$ 32,775</b>	<b>\$ 18,302</b>	<b>\$ (14,473)</b>
<b>Fund Balance - January 1</b>	<b>175,825</b>	<b>175,825</b>	<b>175,825</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 208,600</b>	<b>\$ 208,600</b>	<b>\$ 194,127</b>	<b>\$ (14,473)</b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>535,727</u>	\$ <u>8,730,078</u>	\$ <u>8,728,751</u>	\$ <u>537,054</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>535,727</u>	\$ <u>8,730,078</u>	\$ <u>8,728,751</u>	\$ <u>537,054</u>
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>131,612</u>	\$ <u>83,956</u>	\$ <u>83,330</u>	\$ <u>132,238</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>131,612</u>	\$ <u>83,956</u>	\$ <u>83,330</u>	\$ <u>132,238</u>
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>130,156</u>	\$ <u>3,120,321</u>	\$ <u>3,132,567</u>	\$ <u>117,910</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>130,156</u>	\$ <u>3,120,321</u>	\$ <u>3,132,567</u>	\$ <u>117,910</u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Statement 3**  
***(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 23,151,877	\$ 23,152,902	\$ (1,025)
Due from other governments	-	1,025	-	1,025
	-	23,152,902	23,152,902	-
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 23,152,902</b>	<b>\$ 23,152,902</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 23,152,902	\$ 23,152,902	\$ -
	-	23,152,902	23,152,902	-
	<b>\$ -</b>	<b>\$ 23,152,902</b>	<b>\$ 23,152,902</b>	<b>\$ -</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 797,495	\$ 35,086,232	\$ 35,097,550	\$ 786,177
Due from other governments	-	1,025	-	1,025
	797,495	35,087,257	35,097,550	787,202
<b>Total Assets</b>	<b>\$ 797,495</b>	<b>\$ 35,087,257</b>	<b>\$ 35,097,550</b>	<b>\$ 787,202</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 131,612	\$ 83,956	\$ 83,330	\$ 132,238
Due to other governments	665,883	35,003,301	35,014,220	654,964
	797,495	35,087,257	35,097,550	787,202
<b>Total Liabilities</b>	<b>\$ 797,495</b>	<b>\$ 35,087,257</b>	<b>\$ 35,097,550</b>	<b>\$ 787,202</b>

## **OTHER SCHEDULES**

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 9*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>Total Primary Government</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 4,139,519	\$ -	\$ 4,139,519
PERA rate reimbursement	28,165	1,888	30,053
Disparity reduction aid	10,541	-	10,541
Police aid	128,272	-	128,272
County program aid	443,424	-	443,424
Market value credit	837,136	-	837,136
Taconite credit	564,665	-	564,665
Enhanced 911	82,105	-	82,105
	<b>\$ 6,233,827</b>	<b>\$ 1,888</b>	<b>\$ 6,235,715</b>
<b>Total shared revenue</b>			
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 691,376	\$ -	\$ 691,376
	<b>\$ 691,376</b>	<b>\$ -</b>	<b>\$ 691,376</b>
<b>Payments</b>			
<b>Local</b>			
Local contributions	\$ 12,821	\$ -	\$ 12,821
Payments in lieu of taxes	1,046,671	-	1,046,671
	<b>\$ 1,059,492</b>	<b>\$ -</b>	<b>\$ 1,059,492</b>
<b>Total payments</b>			
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Public Safety	\$ 45,202	\$ -	\$ 45,202
Health	93,596	-	93,596
Natural Resources	707,268	-	707,268
Human Services	539,768	-	539,768
Water and Soil Resources	109,532	-	109,532
Office of Environmental Assistance	55,475	-	55,475
	<b>\$ 1,550,841</b>	<b>\$ -</b>	<b>\$ 1,550,841</b>
<b>Total state</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 174,853	\$ -	\$ 174,853
Transportation	3,281,891	-	3,281,891
Health and Human Services	1,572,551	-	1,572,551
Homeland Security	65,476	-	65,476
	<b>\$ 5,094,771</b>	<b>\$ -</b>	<b>\$ 5,094,771</b>
<b>Total federal</b>			
<b>Total state and federal grants</b>			
	<b>\$ 6,645,612</b>	<b>\$ -</b>	<b>\$ 6,645,612</b>
<b>Total Intergovernmental Revenue</b>			
	<b>\$ 14,630,307</b>	<b>\$ 1,888</b>	<b>\$ 14,632,195</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets			
	Cash	Special Assessments Receivable	Due from Other Ditches	Total
<b>County Ditches</b>				
2	\$ -	\$ -	\$ -	\$ -
5	(11,140)	-	-	(11,140)
13	-	-	-	-
14	-	-	-	-
20	(747)	-	-	(747)
21	(421)	-	-	(421)
22	-	-	-	-
23	(443)	-	-	(443)
24	(23,058)	369	1,500	(21,189)
25	(240)	-	-	(240)
28	(2,144)	-	-	(2,144)
29	-	-	-	-
30	28,753	1,294	11,861	41,908
34	796	978	-	1,774
36	2,755	1,208	-	3,963
37	(2,463)	8,425	-	5,962
42	(1,518)	-	-	(1,518)
43	(76)	-	-	(76)
58	(130)	-	-	(130)
63	3,026	7,688	-	10,714
66	1,670	-	-	1,670
88	-	-	-	-
<b>Judicial Ditch</b>				
2	12,292	163	-	12,455
<b>Diversion Channel</b>	21,017	-	-	21,017
<b>Total</b>	<b>\$ 27,929</b>	<b>\$ 20,125</b>	<b>\$ 13,361</b>	<b>\$ 61,415</b>

Schedule 10

		Liabilities					Total
Accounts Payable	Due to Other Funds	Deferred Revenue	Due to Other Ditches	Total	Fund Balance	Total Liabilities and Fund Balance	
\$ -	\$ 1,160	\$ -	\$ -	\$ 1,160	\$ (1,160)	\$ -	
-	3,654	-	7,250	10,904	(22,044)	(11,140)	
-	1,443	-	-	1,443	(1,443)	-	
-	317	-	-	317	(317)	-	
-	-	-	-	-	(747)	(747)	
-	756	-	-	756	(1,177)	(421)	
-	371	-	-	371	(371)	-	
-	241	-	-	241	(684)	(443)	
200	243	369	-	812	(22,001)	(21,189)	
-	-	-	-	-	(240)	(240)	
-	7,985	-	1,287	9,272	(11,416)	(2,144)	
-	265	-	-	265	(265)	-	
-	-	1,295	-	1,295	40,613	41,908	
-	-	978	65	1,043	731	1,774	
-	-	1,208	65	1,273	2,690	3,963	
-	564	8,425	2,173	11,162	(5,200)	5,962	
-	1,527	-	935	2,462	(3,980)	(1,518)	
-	149	-	76	225	(301)	(76)	
-	-	-	-	-	(130)	(130)	
-	9,938	7,688	-	17,626	(6,912)	10,714	
-	-	-	1,510	1,510	160	1,670	
-	364	-	-	364	(364)	-	
-	-	163	-	163	12,292	12,455	
-	-	-	-	-	21,017	21,017	
<b>\$ 200</b>	<b>\$ 28,977</b>	<b>\$ 20,126</b>	<b>\$ 13,361</b>	<b>\$ 62,664</b>	<b>\$ (1,249)</b>	<b>\$ 61,415</b>	

This page was left blank intentionally.



This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 11**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Aitkin County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Aitkin County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Aitkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs was reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Aitkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA# 10.561
Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA #20.205
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Aitkin County was not determined to be a low-risk auditee.

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-5 Departmental Internal Accounting Controls

Due to the limited number of office personnel within the various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Although this is not unusual in small departmental situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that the County's management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight and monitoring procedures to ensure that the County's internal control policies and procedures are being implemented by staff.

Client's Response:

*County management is aware of this situation, however the county lacks the resources to staff departments to levels needed to provide segregation of functions. County management will review internal controls and transactions. Receipting procedures have been modified to allow for greater control and review.*

06-1 Segregation of Duties Within the Auditor's and Treasurer's Offices

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction. The following duties should be segregated, if possible:

- Someone independent of the cash collection and receipting function and the cash disbursement function should prepare bank reconciliations. If this is not possible, someone independent of these functions should review the bank reconciliations.
- Individuals who collect and receipt cash should not also:
  - post cash receipts to the general ledger system,
  - process cash disbursements,
  - maintain the general ledger,
  - make bank deposits,
  - make wire transfers,
  - make general journal entries, or
  - prepare billings.
- Individuals who process vouchers for payments should not also:
  - print or sign checks or
  - make journal entries.

The County Treasurer does not segregate the duties of cash collection and receipting from the bank reconciliation process. Also, the person in the County Auditor's Office who processes cash disbursements has the ability to make journal entries. In addition, the person in the County Auditor's Office who receipts cash has the ability to make journal entries.

We recommend the County Auditor and Treasurer segregate these functions as much as possible. If it is not possible to segregate these duties, County management should be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being performed by staff.

Client's Response:

*The number of staff in both departments is small. Staff carry out a wide variety of duties and responsibilities. Both receipts and disbursements are cross-verified by the Auditor's Office and the Treasurer's Office staff. The Offices will explore additional areas and procedures to provide additional oversight. Bank reconciliations are reviewed by the County Auditor.*

06-2 Preparation of Financial Statements

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This arrangement is not unusual for an organization the size of Aitkin County. This decision was based on the availability of the County's staff and the cost benefit of using our office rather than to prepare the financial statements internally. The County has made strides in this direction by preparing the fund trial balances and many of the worksheets needed in summarizing the financial information, but still relies on its auditors to complete the financial statements. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend County accounting staff obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If the County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

*The County will explore solutions to the issuance of its own financial statements. The Auditor's Office is now preparing the trial balance, receivable and payable summaries, capital assets, and other schedules.*

06-3 Accounting Policies and Procedures Manual

The County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

We recommend the County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and authority.

Client's Response:

*The County has a policy manual in place that provides guidance to several areas of internal control with respect to reimbursement of employee travel expenses. However, departmental staffs are small in numbers, making segregation of general ledger and other accounting duties difficult in several areas. County management is aware of this issue and will continue to make attempts to provide additional oversight wherever possible. County management will define duties and authorities with respect to accounting procedures to provide segregation wherever possible.*

06-5 Budgeting

The County Board has not adopted a budget policy. A formal written budget policy should include policies such as:

- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted, and
- the procedures for monitoring the budget.

We recommend the County Board adopt a budget policy to include the elements recommended above. Department heads and the County Board should monitor budgets on an ongoing basis.

Client's Response:

*The County follows a defined budget process, where parameters are established by the County Board. Budgets are reviewed by County administration and the County Board prior to adoption. Currently, the County Board and County department heads receive budget reports on a monthly basis or upon request.*

06-6 Payroll

In Aitkin County, authorization for payroll changes such as new hires, promotions, and step increases, is initiated in the personnel office. Notification of the changes to be made is sent to the Payroll Department. The payroll clerk inputs the changes to the master file of the payroll system and subsequently checks payroll edit reports to make sure the changes went into the system properly.

After the payroll clerk clears the payroll edit reports, she runs the final payroll reports, payroll checks, and direct deposit stubs. No one independent of the payroll function reviews the checks or payroll reports to determine that all payments were made to actual employees and the hours worked appear to be correct.

We recommend that someone independent of the payroll processing function review the payroll edit reports to make sure all changes made to the payroll system master file were authorized. This independent person should also review the final payroll reports and checks to verify all employees paid are actual employees and the hours worked appear to be correct. The functions of making general journal entries should be segregated from the payroll processing function, if possible.

Client's Response:

*The Treasurer's Office staff reviews payroll payments. The County Auditor reviews annual payroll reports. A recommendation has been made for the Human Resources Department to review payroll/employee changes.*

06-8 Computer Risk Management

The County has internal controls in place for its computer system. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

Risk management begins with a risk assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County's staff. Staff adherence to these policies and procedures should be monitored. Because computer systems are ever changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls are still effective.

We recommend the County Board develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems.

Client's Response:

*The County has a policy covering Information Systems' use. Employees are required to sign off on this policy.*

06-10 Audit Adjustments

A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or 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.

During our audit, we identified a material adjustment in the Road and Bridge Special Revenue Fund. Receivables were increased by \$616,302 for federal highway aid funding reimbursements due. At the fund level, revenue was offset by deferred revenue of \$435,748 for the portion of these receivables not available during the revenue recognition period.

County officials are aware that audit adjustments are made for the state-aid highway project allotments, federal highway aid, and bridge bonding funding each year, and they rely on the independent external auditors to assist in making the necessary adjustments to the financial statements. Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures for analyzing state-aid highway project allotments and federal highway projects to ensure the funding sources are reported in accordance with GAAP in the County's annual financial statements.

Client's Response:

*The County will review the process for establishing adjustments to the financial statements.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-3 Ditch Fund Balance Deficits

Eighteen of the 24 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2009, totaling \$78,752, the largest being \$22,044. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

Several miles of the benefited ditch system are consolidated conservation lands managed by the Minnesota Department of Natural Resources (DNR). In the past, the DNR refused to pay ditch assessments on consolidated conservation lands. Several counties sued the DNR trying to force it to pay ditch assessments (*Marshall County v. State*). The court ruled that the DNR has discretion to decide whether or not to pay under Minn. Stat. ch. 84A.

The DNR adopted permanent rules on the subject in March 2008. *See* 32 Minn. Reg. 1697-1699 (March 10, 2008). The rules set out procedures that must be followed to redetermine drainage project benefits to state-owned lands in consolidated conservation areas. *See generally* Minn. R. 6115.1500-6115.1550. The process outlined in the rules can result in DNR authorization to impose assessments. *See* Minn. R. 6115.1530.

We recommend that the County review the DNR rules and consider following the procedures they prescribe regarding ditches benefiting state land in consolidated conservation areas. We also recommend that the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system and repay the solvent ditch funds for the intrafund loans.

Client's Response:

*At this time, the County Board does not feel the ditch fund deficits are substantial enough to warrant the investment of resources needed to spread ditch assessments.*

06-11

Long Lake Conservation Center Deficit Cash Balance

The County maintains a cash and investment pool available for use by all funds. An individual fund may overdraw its share of the pooled cash. The fund whose cash is overdrawn reports an interfund liability on the year-end balance sheet. An equivalent amount of another fund's position in the pool is reported as an interfund receivable on the year-end balance sheet.

The year-end deficit cash balances for the Long Lake Conservation Center have been large for a number of years. The balance of the deficit has been as follows:

December 31, 2009	\$	251,016
December 31, 2008		141,151
December 31, 2007		159,472

Generally accepted accounting principles state if repayment of a loan is not expected to be within a reasonable time, the interfund balances should be reduced, and the amount not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan. As reported above, the outstanding loan balance has not been significantly reduced over the last few years. This indicates that the loans are not current or short-term in nature.

We recommend the County Board authorize a transfer from the General Fund to the Long Lake Conservation Center Enterprise Fund if the Long Lake Conservation Center is unable to repay the loan.

Client's Response:

*The County Board is aware of the cash deficit in the operating fund for Long Lake. The Board receives quarterly reports on the status of LLCC finances. In 2009, the County Board took action to reduce operating expenses in an effort to reduce the accumulating deficits.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Aitkin Municipal Airport Commission (03-3)**

The accounting for the Aitkin Municipal Airport Commission was being accounted for in a piecemeal matter, shared between Aitkin County and the City of Aitkin. This resulted in an incomplete set of accounting records at either location and additional work and cost for year-end reporting.

**Resolution**

Effective January 1, 2009, the City of Aitkin took over all of the accounting and recordkeeping for the Aitkin Municipal Airport Commission.

B. OTHER ITEM FOR CONSIDERATION

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

Board of County Commissioners  
Aitkin County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aitkin County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2010. We conducted our audit 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aitkin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-5, 06-1 through 06-3, 06-5, 06-6, 06-8, and 06-10, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing as the cities administer the tax increment financing in Aitkin County.

The results of our tests indicate that, for the items tested, Aitkin County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to the County, and they are reported for that purpose.

Aitkin County's written responses to the internal control and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 19, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Aitkin County

#### Compliance

We have audited the compliance of Aitkin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Aitkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aitkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Aitkin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

## Internal Control Over Compliance

Management of Aitkin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Aitkin County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2010. Our audit was performed for the purpose of forming opinions on Aitkin County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 19, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

This page was left blank intentionally.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 64,265
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	105,822
State Administrative Matching Grants for SNAP -- ARRA	10.561	<u>4,766</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 174,853</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	\$ 1,422,552
Highway Planning and Construction -- ARRA	20.205	<u>766,395</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 2,188,947</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Arrowhead Regional Development Commission National Family Caregiver Support, Title III, Part E	93.052	\$ 26,590
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	27,000
Maternal and Child Health Services Block Grant to the States	93.994	22,975
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	253,489
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	446,989
Child Support Enforcement -- ARRA	93.563	30,895
Refugee and Entrant Assistance	93.566	283
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	18,328
Child Care Welfare Services - State Grants	93.645	10,970
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	129,090
Foster Care Title IV-E -- ARRA	93.658	5,981

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 12  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services (Continued)		
Social Services Block Grant	93.667	120,360
Chafee Foster Care Independence Program	93.674	3,510
Children's Health Insurance Program	93.767	11
Medical Assistance Program	93.778	475,923
Block Grant for Community Mental Health Services	93.958	157
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,572,551</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 31,953
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	33,523
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 65,476</b>
<b>Total Federal Awards</b>		<b>\$ 4,001,827</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

---

---

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Aitkin County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Aitkin County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Aitkin County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,094,771
Grants received more than 90 days after year-end, deferred in 2009	
Highway Planning and Construction	435,748
Deferred in 2008, recognized as revenue in 2009	
Highway Planning and Construction	<u>(1,528,692)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,001,827</u>

5. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

---

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.