RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2020

Hoffman, Philipp, & Martell, PLLC

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

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RED LAKE FALLS, MINNESOTA

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INTRODUCTORY SECTION

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2020

Office	Name	Term Expires
Commissioners		
1st District	Anthony Flage**	January 2023
2nd District	Ron Weiss	January 2025
3rd District	Delane Dudycha	January 2023
4th District	Allen Remick*	January 2023
5th District	Tony Gerardy[1]	January 2025
Officers		
Elected:		
Attorney	Mike Lacoursiere	January 2023
Auditor	Robert Schmitz	January 2023
Recorder	Joyce Paquin	January 2023
Sheriff	Mitch Bernstein	January 2023
Treasurer	Nick Knott	January 2023
Appointed:		
Assessor	Michelle Nelson[2]	December 2024
Medical Examiner	Dr. Mary Ann Sens	June 2024
Highway Engineer	Erik Hove	May 2023
Veterans Service Officer	Kurtis Ellefson	December 2023
Environmental Services Director	Kurt Casavan	Indefinite
Social Services Director	Kristi Nelson	Indefinite

**Chair*
***Vice-Chair*

[1] Newly elected in 2020. Replaced Charles Simpson. Term expires January 2025.
[2] Appointed May 4, 2020. Replaced Nancy Amberson. Term expires December 2024.

FINANCIAL SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA

Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@hpmaudit.com

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Red Lake County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red Lake County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Red Lake County, Minnesota, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note II.B. to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities, and therefore represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Lake County's basic financial statements. The supplementary information, the introductory section, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other schedules sections have not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of Red Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering the County's internal control over financial reporting and compliance.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hoffman, Philipp, & Martell, PLLC
October 4, 2021

PO Box 367
Red Lake Falls, MN 56750
218/253-2598
FAX: 218/253-4894

Red Lake County Auditor's Office

Bob Schmitz, County Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The management of Red Lake County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Red Lake County for the fiscal year ended December 31, 2020. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is $55,085,550, of which $42,896,066 is the net investment in capital assets, $11,737,819 is restricted for specific purposes, and $451,665 is unrestricted. The total net position of governmental activities increased by $1,653,387 for the year ended December 31, 2020. This is attributed mainly to highway infrastructure construction funded by State shared revenues.

At the close of 2020, the County's governmental funds reported combined ending fund balances of $5,367,403, a decrease of $495,610 from the prior year. Of the total fund balance amount, $333,662 is non-spendable, $1,307,863 is legally or contractually restricted, $2,336,082 is formally committed for specific purposes, and $1,389,796 is assigned for specific purposes. The General Fund has no unassigned fund balance. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Red Lake County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, the County's activities include 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.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Red Lake County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Road and Bridge Special Revenue Fund, and the Social Services Special Revenue Fund, all of which are considered to be major funds. Data from the nonmajor Ditch Special Revenue Fund is combined into a single, aggregated presentation. Individual fund data for this nonmajor fund is provided in combining statements after the notes to the financial statements.

Red Lake County adopts annual budgets for its governmental funds. Budgetary comparison schedules have been provided for the major governmental funds to demonstrate compliance with their budgets.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and which therefore, cannot be used to support the government's own programs. Red Lake County's fiduciary funds consist of one private purpose trust fund which is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and three custodial funds which are used to report resources held by the County in a purely custodial capacity. The Social Welfare Private-Purpose Trust Fund is presented in the Statement of Fiduciary Net Position – Fiduciary Funds and the Statement of Changes in Fiduciary Net Position – Fiduciary Funds. Custodial funds do not involve measurement of results of operations. In addition, the Fiduciary Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial Fund activities are reported in Statement 1 and Statement 2.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary and other information including a ditch balance sheet, a schedule of intergovernmental revenue, and a schedule of expenditures of federal awards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by $55,085,550 at the close of 2020. The largest portion of the County's net position (approximately 78 percent) reflects its net investment in capital assets (i.e., land, infrastructure, buildings, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 21 percent of the County's net position is restricted, and one percent of the County's net position is unrestricted. The unrestricted net position amount of $451,665 as of December 31, 2020, may be used to meet the County's ongoing obligations to citizens.

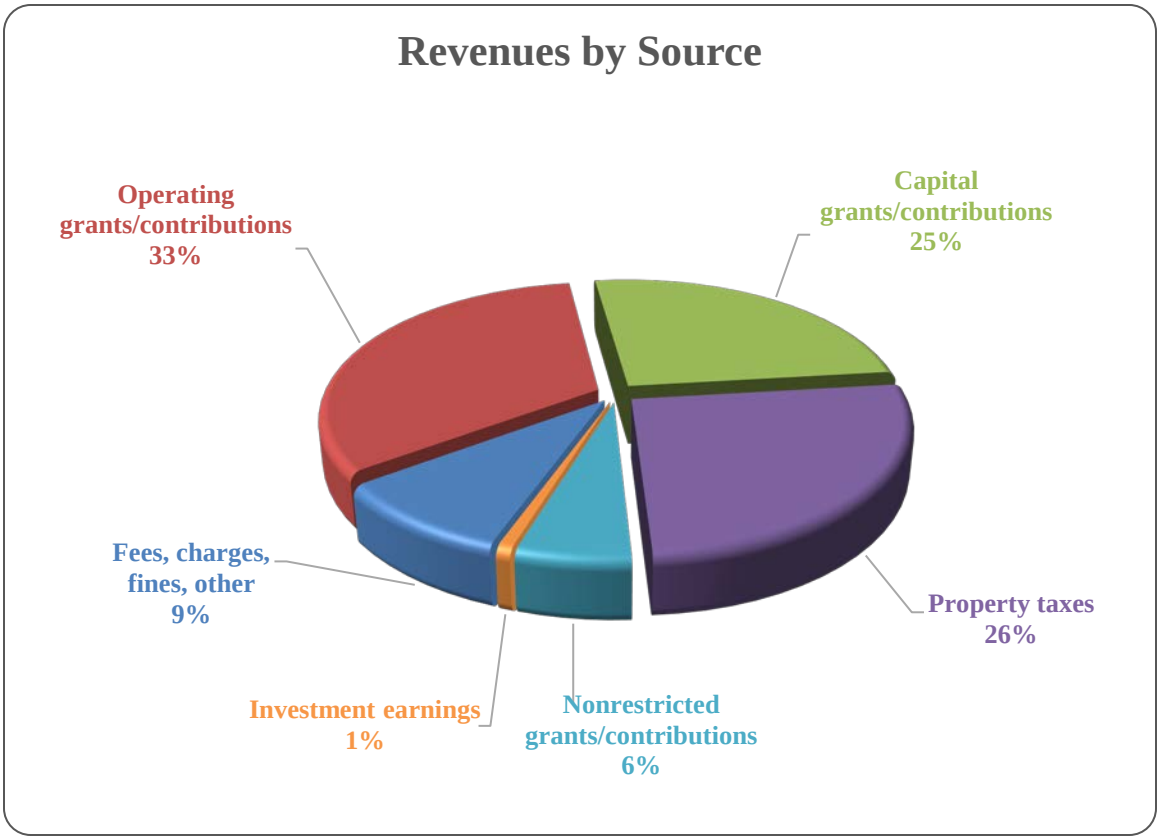
The County's overall financial position increased from last year. Total assets increased by $1,549,090 from the prior year, deferred outflows of resources related to other post-employment benefits and pensions decreased by $85,036, total liabilities increased by $413,325 from the prior year, and deferred inflows of resources related to other post-employment benefits and pensions decreased by $602,658. This resulted in an increased net position of $1,653,387 from the prior year.

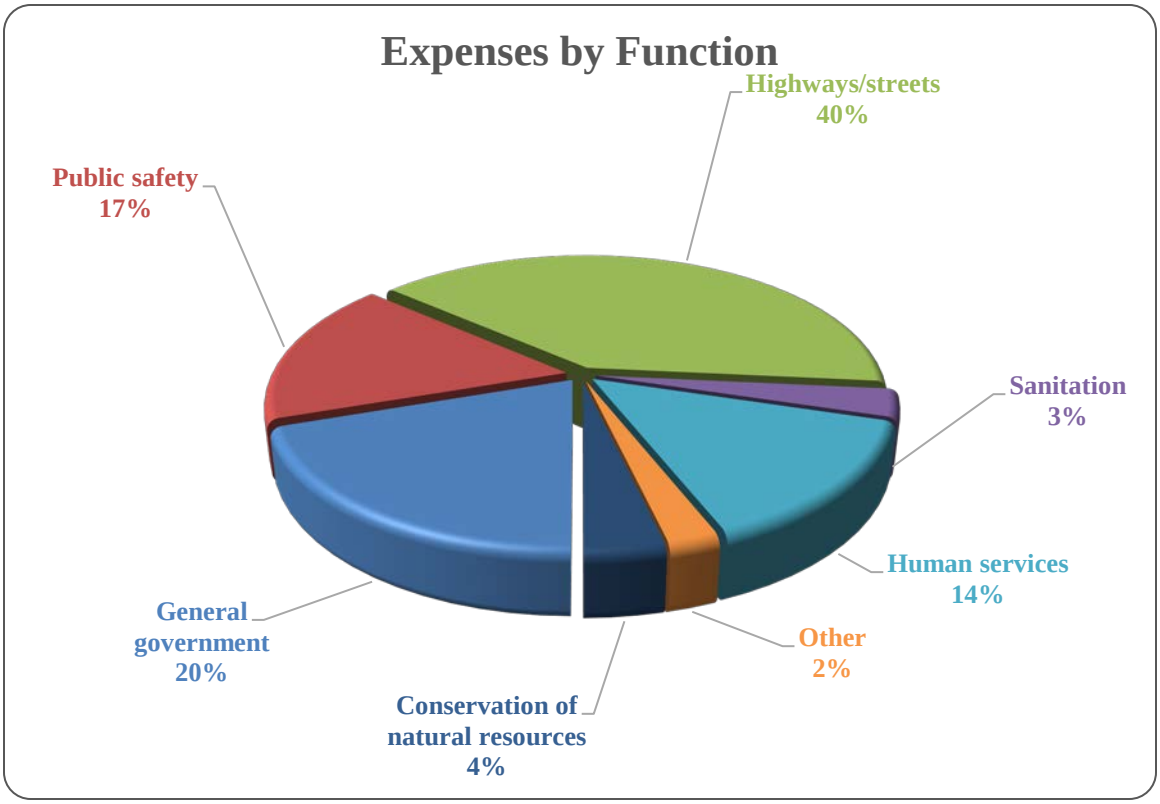
NET POSITION

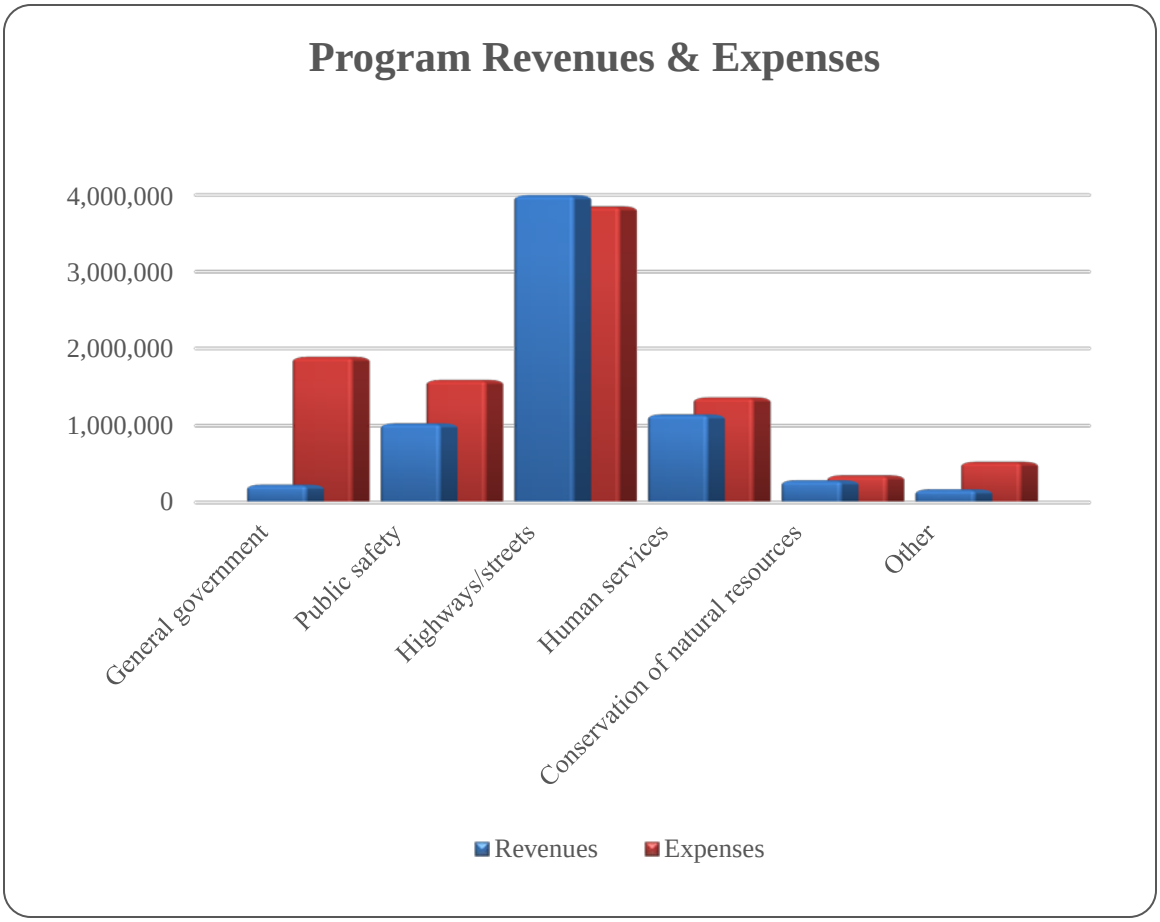
	Governmental Activities	
	2020	2019
Current and other assets	$ 15,849,971	$ 17,823,023
Special assessments - noncurrent	10,099	9,438
Capital assets	42,920,021	39,398,540
Total assets	$ 58,780,091	$ 57,231,001
Deferred outflows of resources		
Related to other post-employment benefits	$ 22,904	$ 9,729
Related to pensions	610,247	708,458
Total deferred outflows or resources	$ 633,151	$ 718,187
Other liabilities	$ 656,371	$ 679,026
Long-term liablities outstanding	3,100,719	2,664,739
Total liabilities	$ 3,757,090	$ 3,343,765
Deferred inflows of resources		
Related to other post-employment benefits	$ 4,571	$ 5,714
Related to pensions	566,031	1,167,546
Total deferred inflows of resources	$ 570,602	$ 1,173,260
Net investment in capital assets	$ 42,896,066	$ 39,398,540
Restricted	11,737,819	12,850,416
Unrestricted	451,665	1,183,207
Total net position	$ 55,085,550	$ 53,432,163

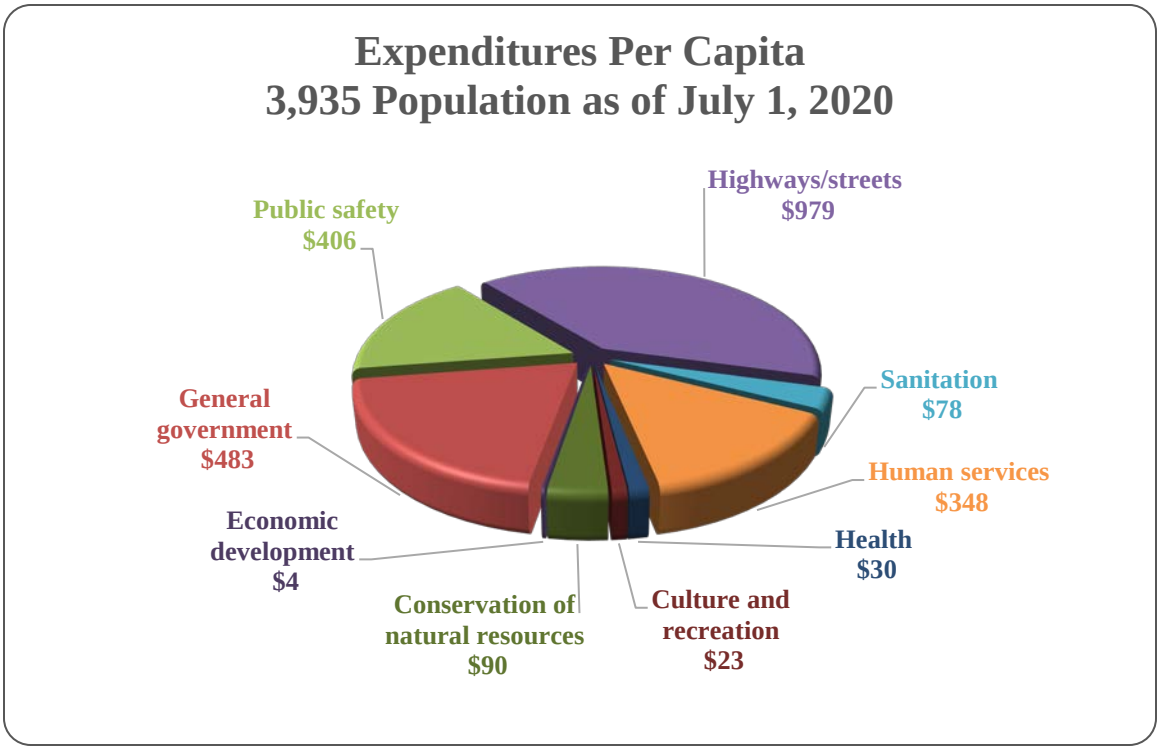
CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues		
Fees, charges, fines and other	$ 1,010,492	$ 955,125
Operating grants and contributions	3,703,046	2,901,367
Capital grants and contributions	2,850,791	2,224,088
General Revenues		
Property taxes	2,922,278	2,890,784
Grants and contributions not restricted to specific programs	643,470	568,113
Payments in lieu of taxes	16,151	-
Investment earnings	82,925	181,222
Miscellaneous	27,931	29,281
Total revenues	$ 11,257,084	$ 9,749,980
Expenses		
General government	$ 1,898,662	$ 1,451,533
Public safety	1,597,940	1,505,305
Highways and streets	3,852,832	368,733
Sanitation	305,190	298,205
Human services	1,369,606	1,358,781
Health	118,957	63,957
Culture and recreation	88,783	86,622
Conservation of natural resources	354,267	311,307
Economic development	17,460	-
Total expenses	$ 9,603,697	$ 5,444,443
Increase (decrease)	$ 1,653,387	$ 4,305,537
Net position, January 1	53,432,163	49,126,626
Net position, December 31	$ 55,085,550	$ 53,432,163


Revenues by Source
Operating grants/contributions 33%
Capital grants/contributions 25%
Fees, charges, fines, other 9%
Property taxes 26%
Investment earnings 1%
Nonrestricted grants/contributions 6%


Expenses by Function
Highways/streets 40%
Public safety 17%
Sanitation 3%
Human services 14%
General government 20%
Other 2%
Conservation of natural resources 4%


Program Revenues & Expenses
4,000,000
3,000,000
2,000,000
1,000,000
0
General government
Public safety
Highways/streets
Human services
Conservation of natural resources
Other
Revenues
Expenses


Expenditures Per Capita
3,935 Population as of July 1, 2020
Highways/streets
$979
Public safety
$406
Sanitation
$78
General
government
$483
Human services
$348
Economic
development
$4
Health
$30
Conservation of
natural resources
$90
Culture and
recreation
$23

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows of resources, deferred outflows of resources, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2020, the County's governmental funds reported combined ending fund balances of $5,367,403. Of this amount, approximately six percent constitutes non-spendable fund balance, 24 percent constitutes legally or contractually restricted fund balance, 44 percent constitutes formally committed fund balance, and 26 percent constitutes specifically assigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $1,907,761. The General Fund had no non-spendable or assigned fund balance. The restricted fund balance was $452,687, and the committed fund balance was $1,268,769. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2020. Unrestricted fund balance represents 28 percent and total fund balance represents 39 percent of total General Fund expenditures.

In 2020, the fund balance amount in the General Fund decreased by $186,305 as a result of a budgeted spenddown of fund balance.

The fund balance of the Road and Bridge Special Revenue Fund decreased by $512,110 in 2020 due to a budgeted spenddown of fund balance.

The fund balance of the Social Services Special Revenue Fund increased by $171,727 from the prior year due to expenditures under budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2020.

Actual revenues were more than overall final budgeted revenues by $3,067,703, with the largest variance in taxes due to the budget not being entered into the County's financial system. Actual expenditures were more than overall final budgeted expenditures by $726,767, with the largest variance in general government due to CARES Act spending.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2020, amounted to $42,920,021 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 9 percent, due to infrastructure construction.

	Governmental Activities	
	2020	2019
Land	$ 997,274	$ 997,274
Construction in progress	376,092	515,570
Infrastructure	40,160,917	36,441,240
Buildings and improvements	132,943	154,470
Machinery and equipment	1,252,795	1,289,986
Total capital assets	$ 42,920,021	$ 39,398,540

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $23,955.

	Governmental Activities	
	2020	2019
Captial Lease Purchase - IBM Credit I-series power system/software	$ 23,955	$ -

Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2020, overall debt of the County is below the three percent debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

- Red Lake County's unemployment rate was 5.0 percent as of December, 2020. This is higher than the statewide rate of 4.9 percent and lower than the national average rate of 6.5 percent.

- Red Lake County's 2020 United States Census population July 1, 2020 was 3,935, a decrease of 154 since the census of 2010. This ranks Red Lake County 85th of 87 in the State of Minnesota.

- On December 22, 2020, Red Lake County set its 2021 revenue and expenditure budgets.

- The County is concerned about unfunded mandates, rising employee health insurance and benefit costs, and the reduction in County Program Aid, while attempting to be as fiscally conservative as possible.

- For 2021, the most significant challenge will be adjusting to the ongoing impacts of the worldwide Coronavirus pandemic. The total extent of the impact on the County, both financially and operationally, are still uncertain at this time.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Red Lake County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Red Lake County Auditor, Red Lake County Courthouse, P.O. Box 367, Red Lake Falls, Minnesota 56750.

BASIC FINANCIAL STATEMENTS

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2020

		Governmental Activities
Assets		
Cash and pooled investments	$	5,074,426
Cash with fiscal agent		8,466
Investments		180,267
Taxes receivable - prior		39,715
Special assessments receivable - prior		497
Accounts receivable		10,113
Accrued interest receivable		20,980
Due from other governments		10,181,845
Inventories		333,662
Special assessments - noncurrent		10,099
Capital assets		
Non-depreciable		1,373,366
Depreciable - net of accumulated depreciation		41,546,655
Total Assets	**$**	**58,780,091**
Deferred Outflows of Resources		
Related to other post-employment benefits	$	22,904
Related to pensions		610,247
Total Deferred Outflows of Resources	**$**	**633,151**
Liabilities		
Accounts payable	$	93,303
Salaries payable		147,799
Due to other governments		220,894
Long-term liabilites		
Due within one year.		194,375
Due in more than one year		121,201
Other post-employment benefits		227,327
Net pension liability		2,752,191
Total Liabilities	**$**	**3,757,090**
Deferred Inflows of Resources		
Related to other post-employment benefits	$	4,571
Related to pensions		566,031
Total Deferred Inflows of Resources	**$**	**570,602**
Net Position		
Net investment in capital assets	$	42,896,066
Amounts restricted for		
General government		72,930
Public safety		3,525
Highways and streets		10,470,553
Conservation of natural resources		1,122,562
Economic development		68,249
Unrestricted amounts		451,665
Total Net Position	**$**	**55,085,550**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues: Fees, Charges, Fines and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities					
General government	$ 1,898,662	$ 155,997	$ 77,109	$ -	$ (1,665,556)
Public safety	1,597,940	173,412	858,509	-	(566,019)
Highways and streets	3,852,832	312,578	1,534,545	2,840,827	835,118
Sanitation	305,190	22,769	85,298	-	(197,123)
Human services	1,369,606	235,023	913,917	-	(220,666)
Health	118,957	-	-	-	(118,957)
Culture and recreation	88,783	-	52,478	-	(36,305)
Conservation of natural resources	354,267	99,229	181,190	9,964	(63,884)
Economic development	17,460	11,484	-	-	(5,976)
Total governmental activities	**$ 9,603,697**	**$ 1,010,492**	**$ 3,703,046**	**$ 2,850,791**	**$ (2,039,368)**
General revenues					
Property taxes					$ 2,922,278
Grants and contributions not restricted to specific programs					643,470
Payments in lieu of taxes					16,151
Investment earnings					82,925
Miscellaneous					27,931
Total general revenues					**$ 3,692,755**
Change in net position					**$ 1,653,387**
Net position - January 1					**53,432,163**
Net position - December 31					**$ 55,085,550**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Nonmajor Ditch Special Revenue Fund	Total Governmental Funds
Assets					
Cash and pooled investments	$ 1,629,439	$ 598,648	$ 1,963,110	$ 883,229	$ 5,074,426
Cash with fiscal agent	8,466	-	-	-	8,466
Investments	73,678	106,589	-	-	180,267
Taxes receivable - prior	27,244	7,550	4,921	-	39,715
Special assessments receivable - prior	-	-	-	497	497
Accounts receivable	6,378	3,735	-	-	10,113
Accrued interest receivable	20,980	-	-	-	20,980
Due from other funds	44,463	8,978	-	-	53,441
Due from other governments	25,339	10,010,494	115,995	30,017	10,181,845
Inventories	-	333,662	-	-	333,662
Special assessments - noncurrent	10,099	-	-	-	10,099
Total Assets	**$ 1,846,086**	**$ 11,069,656**	**$ 2,084,026**	**$ 913,743**	**$ 15,913,511**
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	$ 9,226	$ 70,792	$ 12,377	$ 908	$ 93,303
Salaries payable	78,351	34,511	34,937	-	147,799
Due to other funds	8,978	-	-	44,463	53,441
Due to other governments	33	197,218	10,944	12,699	220,894
Total Liabilities	**$ 96,588**	**$ 302,521**	**$ 58,258**	**$ 58,070**	**$ 515,437**
Deferred Inflows of Resources					
Taxes	$ 17,943	$ 4,972	$ 3,241	$ -	$ 26,156
Special assessments	10,099	-	-	497	10,596
County State Aid Highway Allotment	-	9,993,919	-	-	9,993,919
Total Deferred Inflows of Resources	**$ 28,042**	**$ 9,998,891**	**$ 3,241**	**$ 497**	**$ 10,030,671**
Fund Balances					
Non-spendable	$ -	$ 333,662	$ -	$ -	$ 333,662
Restricted	452,687	-	-	855,176	1,307,863
Committed	1,268,769	434,582	632,731	-	2,336,082
Assigned	-	-	1,389,796	-	1,389,796
Total Fund Balances	**$ 1,721,456**	**$ 768,244**	**$ 2,022,527**	**$ 855,176**	**$ 5,367,403**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 1,846,086**	**$ 11,069,656**	**$ 2,084,026**	**$ 913,743**	**$ 15,913,511**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Fund balances - total governmental funds (Exhibit 3)			**$**	**5,367,403**
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				42,920,021
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.				10,030,671
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
Compensated absences payable	$	(291,621)		
Capital lease payable		(23,955)		(315,576)
Other post-employment benefits and related outflows/inflows of resources represent the allocation of the other post employment benefit obligations to the County. Such balances are not reported in the governmental funds:				
Deferred outflows of resources related to other post-employment benefits	$	22,904		
Deferred inflows of resources related to other post-employment benefits		(4,571)		
Other post-employment benefits		(227,327)		(208,994)
Net pension liability and related outflows/inflows of resources represent the allocation of the pension obligations of the statewide plans to the County. Such balances are not reported in the governmental funds:				
Deferred outflows of resources related to pensions	$	610,247		
Deferred inflows of resources related to pensions		(566,031)		
Net pension liability		(2,752,191)		(2,707,975)
Net position of governmental activities (Exhibit 1)			**$**	**55,085,550**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Nonmajor Ditch Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes	$ 2,029,974	$ 555,222	$ 338,458	$ -	$ 2,923,654
Special assessments	9,787	-	-	90,875	100,662
Licenses and permits	40	-	-	-	40
Intergovernmental	1,630,457	5,926,725	987,662	-	8,544,844
Charges for services	300,676	227,065	119,042	49,870	696,653
Investment earnings	72,648	10,277	-	-	82,925
Miscellaneous	137,418	85,513	115,981	-	338,912
Total Revenues	**$ 4,181,000**	**$ 6,804,802**	**$ 1,561,143**	**$ 140,745**	**$ 12,687,690**
Expenditures					
Current					
General government	$ 1,936,262	$ -	$ -	$ -	$ 1,936,262
Public safety	1,549,473	-	-	-	1,549,473
Highways and streets	-	7,385,521	-	-	7,385,521
Sanitation	303,521	-	-	-	303,521
Human services	54,637	-	1,315,178	-	1,369,815
Health	118,957	-	-	-	118,957
Culture and recreation	88,783	-	-	-	88,783
Conservation of natural resources	244,600	-	-	109,667	354,267
Economic development	17,460	-	-	-	17,460
Debt service					
Principal	4,033	4,033	4,034	-	12,100
Capital outlay					
General government	12,018	-	-	-	12,018
Public safety	113,585	-	-	-	113,585
Highways and streets	-	45,076	-	-	45,076
Human services	-	-	18,217	-	18,217
Total Expenditures	**$ 4,443,329**	**$ 7,434,630**	**$ 1,337,429**	**$ 109,667**	**$ 13,325,055**
Excess of Revenues Over (Under) Expenditures	**$ (262,329)**	**$ (629,828)**	**$ 223,714**	**$ 31,078**	**$ (637,365)**
Other Financing Sources (Uses)					
Transfers in	$ 64,006	$ -	$ -	$ -	$ 64,006
Transfers out	-	-	(64,006)	-	(64,006)
Proceeds from issuance of debt	12,018	12,018	12,019	-	36,055
Total Other Financing Sources (Uses)	**$ 76,024**	**$ 12,018**	**$ (51,987)**	**$ -**	**$ 36,055**
Net Change in Fund Balance	**$ (186,305)**	**$ (617,810)**	**$ 171,727**	**$ 31,078**	**$ (601,310)**
Fund Balance - January 1	**1,907,761**	**1,280,354**	**1,850,800**	**824,098**	**5,863,013**
Increase (decrease) in inventories	**-**	**105,700**	**-**	**-**	**105,700**
Fund Balance - December 31	**$ 1,721,456**	**$ 768,244**	**$ 2,022,527**	**$ 855,176**	**$ 5,367,403**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds (Exhibit 5)			**$ (601,310)**
Amounts reported for governmental activities in the Statement of Activities are different because:			
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.			
Expenditures for general capital assets and infrastructure	$ 4,838,514		
Current year depreciation	(1,317,033)		3,521,481
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
Change in deferred inflows of resources			(1,433,424)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Proceeds from issuance of debt	$ (36,055)		
Principal repayments	12,100		(23,955)
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			
Compensated absences payable	(10,171)		
Inventories	105,700		
Deferred outflows related to other post-employment benefits	13,175		
Deferred inflows related to other post-employment benefits	1,143		
Other post-employment benefits	(26,545)		
Deferred outflows related to net pension liability	(98,211)		
Deferred inflows related to net pension liability	601,515		
Net pension liability	(396,011)		190,595
Change in net position of governmental activities (Exhibit 2)			**$ 1,653,387**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 5)	Total Fiduciary Funds
Assets			
Cash and pooled investments	$ 9,446	$ 178,553	$ 187,999
Due from other governments	-	23,972	23,972
Accounts receivable	-	49,620	49,620
Total Assets	**$ 9,446**	**$ 252,145**	**$ 261,591**
Liabilities			
Due to other governments	$ -	$ 116,192	$ 116,192
Due to others	-	4,619	4,619
Total Liabilities	**$ -**	**$ 120,811**	**$ 120,811**
Net Position			
Restricted for			
Individuals, organizations, other governments	**$ 9,446**	**$ 131,334**	**$ 140,780**

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

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 6)	Total Fiduciary Funds
Additions			
Contributions from individuals	$ 41,467	$ 738,857	780,324
Property tax collections for other governments	-	12,758,058	12,758,058
Proceed from sale of forfeited property	-	39,800	39,800
Intergovernmental receipts for other governments	-	24,501	24,501
License and fees collected for State	-	94,998	94,998
Miscellaneous	-	884,955	884,955
Total Additions	**$ 41,467**	**$ 14,541,169**	**$ 14,582,636**
Deductions			
Medical, dental, and life insurance	$	$ 731,211	$ 731,211
Payments of property tax to other governments	-	12,659,867	12,659,867
Payments to state	-	903,120	903,120
Payments to other entities/individuals	40,586	32,943	73,529
Total Deductions	**$ 40,586**	**$ 14,327,141**	**$ 14,367,727**
Change in net position	$ 881	$ 214,028	$ 214,909
Net Position – January 1, as previously reported	**$ -**	**$ -**	**$ -**
Prior period adjustment	8,565	(35,475)	(26,910)
Net Position – January 1, as restated	**$ 8,565**	**$ (35,475)**	**$ (26,910)**
Net Position – December 31	**$ 9,446**	**$ 178,553**	**$ 187,999**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Red Lake County was established December 24, 1896, and has the powers, duties, and privileges granted counties by state law, codified in Minnesota Statutes, Chapter 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor, elected on a County-wide basis, serves as the clerk of the Board but has no vote.

The County participates in joint ventures and related and jointly-governed organizations which are described in Notes section VII, subdivisions D, E, and F, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide statement of net position, the totals are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

I. 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. Separate statements for each fund category–governmental and fiduciary–are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report 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. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services committed for various highways and streets purposes.

The Social Services Special Revenue Fund is used to account for and report financial services provided to persons receiving public assistance. Financing is provided by annual tax levy and intergovernmental revenues committed and assigned for various social services purposes.

Additionally, the County reports the following non-major fund:

Ditch Special Revenue Fund is used to account for and report the operation and maintenance of county, judicial, and state drainage systems. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources.

Additionally, the County reports the following fund type:

Fiduciary Funds are custodial in nature and do not present results of operations or have a measurement focus. The County reports the following fiduciary fund types:

The Social Welfare Private-Purpose Trust Fund is used to manage the day-to-day finances of Red Lake County citizens that are not able to manage their own finances.

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The County considers property tax revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2020, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2020 were $72,355. Total investment earnings for 2020 were $82,925.

2. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2006 through 2020 and deferred special assessments collectible in 2021 and beyond. Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures.

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

I. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

3. Inventories

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance account to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $5,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	50-75
Buildings and improvements	30
Machinery and equipment	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until

I. Summary of Significant Accounting Policies

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

5. Deferred Outflows/Inflows of Resources (Continued)

that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time.

The County reports delinquent property taxes and special assessments, special assessments levied for subsequent years, and County State Aid Highway Allotments as deferred inflows of resources in the governmental fund financial statements in accordance with the modified accrual basis of accounting. In addition, the County reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual 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 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.

7. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2020. The General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund are typically used to liquidate governmental other postemployment benefits payable.

I. Summary of Significant Accounting Policies

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

8. Pension Plan

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

9. Net Position and Fund Balance

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

In the fund financial statements, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

I. Summary of Significant Accounting Policies

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

9. Net Position and Fund Balance (Continued)

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Auditor.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds. The County reported no unassigned fund balances at December 31, 2020.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 40 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of zero dollars. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be determined by the County Board within a three-year period.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be expended in the event of a natural disaster that exists as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County does not identify an amount for stabilization at December 31, 2020.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

10. 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, liabilities, and deferred inflows, and disclosure of contingent amounts 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.

II. Stewardship, Compliance, and Accountability

A. Land Management

The County manages approximately 394 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.

B. Change in Accounting Principles - Restatement of Net Position

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported, and recognizing the net position of custodial funds when no event has occurred to compel the County to disburse fiduciary resources. Beginning net position has been restated to reflect these changes.

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	$ -	$ -
Change in accounting principles	8,565	178,553
Net Position, January 1, 2020, as restated	$ 8,565	$ 178,553

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2020, are as follows:

Governmental Funds		
Cash and pooled investments	$	5,074,426
Cash with fiscal agent		8,466
Investments		180,267
Fiduciary Funds		
Cash and pooled investments		187,999
Total cash and investments	$	5,451,158
Cash on hand	$	695
Checking accounts		2,806,042
Cash with fiscal agent		8,466
Savings accounts		632,171
Certificates of deposit		245,811
Investments		1,757,973
Total deposits and investments	$	5,451,158

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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. Red Lake County's policy is to minimize exposure to custodial credit risk by limiting investments to certain types of securities as listed in their policy, and to obtain documentation of pledged collateral from their financial institutions. As of December 31, 2020, no County deposits were exposed to custodial credit risk.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investments

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

(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 Minnesota Statute, § 118A.04, subdivision 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 certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Red Lake County's policy is to minimize interest rate risk by structuring investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County invests in both short-term and long-term investments so that a portion of the portfolio matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Interest Rate Risk (Continued)

At December 31, 2020, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years
Negotiable Certificates of Deposit	$ 1,745,483	$ 990,714	$ 754,769
Minnesota Municipal Money Market Funds	12,490	12,490	-
Total Investments	$ 1,757,973	$ 1,003,204	$ 754,769
	100%	57%	43%

Credit Risk

Generally, a 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.

The County's exposure to credit risk as of December 31, 2020, is as follows:

	S & P Rating	Fair Value
Negotiable Certificates of Deposit	N/A	1,745,483
Minnesota Municipal Money Market Funds	N/A	12,490
		$ 1,757,973

N/A – not applicable

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 that are in the possession of an outside party. Red Lake County's policy is to minimize custodial credit risk. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk. At December 31, 2020, the County had no investments subject to custodial credit risk.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and 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, excluding U.S. guaranteed investments, investment pools, and mutual funds. Red Lake County's policy is to minimize concentration of credit risk. At December 31, 2020, the County's investments were not subject to concentration of credit risk.

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and;
- Level 3: Unobservable inputs.

At December 31, 2020, the County had the following recurring fair value measurements:

	December 31, 2020	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)
Investments by fair value level			
Money market funds	12,490	12,490	-
Negotiable certificates of deposit	1,745,483	-	1,745,483
Total Investments	$ 1,757,973	$ 12,490	$ 1,745,483

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices. The County had no level 3 investments.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2020, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 39,715	$ -
Special assessments	10,596	10,099
Accounts	10,113	-
Accrued interest	20,980	-
Due from other governments	10,181,845	-
Total	$ 10,263,249	$ 10,099

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 997,274	$ -	$ -	$ 997,274
Construction in progress	515,570	4,465,564	4,605,042	376,092
Total capital assets not depreciated	$ 1,512,844	$ 4,465,564	$ 4,605,042	$ 1,373,366
Capital assets being depreciated				
Infrastructure	$ 55,412,148	$ 4,789,096	$ -	$ 60,201,244
Buildings and improvements	1,326,653	-	-	1,326,653
Machinery and equipment	3,469,744	188,896	73,252	3,585,388
Total capital assets being depreciated	$ 60,208,545	$ 4,977,992	$ 73,252	$ 65,113,285
Less: accumulated depreciation for				
Infrastructure	$ 18,970,908	$ 1,069,419	$ -	$ 20,040,327
Buildings and improvements	1,172,183	21,527	-	1,193,710
Machinery and equipment	2,179,758	226,087	73,252	2,332,593
Total accumulated depreciation	$ 22,322,849	$ 1,317,033	$ 73,252	$ 23,566,630
Total capital assets, depreciated, net	$ 37,885,696	$ 3,660,959	$ -	$ 41,546,655
Governmental Activities Capital Assets, Net	$ 39,398,540	$ 8,126,523	$ 4,605,042	$ 42,920,021

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Depreciation Expense

Depreciation expense was charged to functions of the County as follows:

General government	$	13,237
Public safety		60,380
Highways and streets, including depreciation of infrastructure assets		1,229,847
Human services		12,373
Sanitation		1,196
Total Depreciation Expense	$	1,317,033

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Ditch Special Revenue Fund	$ 44,463	Ditch 10 collections
Road & Bridge Special Revenue Fund	General Fund	8,978	Interest receipted to wrong fund
Total Due To/From Other Funds		$ 53,441	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfer To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Social Services Special Revenue Fund	$ 13,766	Reimburse personnel costs
	Social Services Special Revenue Fund	50,240	Rent
Total Operating Transfer to General Fund:		$ 64,006	

III. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Current payables at December 31, 2020 were as follows:

Accounts	$ 93,303
Salaries	147,799
Due to other governments	220,894
Total Payables	$ 461,996

All payables amounts are scheduled for payment during the subsequent year.

2. Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service and hours worked. Maximum vacation earnings are 192 hours for 0-4 year anniversary dates, 288 hours for 5-9 year anniversary dates, and 384 hours after the 9th anniversary date. Maximum sick leave earnings are 720 hours. For each month an employee maintains their maximum sick leave accumulation, an additional half day of vacation shall be added to their vacation accrual. At severance, employees may receive half of their sick leave accumulation with a maximum pay out of 360 hours. Employees are also able to accrue a sick bank which is their accrual or sick leave over 720 hours. This sick bank may only be used once the entire sick leave balance is exhausted.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. After 15 years of continuous service with the County, eligible employees will receive a percentage of their accumulated sick leave of up to a maximum of 95.63 days upon resignation or retirement in good standing as severance pay. Unvested sick leave, approximately $132,073 at December 31, 2020, is available to employees in the event of illness-related absences and is not paid to them at termination.

3. Long-Term Debt and Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease	$ -	$ 36,055	$ 12,100	$ 23,955	$ 11,937
Compensated Absences	281,450	292,366	282,195	291,621	182,438
OPEB Liability	200,782	26,545	-	227,327	-
Net Pension Liability	2,356,180	396,011	-	2,752,191	-
	$ 2,838,412	$ 750,977	$ 294,295	$ 3,295,094	$ 194,375

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and County State Aid Highway Allotments (CSAH) not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2020, are summarized below by fund:

	Taxes	Special Assessments	CSAH	Total
Governmental funds				
General	$ 17,943	$ 10,099	$ -	$ 28,042
Road & Bridge	4,972	-	9,993,919	9,998,891
Social Services	3,241	-	-	3,241
Ditch	-	497	-	497
Total	$ 26,156	$ 10,596	$ 9,993,919	$ 10,030,671

D. Fund Balances

Fund balances at year-end December 31, 2020, were as follows:

	General Fund	Special Revenue Funds: Road and Bridge	Special Revenue Funds: Social Services	Nonmajor: Ditch Special Revenue Fund	Total Governmental Funds
Nonspendable					
Inventories	$ -	$ 333,662	$ -	$ -	$ 333,662
Restricted by enabling legislation					
Attorney's forfeiture	$ 1,285	$ -	$ -	$ -	$ 1,285
Conservation of natural resources	-	-	-	855,176	855,176
Gravel pit restoration	65,763	-	-	-	65,763
Landslide acquisition	68,249	-	-	-	68,249
Law library	9,263	-	-	-	9,263
Recorder's equipment	62,382	-	-	-	62,382
Recorder's technology	40,597	-	-	-	40,597
Riparian Protection Aid	201,623	-	-	-	201,623
Sheriff's contingent fund	3,390	-	-	-	3,390
Sheriff's forfeited property	135	-	-	-	135
Total restricted	$ 452,687	$ -	$ -	$ 855,176	$ 1,307,863
Committed to					
Ambulance	$ 53,000	$ -	$ -	$ -	$ 53,000
Courthouse equipment	7,000	-	-	-	7,000
Future expenditures	1,125,769	434,582	632,731	-	2,193,082
Landfill well monitoring	30,000	-	-	-	30,000
Solid waste	53,000	-	-	-	53,000
Total committed	$ 1,268,769	$ 434,582	$ 632,731	$ -	$ 2,336,082
Assigned to					
Social services	$ -	$ -	$ 1,389,796	$ -	$ 1,389,796
Total Fund Balances	$ 1,721,456	$ 768,244	$ 2,022,527	$ 855,176	$ 5,367,403

IV. Other Post-Employment Benefits (OPEB)

A. Plan Description

Red Lake County provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides for retirees as required by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The contribution requirements of the plan and the County are established and may be amended by the Red Lake County Board of Commissioners. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2020, there were 46 participants in the plan including 3 retirees.

B. Total OPEB Liability

The County's total OPEB liability of $200,782 was determined by an actuarial valuation date of January 1, 2020 and measurement date of January 1, 2020.

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuation was determined using the following actuarial methods and assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation/Census Data Date:	January 1, 2020
Measurement Date:	January 1, 2020
Reporting Date:	December 31, 2020
Actuarial Cost Method:	Entry Age, level percentage of pay
Amortization of Deferred Resource Flows:	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Discount Rate:	2.90%
20-Year Municipal Bond Yield:	2.90%
Inflation Rate:	2.50%
Salary Increases:	Service graded table
Medical Trend Rate:	6.50% as of January 1, 2020, grading to 5.00% over 6 years and then 4.00% over the next 48 years.

The current year discount rate is 2.90 percent, which is a change from the prior year rate of 3.80 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate assumption of 2.90 percent was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. Mortality rates are based on Pub-2010 Public Retirement Plans headcount-weighted mortality tables (general and safety) with MP-2019 generational improvement scale.

IV. Other Post-Employment Benefits (OPEB)

B. Total OPEB Liability (Continued)

The actuarial assumptions are based on input from a variety of published sources of historical and projected future financial data.

C. Changes in Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at January 1, 2019	$ 200,782
Changes for the year:	
Service cost	$ 15,879
Interest cost	8,050
Assumption changes	7,234
Differences between expected and actual experience	5,111
Benefit payments	(9,729)
Net change in Total OPEB Liability	$ 26,545
Total OPEB Liability at January 1, 2020	$ 227,327

D. OPEB Liability Sensitivity

The following presents the total OPEB Liability of Red Lake County, calculated using the discount rate of 2.90%, as well as what the County's total OPEB Liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

Sensitivity Analysis			
OPEB Liability (Asset) at Different Discount Rates			
OPEB Sensitivity			
1% Lower	1.90%	$	244,354
Current Discount Rate	2.90%	$	227,327
1% Higher	3.90%	$	211,330

The following presents the total OPEB liability of Red Lake County, calculated using the health care cost-trend of 6.50% decreasing to 5.00% over 6 years and then 4.00% over the next 48 years, as well as what the County's total OPEB Liability would be if it were calculated using health care trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

OPEB Trend Rates			
OPEB Liability (Asset) at Healthcare Trend Rates			
1% Lower	5.50%	$	203,416
Current Discount Rate	6.50%	$	227,327
1% Higher	7.50%	$	255,887

IV. Other Post-Employment Benefits (OPEB) (Continued)

E. Fund Status and Funding Progress

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2020 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include a 2.90% a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment return on plan assets, and a base payroll growth rate determined by a service graded table. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption of 2.50% factored into the calculation for healthcare related costs.

G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized OPEB expense of $23,929.

At December 31, 2020, Red Lake County reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	$ 4,380	$ -
Assumption changes	6,200	4,571
Estimated employer contributions	12,324	-
Total	$ 22,904	$ 4,571

IV. Other Post-Employment Benefits (OPEB)

G. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

The $12,324 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Future Recognition
2021	$ 622
2022	$ 622
2023	$ 622
2024	$ 623
2025	$ 1,765
Thereafter	$ 1,755

H. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety and white collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general and safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

V. Defined Benefit Pension Plans

A. Plan Descriptions

Red Lake County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

V. Defined Benefit Pension Plans

A. Plan Descriptions (Continued)

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for

V. Defined Benefit Pension Plans

B. Benefits Provided

1. General Employees Plan Benefits (Continued)

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

2. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and Red Lake County was required to contribute 7.50 percent for Coordinated Plan members. Red Lake County's contributions to the General Employees Fund for the year ended December 31, 2020, were $189,034. Red Lake County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. Red Lake County's contributions to the Police and Fire Fund for the year ended December 31, 2020, were $103,586. Red Lake County's contributions were equal to the required contributions as set by state statute.

V. Defined Benefit Pension Plans (Continued)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the Red Lake County reported a liability of $2,098,410 for its proportionate share of the General Employees Fund's net pension liability. Red Lake County's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Red Lake County totaled $64,745. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Red Lake County's proportionate share of the net pension liability was based on Red Lake County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. Red Lake County's proportionate share was .0350 percent at the end of the measurement period and .0327 percent for the beginning of the period.

Red Lake County's Proportionate share of the net pension liability	$ 2,098,410
State of Minnesota's proportionate share of the net pension liability associated with Red Lake County	64,745
Total	$ 2,163,155

There were no provision changes during the measurement period.

For the year ended December 31, 2020, Red Lake County recognized pension expense of $218,135 for its proportionate share of the General Employees Plan's pension expense. In addition, Red Lake County recognized $5,635 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 17,893	$ 7,939
Changes in actuarial assumptions	-	75,431
Net collective difference between projected and actual investment earnings investment earnings	41,278	-
Changes in proportion	95,371	33,363
Contributions paid to PERA subsequent to the measurement date	94,298	-
Total	$ 248,840	$ 116,733

The $94,298 reported as deferred outflows of resources related to pensions resulting from Red Lake County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2021	$ (104,724)
2022	$ 20,353
2023	$ 71,481
2024	$ 50,699
2025	$ -

2. Police and Fire Fund Pension Costs

At December 31, 2020, Red Lake County reported a liability of $653,781 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Red Lake County's proportionate share of the net pension liability was based on Red Lake County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

of PERA's participating employers. Red Lake County's proportionate share was .0496 percent at the end of the measurement period and .0515 percent for the beginning of the period.

The State of Minnesota also contributed $13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of $4.5 million in direct state aid that does meet the definition of a special funding situation and $9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The $4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

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

December 31, 2020, Red Lake County recognized pension expense of $109,651 for its proportionate share of the Police and Fire Plan's pension expense. Red Lake County recognized $4,741 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of $4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid. Red Lake County recognized $15,411 liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

Red Lake County's Proportionate share of the net pension liability	$	653,781
State of Minnesota's proportionate share of the net pension liability associated with Red Lake County		15,411
Total	$	669,192

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,116	$ 28,794
Changes in actuarial assumptions	203,192	403,627
Net collective difference between projected and actual investment earnings investment earnings	19,693	-
Changes in proportion	57,293	16,877
Contributions paid to PERA subsequent to the measurement date	52,113	-
Total	$ 361,407	$ 449,298

The $52,113 reported as deferred outflows of resources related to pensions resulting from Red Lake County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

December 31:	Amount:
2021	$ (35,862)
2022	$ (157,784)
2023	$ 30,207
2024	$ 26,352
2025	$ (2,917)

E. Total Pension Expense

The total pension expense for all plans recognized by Red Lake County for the year ended December 31, 2020, was $338,162.

F. Actuarial Assumptions

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

V. Defined Benefit Pension Plans

F. Actuarial Assumptions (Continued)

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

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016.

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

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014

V. Defined Benefit Pension Plans

F. Actuarial Assumptions

General Employees Fund (Continued)

table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rates

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

H. Pension Liability Sensitivity

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

V. Defined Benefit Pension Plans

H. Pension Liability Sensitivity (Continued)

Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates			
General Employees Fund			
1% Lower	6.50%	$	3,363,023
Current Discount Rate	7.50%	$	2,098,410
1% Higher	8.50%	$	1,055,206

Sensitivity Analysis			
Net Pension Liability (Asset) at Different Discount Rates			
Police and Fire Fund			
1% Lower	6.50%	$	1,303,080
Current Discount Rate	7.50%	$	653,781
1% Higher	8.50%	$	116,600

I. Pension Plan Fiduciary Net Position

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

VI. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount no to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by Red Lake County during fiscal year 2020 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
$ 4,021	$ 4,021	5%	5%	5%

VII. 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, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the pending claims and potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

B. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Northwest Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health insurance benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

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

C. Subsequent Event

On May 10, 2021, the American Rescue Plan Act established by the Coronavirus Local Fiscal Recovery Fund, which provides a combined $65.1 billion in assistance to eligible local governments to help turn the tide on the pandemic, address its economic fallout, and lay foundation for a strong and equitable recovery. The Act requires that these funds are allocated based on each county's population share of the total population of all counties, using the latest available population data from the U.S. Census Bureau. The Treasury makes use of the 2019 Census for the purposes of this allocation. In 2021, the Coronavirus Local Fiscal Recovery Fund has allocated $787,636 to Red Lake County.

D. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties. The HSEM Region 3 Emergency Managers Joint Powers Board charges sufficient rates so that the participating members experience no financial benefit or burden.

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Red Lake County reports no contributions to the HSEM for the year ended December 31, 2020. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9th Avenue North, Moorhead, Minnesota 56560.

Inter-County Nursing Service

The Inter-County Nursing Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Pennington and Red Lake Counties. The purpose of the Nursing Service is to provide, through visits to individuals' homes, skilled public nursing care on a part-time or intermittent basis to residents of Pennington and Red Lake Counties who are in need of such care.

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Inter-County Nursing Service (Continued)

Control of the Nursing Service is vested in the Inter-County Nursing Service Board which is composed of one County Commissioner and four others from each county, and a physician who may be from either county. In the event of dissolution of the Inter-County Nursing Service Board, the net assets of the Nursing Service at that time shall be divided among the member counties in proportion to the contribution of each.

The Nursing Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties. Red Lake County contributed $22,457 to the Nursing Service for the year ended December 31, 2020. Red Lake County reports the cash transactions of the Nursing Home a fiduciary fund on its financial statements. Complete financial information can be obtained from the Pennington County Auditor/Treasurer's Office or at the Nursing Service's office, P. O. Box 616, Thief River Falls, Minnesota, 56701.

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

Control of the Waste Management Group is vested in the Northwest Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one county commissioner from each of the member counties, as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Red Lake County made no contribution to the Waste Management Group for the year ended December 31, 2020. Clearwater County reports the cash transactions of the Waste Group as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Waste Management Group's office, P.O. Box 186, Bagley, Minnesota 56621.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board (NMRRB) was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomen,

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the County of Moorhead. The purpose of the NMRRB is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one County council member from the member County, appointed by their respective governing bodies as provided in the NMRRB's Joint Powers Agreement.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Red Lake County reported $2,500 in contributions to the NMRRB for the year ended December 31, 2020. Complete financial information can be obtained from the NMRRB, C/O Greater Northwest EMS, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota, 56601.

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Pennington, Polk, and Red Lake Counties. The purpose of the Northwest Minnesota Six County Joint Powers Board is to receive and expend funds for the purpose of beaver damage control. Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution of the Northwest Minnesota Six County Joint Powers Board, the net assets of the Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. The Northwest Minnesota Six County Joint Powers Board charges sufficient rates so that the participating members experience no financial benefit or burden.

Financing is provided by grants from the State of Minnesota or from any other lawful source specifically including contributions from the respective member counties. Red Lake County did not contribute for the year ended December 31, 2020. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative's purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one County representative, with a maximum of three at-large appointees and three ex-officio superintendents. The NWSC charges sufficient rates so that the participating members experience no financial benefit or burden.

Red Lake County made no contributions to the NWSC for the year ended December 31, 2020. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

Pine to Prairie Drug and Violent Crime Task Force (PTPDTF)

The Pine to Prairie Drug and Violent Crime Task Force was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes as Full Members the Counties of Lake of the Woods, Norman, Pennington, Polk, Red Lake, and Roseau, the Cities of Crookston, East Grand Forks, and Thief River Falls, and the US Customs and Border Protection and Homeland Security Investigations Department; as Associate Members the County of Red Lake and the City of Ada; and as Liaison Members the Counties of Kittson, and Marshall. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

Control of the Task Force is vested in the PTPDTF Governing Board, which shall consist of not less than 6 members or more than 14 members designated by each participating Full Member, and up to 5 additional members selected by the Governing Board. Board members shall not be deemed to be employees of the Task Force and shall not be compensated by it. Full Members shall assign a peace officer to be an Agent on the task force, Associate Members are not required to assign an officer but shall participate in operations and activities and contribute funds annually. Liaison Members shall participate upon request.

Dissolution would occur when two-thirds of the members agree by resolution to terminate the agreement or when necessitated by law or funding status at which time the net assets of the Task Force shall be divided among the members in the same proportion as their respective full-time equivalent contributions. Any member may withdraw upon six months written notice and shall not be entitled to any distribution of the assets.

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Pine to Prairie Drug and Violent Crime Task Force (PTPDTF) (Continued)

Financing is provided by state and federal grants, charges for services, appropriations from members and donations. Members do not experience any additional financial benefit or burden. The City of Crookston is designated as the Coordinating Agency. Red Lake County made $5,000 in contributions to the PTPDTF for the year ended December 31, 2020. Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota, 56716.

Quin County Community Health Service

The Quin County Community Health Service (QCCHS) was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the QCCHS is vested in the Quin County Board of Health which is composed of one member appointed by each of the member counties, as provided in the joint powers agreement. The QCCHS charges sufficient rates so that the participating members experience no financial benefit or burden. In the event of dissolution of the Quin County Board of Health, the net assets of the Health Service at that time shall be divided among the member counties in the same proportion as their respective financial responsibilities as determined by county population.

The Health Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties when needed. Red Lake County did not contribute for the year ended December 31, 2020. Marshall County reports the cash transactions of the Health Service as a fiduciary on its financial statements. Complete financial information can be obtained from the Marshall County Auditor/Treasurer's Office or the Health Service's office, Newfolden, Minnesota 56738.

Red Lake River Corridor

The Red Lake River Corridor Joint Powers Board was formed in 2003 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher and East Grand Forks; the Counties of Polk, Pennington, Red Lake; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member for each participating entity. Each participant may also have one alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net assets shall be distributed to the respective members in proportion to the contribution of each. The Red Lake River Corridor charges sufficient rates so that the participating members experience no financial benefit or burden.

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Red Lake River Corridor (Continued)

Financing is provided by contributions from members. The County did not contribute to the Board in 2020. Complete financial information can be obtained from the St. Hilaire City Treasurer, 102 Broadway Avenue North, St. Hilaire, Minnesota 56754.

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of the Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

Control of the Tri-County Community Corrections is vested in the Tri-County Community Corrections Joint Powers Board, which is composed of two county commissioners from each member county, as provided in its bylaws. In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of the Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (eight percent), Polk County (87 percent), and Red Lake County (five percent).

The Tri-County Community Corrections has no long-term debt. Financing is provided by State, Federal, and local grants, charges for services, and appropriations from member counties. Red Lake County contributed $173,054 to the Community Corrections for the year ended December 31, 2020. Polk County reports the cash transactions of the Community Corrections as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Polk County Administrator's Office or at the Northwest Regional Correction Center, 600 Bruce Street, Crookston, Minnesota 56716.

E. Related Organization

Northwest Minnesota Council of Collaboratives

The Northwest Minnesota Council of Collaboratives is comprised of a variety of organizations from individual county collaboratives in northwest Minnesota representing Kittson, Marshall, Mahnomen, Norman, Polk and Red Lake Counties. Its 54 members include school districts and special education districts, and agencies in the areas of social services, public health, mental health and corrections. The primary goal of the Council is to promote the welfare of youth and families in the six-county area by coordinating human and financial resources to maximize the efficiency of services offered by its members. The Council also works to expand the resource base available to meet the growing needs of its population.

The members of the Northwest Minnesota Council of Collaboratives Governing Board will set policy, vision and mission. Each County's collaborative partner has two voting representatives at Governing Board meetings. Representatives must be at the CEO/Superintendent level.

VII. Summary of Significant Contingencies and Other Items

E. Northwest Minnesota Council of Collaboratives (Continued)

Financing is provided by the collection of membership dues from the participating collaboratives and agency partners. Tri-County Community Corrections acts as fiscal agent for the Northwest Minnesota Council of Collaboratives and reports the cash transactions of the Council of Collaboratives as a fiduciary fund in its financial statements. During 2020, Red Lake County contributed $1,350 to the Council of Collaboratives.

Separate financial information can be obtained from Tri-County Community Corrections, 816 Marin Avenue, Suite 110, Crookston, Minnesota 56716.

F. Jointly-Governed Organizations

Children's Initiative/Family Service Collaborative

Children's Initiative/Family Service Collaborative was formed pursuant to Minnesota Statutes, §§ 121.8355 and 245.491, effective May 1, 2002, and includes Red Lake County Social Services, Red Lake Falls School District, Oklee School District, Plummer School District, CAP Agency/Inter-County Community Council, Inter-County Nursing Services, Northwestern Mental Health Center, Red Lake County's Sheriff's Department, and Tri-County Community Corrections.

The purpose of the Collaborative is to provide improved social, emotional, educational, health, and economic outcomes for all Red Lake County children, adolescents, and their families by integrating services and enhancing protective factors by creating an integrated service delivery system for children, adolescents, and their families with multiple and special needs.

Control of the Children's Initiative/Family Service Collaborative is vested in the Collaborative Governing Board which is composed of one member appointed by each of the members, as provided in the governance agreement. Red Lake County Social Services reports the cash transactions of the Collaborative as a fiduciary fund on the County's financial statements. During 2020, the County made $500 in contributions to the Collaborative.

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law. Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minnesota Statute, § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Red Lake County reported no contributions to the MCCC.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County's responsibility does not extend beyond making this appointment. Red Lake County reported $2,200 in contributions to the Caucus for the year ended December 31, 2020.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minnesota Statute, § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. Control of the HRA is vested in the HRA Board composed of six members with indefinite terms made up of one member appointed by each Board of County Commissioners. Red Lake County reports tax collections for the HRA as a fiduciary fund on the County's financial statements. During 2020, the County reports no contributions to the HRA.

Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minnesota Statutes, §§ 134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. Control of the Library is vested in the Northwest Regional Library Board composed of 16 members with staggered terms. Red Lake County appropriated $26,732 to the Library for the year ended December 31, 2020.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase each participant's employment, retention, earnings, and occupational skill attainment, and improve the workforce quality, reduce welfare dependency, and enhance productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council composed of 18 members with one representative from each of the seven counties, three members at large, and eight members representing local agencies. In the

VII. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota, 56701.

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statutes, §§ 103D.201-.231, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Red Lake Watershed District Board of Managers composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the county boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Red Lake County reports tax collections for the Red Lake Watershed as a fiduciary fund on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 66,000	$ 66,000	$ 2,029,974	$ 1,963,974
Special assessments	-	-	9,787	9,787
Licenses and permits	100	100	40	(60)
Intergovernmental	575,572	575,572	1,630,457	1,054,885
Charges for services	248,172	248,172	300,676	52,504
Investment earnings	97,000	97,000	72,648	(24,352)
Miscellaneous	126,453	126,453	137,418	10,965
Total Revenues	**$ 1,113,297**	**$ 1,113,297**	**$ 4,181,000**	**$ 3,067,703**
Expenditures				
Current				
General government				
Commissioners	$ 176,742	$ 176,742	$ 167,953	$ 8,789
District court	13,000	13,000	6,256	6,744
Law library	1,060	1,060	611	449
County auditor	214,684	214,684	193,638	21,046
County treasurer	143,336	143,336	147,686	(4,350)
County assessor	164,946	164,946	154,833	10,113
Elections	42,000	42,000	49,766	(7,766)
Professional services	26,000	26,000	8,620	17,380
Data processing	79,000	79,000	65,686	13,314
Personnel	89,321	89,321	84,500	4,821
Attorney	199,460	199,460	192,717	6,743
Recorder	91,857	91,857	94,200	(2,343)
GIS	7,000	7,000	17,019	(10,019)
Buildings and plant	105,201	105,201	93,718	11,483
Veterans service officer	23,725	23,725	22,929	796
Insurance	17,700	17,700	18,110	(410)
Other general government	60,400	60,400	618,020	(557,620)
Total general government	**$ 1,455,432**	**$ 1,455,432**	**$ 1,936,262**	**$ (480,830)**
Public safety				
Sheriff	$ 1,088,516	$ 1,088,516	$ 1,173,038	$ (84,522)
Community corrections	221,578	221,578	221,578	-
Coroner	11,700	11,700	10,395	1,305
Crime victim assistance	54,122	54,122	53,208	914
Enhanced 911	51,587	51,587	67,513	(15,926)
Emergency services	28,000	28,000	23,741	4,259
Total public safety	**$ 1,455,503**	**$ 1,455,503**	**$ 1,549,473**	**$ (93,970)**

The notes to the required supplementary information are an integral part of this statement.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ 129,485	$ 129,485	$ 145,723	$ (16,238)
Recycling	86,420	86,420	70,116	16,304
Individual Septic Treatment System	58,600	58,600	87,682	(29,082)
Total sanitation	**$ 274,505**	**$ 274,505**	**$ 303,521**	**$ (29,016)**
Human services				
Committee on aging	$ 8,435	$ 8,435	$ 8,435	$ -
Buildings and grounds	19,025	19,025	46,202	(27,177)
Total human services	**$ 27,460**	**$ 27,460**	**$ 54,637**	**$ (27,177)**
Health				
Nursing service	$ 22,457	$ 22,457	$ 22,457	$ -
Ambulance	61,500	61,500	96,500	(35,000)
Total health	**$ 83,957**	**$ 83,957**	**$ 118,957**	**$ (35,000)**
Culture and recreation				
Parks	$ 6,000	$ 6,000	$ 6,889	$ (889)
Regional library	34,369	34,369	34,369	-
Snowmobile and ski trails	50,000	50,000	47,270	2,730
Celebrations	255	255	255	-
Total culture and recreation	**$ 90,624**	**$ 90,624**	**$ 88,783**	**$ 1,841**
Conservation of natural resources				
Agricultural society	$ 10,000	$ 10,000	$ 10,000	$ -
Cooperative extension	81,207	81,207	76,401	4,806
Environmental services	31,715	31,715	32,081	(366)
Red River Basin	107	107	107	-
Red Lake Watershed District	8,868	8,868	17,721	(8,853)
Soil and water conservation	119,284	119,284	107,390	11,894
Other conservation of natural resources	900	900	900	-
Total conservation of natural resources	**$ 252,081**	**$ 252,081**	**$ 244,600**	**$ 7,481**
Economic development				
NWMN Multi-County HRA	**$ -**	**$ -**	**$ 17,460**	**$ (17,460)**
Debt service				
Principal	**$ -**	**$ -**	**$ 4,033**	**$ (4,033)**

The notes to the required supplementary information are an integral part of this statement.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures (Continued)				
Capital outlay				
General government	$ 11,000	$ 11,000	$ 12,018	$ (1,018)
Public safety	66,000	66,000	113,585	(47,585)
Total capital outlay	**$ 77,000**	**$ 77,000**	**$ 125,603**	**$ (48,603)**
Total Expenditures	**$ 3,716,562**	**$ 3,716,562**	**$ 4,443,329**	**$ (726,767)**
Excess of Revenues Over (Under) Expenditures	**$ (2,603,265)**	**$ (2,603,265)**	**$ (262,329)**	**$ 2,340,936**
Other Financing Sources (Uses)				
Transfers in	$ 69,240	$ 69,240	$ 64,006	$ (5,234)
Proceeds from issuance of debt	-	-	12,018	12,018
Total Other Financing Sources (Uses)	**$ 69,240**	**$ 69,240**	**$ 76,024**	**$ 6,784**
Net Change in Fund Balance	**$ (2,534,025)**	**$ (2,534,025)**	**$ (186,305)**	**$ 2,347,720**
Fund Balance - January 1	**1,907,761**	**1,907,761**	**1,907,761**	**-**
Fund Balance - December 31	**$ (626,264)**	**$ (626,264)**	**$ 1,721,456**	**$ 2,347,720**

The notes to the required supplementary information are an integral part of this statement.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 15,000	$ 15,000	$ 555,222	$ 540,222
Intergovernmental	6,661,000	6,661,000	5,926,725	(734,275)
Charges for services	155,000	155,000	227,065	72,065
Investment earnings	7,500	7,500	10,277	2,777
Miscellaneous	66,500	66,500	85,513	19,013
Total Revenues	**$ 6,905,000**	**$ 6,905,000**	**$ 6,804,802**	**$ (100,198)**
Expenditures				
Current				
Highways and streets				
Administration	$ 449,100	$ 449,100	$ 479,316	$ (30,216)
Maintenance	1,050,700	1,050,700	1,097,069	(46,369)
Construction	5,422,000	5,422,000	4,985,855	436,145
Equipment maintenance and shop	589,700	589,700	359,545	230,155
Township roads	-	-	403,583	(403,583)
Other highways and streets	56,000	56,000	60,153	(4,153)
Total highways and streets	**$ 7,567,500**	**$ 7,567,500**	**$ 7,385,521**	**$ 181,979**
Debt service				
Principal retirement	$ -	$ -	$ 4,033	$ (4,033)
Capital outlay				
Highways and streets	$ -	$ -	$ 45,076	$ (45,076)
Total Expenditures	**$ 7,567,500**	**$ 7,567,500**	**$ 7,434,630**	**$ 132,870**
Excess of Revenues Over (Under) Expenditures	**$ (662,500)**	**$ (662,500)**	**$ (629,828)**	**$ 32,672**
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	12,018	12,018
Net Change in Fund Balance	**$ (662,500)**	**$ (662,500)**	**$ (617,810)**	**$ 44,690**
Fund Balance - January 1	**1,280,354**	**1,280,354**	**1,280,354**	**-**
Increase (decrease) in inventories	**-**	**-**	**105,700**	**105,700**
Fund Balance - December 31	**$ 617,854**	**$ 617,854**	**$ 768,244**	**$ 150,390**

The notes to the required supplementary information are an integral part of this statement.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 412,030	$ 412,030	$ 338,458	$ (73,572)
Intergovernmental	1,023,588	1,023,588	987,662	(35,926)
Charges for services	130,110	130,110	119,042	(11,068)
Miscellaneous	34,050	34,050	115,981	81,931
Total Revenues	**$ 1,599,778**	**$ 1,599,778**	**$ 1,561,143**	**$ (38,635)**
Expenditures				
Current				
Human Services				
Income maintenance	$ 849,607	$ 849,607	$ 878,226	$ (28,619)
Social services	683,931	683,931	436,952	246,979
Debt service				
Principal	-	-	4,034	(4,034)
Capital outlay				
Human services	16,000	16,000	18,217	(2,217)
Total Expenditures	**$ 1,549,538**	**$ 1,549,538**	**$ 1,337,429**	**$ 212,109**
Excess of Revenues Over (Under) Expenditures	**$ 50,240**	**$ 50,240**	**$ 223,714**	**$ 173,474**
Other Financing Sources (Uses)				
Transfers out	$ (50,240)	$ (50,240)	$ (64,006)	$ (13,766)
Proceeds from issuance of debt	-	-	12,019	12,019
Total Other Financing Sources (Uses)	**$ (50,240)**	**$ (50,240)**	**$ (51,987)**	**$ (1,747)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 171,727**	**$ 171,727**
Fund Balance - January 1	**-**	**-**	**1,850,800**	**1,850,800**
Fund Balance - December 31	**$ -**	**$ -**	**$ 2,022,527**	**$ 2,022,527**

The notes to the required supplementary information are an integral part of this statement.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 4

SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 15,879	$ 13,996	$ 14,752
Interest cost	8,050	6,856	6,759
Differences between expected and actual experience	5,111	-	-
Changes of assumption or other inputs	7,234	(6,857)	(143,052)
Benefit payments	(9,729)	(13,832)	(21,727)
Net change in total OPEB liability	$ 26,545	$ 163	$ (143,268)
Total OPEB Liability - Beginning	200,782	200,619	343,887
Total OPEB Liability - Ending	$ 227,327	$ 200,782	$ 200,619
Covered-employee payroll	$ 2,312,797	$ 2,068,592	$ 2,008,342
Total OPEB liability (asset) as a percentage of covered-employee payroll	9.83%	9.71%	9.99%

This schedule is intended to present 10 years and will be updated as information becomes available.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 5

GOVERNMENTAL ACTIVITIES

SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2020

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2020	$ 189,034	$ 189,034	$ -	$ 2,520,433	7.5%
December 31, 2019	$ 180,862	$ 180,862	$ -	$ 2,415,073	7.5%
December 31, 2018	$ 169,203	$ 169,203	$ -	$ 2,256,034	7.5%
December 31, 2017	$ 168,019	$ 168,019	$ -	$ 2,240,239	7.5%
December 31, 2016	$ 160,293	$ 160,293	$ -	$ 2,137,234	7.5%
December 31, 2015	$ 155,614	$ 155,614	$ -	$ 2,066,864	7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2020	$ 103,586	$ 103,586	$ -	$ 585,230	17.7%
December 31, 2019	$ 91,883	$ 91,883	$ -	$ 542,083	16.9%
December 31, 2018	$ 87,696	$ 87,696	$ -	$ 541,334	16.2%
December 31, 2017	$ 84,017	$ 84,017	$ -	$ 518,623	16.2%
December 31, 2016	$ 78,448	$ 78,448	$ -	$ 484,248	16.2%
December 31, 2015	$ 67,202	$ 67,202	$ -	$ 414,824	16.2%

Note: This schedule is intended to present 10 years and will be updated as information becomes available.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 6

GOVERNMENTAL ACTIVITIES

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2020

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0350%	$ 2,098,410	$ 64,745	$ 2,163,155	$ 2,495,016	84.10%	79.06%
June 30, 2019	0.0327%	$ 1,807,910	$ 56,164	$ 1,864,074	$ 2,310,856	78.24%	80.23%
June 30, 2018	0.0335%	$ 1,858,443	$ 60,962	$ 1,919,405	$ 2,252,414	82.51%	79.53%
June 30, 2017	0.0342%	$ 2,183,305	$ 27,456	$ 2,210,761	$ 2,193,283	99.55%	75.90%
June 30, 2016	0.0340%	$ 2,760,631	$ 36,009	$ 2,796,640	$ 2,137,234	129.17%	68.90%
June 30, 2015	0.0333%	$ 1,725,779	$ -	$ 1,725,779	$ 1,992,123	86.63%	78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0496%	$ 653,781	$ -	$ 653,781	$ 559,399	116.87%	87.19%
June 30, 2019	0.0515%	$ 548,270	$ -	$ 548,270	$ 542,846	101.00%	89.26%
June 30, 2018	0.0510%	$ 540,410	$ -	$ 540,410	$ 534,044	101.19%	88.84%
June 30, 2017	0.0342%	$ 661,558	$ -	$ 661,558	$ 504,788	131.06%	85.40%
June 30, 2016	0.0460%	$ 1,846,060	$ -	$ 1,846,060	$ 484,248	381.22%	63.90%
June 30, 2015	0.0460%	$ 522,668	$ -	$ 522,668	$ 417,734	125.12%	86.60%

Note: This schedule is intended to present 10 years and will be updated as information becomes available.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

I. Budgetary Information

A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

On or before the second week of August of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

B. Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
General Fund			
General government			
County treasurer	$ 147,686	$ 143,336	$ (4,350)
Elections	49,766	42,000	(7,766)
Recorder	94,200	91,857	(2,343)
GIS	17,019	7,000	(10,019)
Insurance	18,110	17,700	(410)
Other general government	618,020	60,400	(557,620)
Public safety			
Sheriff	1,173,038	1,088,516	(84,522)
Enhanced 911	67,513	51,587	(15,926)
Sanitation			
Solid waste	145,723	129,485	(16,238)
Individual septic treatment system	87,682	58,600	(29,082)
Human services			
Buildings and grounds	46,202	19,025	(27,177)
Health			
Ambulance	96,500	61,500	(35,000)
Culture and recreation			
Parks	6,889	6,000	(889)
Conservation of natural resources			
Environmental services	32,081	31,715	(366)
Red lake watershed district	17,721	8,868	(8,853)
Economic development			
NWMN Multi-County HRA	17,460	-	(17,460)
Debt service			
Principal	4,033	-	(4,033)
Capital outlay			
General government	12,018	11,000	(1,018)
Public safety	113,585	66,000	(47,585)

	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	$ 479,316	$ 449,100	$ (30,216)
Maintenance	1,097,069	1,050,700	(46,369)
Township roads	403,583	-	(403,583)
Other highways and streets	60,153	56,000	(4,153)
Debt service			
Principal retirement	4,033	-	(4,033)
Capital outlay			
Highways and streets	45,076	-	(45,076)
Social Services Special Revenue Fund			
Human services			
Income maintenance	878,226	849,607	(28,619)
Debt service			
Principal	4,034	-	(4,034)
Capital outlay			
Human services	18,217	16,000	(2,217)

II. Other Post-Employment Benefits (OPEB)

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits. For more information, refer to Schedule 4 of this section and the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

2020 Changes

Changes in Actuarial Assumptions

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety and white collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general and safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

2019 Changes

Changes in Actuarial Assumptions

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

2018 Changes

Plan Changes

- Highway union employees are now covered under the Local 49 Health and Welfare Fund, not the County sponsored health insurance.

II. Other Post-Employment Benefits (OPEB)

2018 Changes (Continued)
Changes in Actuarial Assumptions
The most recent actuarial valuation date is January 1, 2017. Since the last actuarial valuation as of January 1, 2014, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 mortality tables (blue collar for Public Safety, white collar for others) with MP-2014 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for Public Safety, white collar for others) with MP-2017 Generational Improvement Scale.
- The withdrawal and retirement tables for all employees were updated.
- The discount rate was changed from 4.00% to 3.30%.

Method Changes
Since the last actuarial valuation as of January 1, 2014, the following plan provisions have changed:

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

III. Public Employees Retirement Association (PERA)

Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. The assumptions and methods used for this actuarial valuation were recommend by PERA and adopted by the County Board.

General Employees Fund

2020 Changes
Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

General Employees Fund

2018 Changes

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumption.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

General Employees Fund (Continued)

2015 Changes
Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2020 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Police and Fire Fund

2018 Changes
Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes
Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Police and Fire Fund

2016 Changes (Continued)
Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

SUPPLEMENTARY INFORMATION

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

CUSTODIAL FUNDS

The Children's Initiative/Family Service Collaborative Custodial Fund is used to account for receipts and disbursements for the Collaborative.

The Flexible Spending Custodial Fund is used to account for the payroll deductions of employees enrolled in the flexible spending program.

The Forfeited Tax Custodial Fund is used to account for and report proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are restricted to various County funds and taxing districts. Titles to the tax-forfeited lands remains with the State until the lands are sold by the County.

The Insurance Custodial Fund is used to account for the employer's share of group insurance. Funds are provided for payment of the insurance from the General Fund and special revenue funds.

The State Revenue Custodial Fund is used to account for the collection and payment of funds due the State of Minnesota.

The Taxes and Penalties Custodial Fund is used to account for collection and distribution of taxes and penalties for the various taxing districts of the County.

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Statement 1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2020

	Family Service Collaborative	Flexible Spending	Forfeited Tax	Insurance	State Revenue	Taxes and Penalties	Total Custodial Funds
Assets							
Cash and pooled investments	$ 22,802	$ 4,619	$ 50,045	$ (49,620)	$ 89,538	$ 61,169	$ 178,553
Due from other governments	-	-	-	-	-	23,972	23,972
Accounts receivable	-	-	-	49,620	-	-	49,620
Total Assets	**$ 22,802**	**$ 4,619**	**$ 50,045**	**$ -**	**$ 89,538**	**$ 85,141**	**$ 252,145**
Liabilities							
Due to other governments	$ 20,000	$ -	$ 75	$ -	$ 10,976	$ 85,141	$ 116,192
Due to others	-	4,619	-	-	-	-	4,619
Total Liabilities	**$ 20,000**	**$ 4,619**	**$ 75**	**$ -**	**$ 10,976**	**$ 85,141**	**$ 120,811**
Net Position							
Restricted for Individuals, organizations, and other governments	**$ 2,802**	**$ -**	**$ 49,970**	**$ -**	**$ 78,562**	**$ -**	**$ 131,334**

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Statement 2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2020

	Family Service Collaborative	Flexible Spending	Forfeited Tax	Insurance	State Revenue	Taxes and Penalties	Total Custodial Funds
Additions							
Contributions from individuals	$ -	$ 8,460	$ -	$ 780,017	$ -	$ -	$ 788,477
Property tax collections for other governments	-	-	-	-	-	12,782,030	12,782,030
Proceed from sale of forfeited property	-	-	39,800	-	-	-	39,800
Intergovernmental receipts for other governments	24,501	-	-	-	-	-	24,501
License and fees collected for State	-	-	-	-	94,998	-	94,998
Miscellaneous	-	-	1,519	-	883,436	-	884,955
Total Additions	**$ 24,501**	**$ 8,460**	**$ 41,319**	**$ 780,017**	**$ 978,434**	**$ 12,782,030**	**$ 14,614,761**
Deductions							
Medical, dental, and life insurance	$ -	$	$ -	$ 731,211	$ -	$ -	$ 731,211
Payments of property tax to other governments	-	-	4,682	-	-	12,740,401	12,745,083
Payments to state	-	-	-	-	914,096	-	914,096
Payments to other entities/individuals	46,137	11,425	-	-	-	-	57,562
Total Deductions	**$ 46,137**	**$ 11,425**	**$ 4,682**	**$ 731,211**	**$ 914,096**	**$ 12,740,401**	**$ 14,447,952**
Change in net position	**$ (21,636)**	**$ (2,965)**	**$ 36,637**	**$ 48,806**	**$ 64,338**	**$ 41,629**	**$ 166,809**
Net Position – January 1, as previously reported	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$**	**$ -**
Prior period adjustment	24,438	2,965	13,333	(48,806)	14,224	(41629)	(35,475)
Net Position – January 1, as restated	**$ 24,438**	**$ 2,965**	**$ 13,333**	**$ (48,806)**	**$ 14,224**	**$ (41,629)**	**$ (35,475)**
Net Position – December 31	**$ 2,802**	**$ -**	**$ 49,970**	**$ -**	**$ 78,562**	**$ -**	**$ 131,334**

OTHER SCHEDULES

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020

	Assets			
	Cash	Special Assessments Receivable Prior	Due from Other Governments	Total Assets
County Ditches				
2	$ 36,904	$ 4	$ 90	$ 36,998
3	32,152	-	-	32,152
4	44,548	3	181	44,732
9	34,561	9	-	34,570
12	26,906	7	-	26,913
17	34,387	33	-	34,420
18-65	27,135	133	-	27,268
22	8,810	-	-	8,810
23	7,420	-	-	7,420
24	35,919	-	-	35,919
28	6,107	-	-	6,107
57	19,703	208	-	19,911
58	43,551	-	-	43,551
60	28,079	-	-	28,079
61	35,194	-	-	35,194
62	53,198	-	-	53,198
64	15,732	-	-	15,732
67	23,592	-	-	23,592
69	11,481	-	-	11,481
70	5,642	-	-	5,642
Joint Ditches				
1	62,085	18	2,908	65,011
3	28,118	-	3,510	31,628
11	12,879	56	1,364	14,299
13	22,610	-	303	22,913
15	25,810	5	2,772	28,587
31	12,703	-	633	13,336
60	47,371	-	16,036	63,407
64	39,211	-	387	39,598
66	39,135	-	624	39,759
71	17,390	-	1,209	18,599
Watershed Ditch				
10	44,896	21	-	44,917
Total	**$ 883,229**	**$ 497**	**$ 30,017**	**$ 913,743**

Schedule 7

Liabilities					
Due to Other Funds	Due to Other Governments	Total Liabilities	Deferred Inflows of Resources	Fund Balances Restricted	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
$ -	$ -	$ -	$ 4	$ 36,994	$ 36,998
-	-	-	-	32,152	32,152
-	-	-	3	44,729	44,732
-	-	-	9	34,561	34,570
-	-	-	7	26,906	26,913
-	-	-	33	34,387	34,420
-	-	-	133	27,135	27,268
-	-	-	-	8,810	8,810
-	-	-	-	7,420	7,420
-	-	-	-	35,919	35,919
-	-	-	-	6,107	6,107
-	-	-	208	19,703	19,911
-	-	-	-	43,551	43,551
-	-	-	-	28,079	28,079
-	-	-	-	35,194	35,194
-	-	-	-	53,198	53,198
-	-	-	-	15,732	15,732
-	-	-	-	23,592	23,592
-	-	-	-	11,481	11,481
-	-	-	-	5,642	5,642
-	4,103	4,103	18	60,890	65,011
-	104	104	-	31,524	31,628
-	100	100	56	14,143	14,299
-	-	-	-	22,913	22,913
-	10	10	5	28,572	28,587
-	1	1	-	13,335	13,336
-	7,643	7,643	-	55,764	63,407
-	-	-	-	39,598	39,598
-	500	500	-	39,259	39,759
-	238	238	-	18,361	18,599
44,463	-	44,463	21	433	44,917
$ 44,463	**$ 12,699**	**$ 57,162**	**$ 497**	**$ 856,084**	**$ 913,743**

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 8

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Shared Revenue		
State		
County program aid	$	464,603
County Aquatic Invasive Species Prevention Aid		6,784
Disparity reduction aid		65,623
Enhanced 911		67,455
Highway users tax		5,047,115
Market value credit		106,460
Police state aid		64,582
Riparian Protection Aid		75,658
Total Shared Revenue	**$**	**5,898,280**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$	269,524
Payments		
Payments in lieu of taxes	$	16,151
Grants		
State		
Minnesota Department/Board of		
Corrections	$	700
Crime Victim Services		11,365
Human Services		262,773
Natural Resources		52,478
Peace Officer Standards and Training		6,587
Pollution Control Agency		85,298
Public Safety		12,290
Secretary of State		8,710
Transportation		691,447
Trial Courts		11,791
Veterans Affairs		7,500
Water and Soil Resources		90,315
Total State	**$**	**1,241,254**
Federal		
Department of		
Agriculture	$	68,302
Justice		44,779
Treasury		568,518
Election Assistance Commission		6,575
Health and Human Services		362,426
Homeland Security		69,035
Total Federal	**$**	**1,119,635**
Total Grants	**$**	**2,360,889**
Total Intergovernmental Revenue	**$**	**8,544,844**

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

Schedule 9

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Award Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	**$ 68,302**	**$ -**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVS-2020-REDLAKEAO	**$ 44,779**	**$ -**
U.S. Department of the Treasury				
Passed Through Minnesota Department of Revenue				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	$ 531,102	$ 72,055
Passed Through the City of Oklee				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	7,416	-
Passed Through the City of Red Lake Falls				
COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	30,000	-
Total U.S. Department of Treasury			**$ 568,518**	**$ 72,055**
U.S. Election Assistance Commission				
Passed Through Minnesota Department of Secretary of State				
2018 HAVA Election Security Grants	90.404	Not provided	**$ 6,575**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-2001MNFPSS	$ 1,430	-
Temporary Assistance for Needy Families Cluster				
Temporary Assistance for Needy Families	93.558	2001MNTANF	39,209	-
Total Temporary Assistance for Needy Families Cluster				
Child Support Enforcement	93.563	2004MNCSES	72,301	-
Refugee and Entrant Assistance	93.566	2001MNRCMA	97	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	G1701MNCCDF	164	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G2001MNCCDF	555	-
Total Child Care and Development Fund Cluster			**$ 719**	
Community-Based Child Abuse Prevention Grants	93.590	G-1901MNFRPG	$ 2,034	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2001MNCWSS	1,173	-
Foster Care Title IV-E	93.658	2001MNFOST	13,573	-
Social Services Block Grant	93.667	G-2001MNSOSR	40,303	-
Chafee Foster Care Independence Program	93.674	G-1901MNCILP	70	-
Children's Health Insurance Program	93.767	2005MN0301	167	-
Medicaid Cluster				
Medical Assistance Program	93.778	2005MN5ADM	191,350	-
Total U.S. Department of Health and Human Services			**$ 362,426**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance	97.036	EMPG-20200415-2468	**$ 69,035**	**$ -**
Total Federal Awards			**$ 1,119,635**	**$ 72,055**
Totals by Cluster				
Total expenditures for SNAP Cluster			$ 68,302	
Total expenditures for TANF Cluster			39,209	
Total expenditures for CCDF Cluster			719	
Total expenditures for Medicaid Cluster			191,350	

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Red Lake County under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal* Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Red Lake County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Red Lake County.

III. 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Red Lake County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

IV. Subrecipients

During 2020, the County passed through direct federal awards to a subrecipient under federal award CFDA 21.019 in the amount of $72,055.

MANAGEMENT AND COMPLIANCE SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA

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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*

Independent Auditor's Report

Board of County Commissioners
Red Lake County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red Lake County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 4, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Red Lake County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control 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. A *significant deficiency* is a deficiency, or a 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red Lake 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

The *Minnesota Legal Compliance Audit Guide for Counties,* promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, 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 audit considered all of the listed categories.

In connection with our audit, we noted Red Lake County failed to comply with the claims and disbursements and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Counties,* promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, insofar as they relate to accounting matters described in the Schedule of Findings and Responses as items 2020-010 and 2020-011. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Red Lake County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Counties,* insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment identified as item 2020-012. We believe this recommendation to be of benefit to the County.

Red Lake County's Responses to Findings

The County's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoffman, Philipp, & Martell, PLLC
October 4, 2021

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Martell, CPA

Hoffman, Philipp, & Martell, PLLC

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Red Lake County

Report on Compliance for Each Major Federal Program

We have audited Red Lake County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on the Major Federal Programs

In our opinion, Red Lake County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2020-008 and 2020-009. Our opinion on the major federal program is not modified with respect to this matter.

Red Lake County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Red Lake County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-008 and 2020-009 that we consider to significant deficiencies.

Red Lake County's Responses to Findings

Red Lake County's responses to the internal control over compliance findings identified in our audit are

described in the accompanying Schedule of Findings and Questioned Costs. Red Lake County's responses were not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

Hoffman, Philipp, & Martell, PLLC
October 4, 2021

RED LAKE COUNTY
RED LAKE FALLS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF AUDITOR'S RESULTS

A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

B. **Financial Statements**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

C. Noncompliance material to the financial statements noted? **No**

D. **Federal Awards**

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**

F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

G. The major federal program was:

Coronavirus Relief Fund **CFDA #21.019**

H. The threshold for distinguishing between Types A and B programs was $750,000.

I. Red Lake County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2020-001
Prior Year Finding Number: 2019-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place; and, where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: The limited number of personnel within several Red Lake County offices results in a lack of segregation of accounting duties necessary to ensure adequate internal accounting control. The smaller offices that collect fees generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts, as well as reconciling bank accounts.

Context: This is not unusual in operations the size of Red Lake County; however, the County's 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.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: Due to limited economic resources, the County informed us that it is impractical to hire enough staff to achieve a desirable level of segregation of duties in every department.

Recommendation: We recommend Red Lake County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

County's Response: *Management is fully aware that segregation of duties is not adequate. The County Board continues to implement oversite procedures and monitor those procedures to determine if they are still effective.*

Finding Number: 2020-002
Prior Year Finding Number: 2019-002
Repeat Finding Since: 2007
Finding Title: Documenting and Monitoring Internal Controls

Criteria: Management is responsible for developing and monitoring its internal controls. An essential element of monitoring controls includes documenting the County's accounting policies and procedures and performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. Written policies and procedures should exist to ensure the County's practices are followed as intended by management. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Significant functions to be addressed would include areas such as cash and investment activities; major funding sources, including taxes, intergovernmental revenues, and charges for services; expenditure processing, including new vendor set-up; payroll; capital assets; and information technology.

Condition: The County lacks written policies and procedures over other significant functions. In addition, there are no formal risk assessment and monitoring procedures in place to determine if the internal controls established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Context: While internal controls may be established, it is not uncommon in operations the size of Red Lake County to fail to periodically review those controls. Monitoring of internal controls is necessary to ensure they are in place, appropriate, and operating effectively.

Effect: Without comprehensive accounting policies and procedures over all significant functions, and no formal risk assessment and monitoring procedures, there is an increased risk that the County's practices may not be followed as intended by management, employees may not understand the purpose of internal controls, and errors or irregularities may not be prevented or detected timely.

Cause: The County has some formal policies and procedures; however, due to limited time and resources, the County has been unable to complete the process of documenting all significant policies and procedures and formalizing its risk assessment and monitoring process.

Recommendation: We recommend County management continue its efforts to document key internal controls in its significant accounting functions. We further recommend that a formal plan be developed to assess and monitor the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

County's Response: *The County has begun to formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.*

Finding Number: 2020-003
Prior Year Finding Number: 2019-003
Repeat Finding Since: 2015
Finding Title: Audit Adjustments

Criteria: 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.

Auditing standards define 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.

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Context: The inability to make all necessary accrual adjustments or to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.
Effect: Audit adjustments were reviewed and approved by management and are reflected in the financial statements.

Cause: Procedures were not in place to consider the full extent of all entries needed for financial reporting.

Recommendation: We recommend County staff improve their financial statement closing procedures to include review of balances, disclosures, and supporting documentation by a qualified individual to ensure that all significant adjustments have been made and they have accurate and complete information necessary to fairly present the County's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

County's Response: *Audit adjustments are reviewed and approved by the County Auditor and when necessary authorized by the County Board of Commissioners. All departments are being informed to document year-end accounts receivable and payable transactions and notify accounting staff so these transactions can be coded as such in IFS.*

Finding Number: 2020-004
Prior Year Finding Number: 2019-005
Repeat Finding Since: 2015
Finding Title: Capital Assets

Criteria: The County is required by GAAP to account for and depreciate its capital assets over their estimated useful lives. Specifically, Governmental Accounting Standards Board Statement 34 (GASB 34) requires governments to include capital assets on the statement of net position and to report depreciation expense for those assets on the statement of activities. A capital asset policy should be adopted which defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods. A physical inventory of capital assets should be taken at least every five years.

Condition: The County Board has not adopted formal capital asset policies or procedures. The following deficiencies related to capital assets were noted:

- No supporting documentation is required for disposal of assets. At the end of the year, department heads review a listing of assets and cross off assets no longer in use.

- Additions to capital assets are listed on the County's Property and Equipment Record form, but additional documentation supporting those additions, such as when the asset was acquired or the cost of the asset, is not required and, therefore, not used to verify asset additions.

- The County adopted the OSA recommended Capital Asset Policy which includes recommended capitalization thresholds and useful lives of capital assets used for financial reporting purposes.

Context: To comply with GASB 34, the County must establish accounting policies for capital assets,

including more specific capitalization thresholds, useful lives, and the designation of specific general ledger accounting codes to record the purchases and construction costs of capital assets. The County must improve their capital asset accounting system capable of providing the information needed to comply with the reporting requirements of GASB 34.

Effect: There is increased risk of theft and misappropriation of the County's assets due to the lack of controls and increased risk of material misstatement in the County's financial statements due to error or lack of oversight.

Cause: The County believed the OSA recommended Capital Asset Policy provided sufficient guidance for accounting policies for capital assets. The County had also relied on its external auditor to assist with preparation of capital asset records.

Recommendation: We recommend the County Board establish a more specific capital asset policy to define the County's accounting policies and procedures over capital assets to ensure capital asset records are accurately tracked by County staff. The policy should address procedures for County staff to identify capital asset additions and deletions. Also, we recommend a physical inventory of capital assets be performed at least once every five years. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year.

County's Response: *The county does complete a physical inventory of capital assets on an annual basis.*

Finding Number: 2020-005
Prior Year Finding Number: 2019-006
Repeat Finding Since: 2015
Finding Title: Highway Department Inventory Records

Criteria: Recorded inventory amounts should reflect the actual amount of inventory on hand. Inventory records should be reconciled to an annual physical count to ensure accuracy for financial statement presentation. During the fiscal period, the inventory records should be regularly updated for additions and withdrawals to maintain accuracy. Additionally, controls should be in place to ensure that information provided by the inventory system is accurate and that County assets are adequately safeguarded.

Condition: The inventory listed in the highway cost accounting system was not accurate.

Context: The Highway Department uses its costing system to manage and track inventory. Typically, additions to the system are posted based on vendor invoices, and withdrawals are based on inventory usage reports provided by staff.

Effect: Without adequate controls over inventory, County assets are exposed to potential misuse and theft. Also, there is an increased risk of material misstatement in the County's financial statements.

Cause: Procedures for the additions and withdrawals of items from inventory, pricing and tracking of inventory, as well as the frequency of inventory counts and reconciliation to the inventory system, have not been formally documented in a policy.

Recommendation: The County should develop procedures related to inventory that include physical inventory counts. The physical inventory counts should be performed annually, by at least two individuals, and all support for year-end balances should be approved and maintained.

County's Response: *The Highway Department has begun completing a physical inventory by surveying aggregate stockpiles at years end. Highway Department staff have been informed to keep inventory records up to date so their cost accounting system reflects the actual inventory amounts.*

Finding Number: 2020-006
Prior Year Finding Number: 2019-007
Repeat Finding Since: 2015
Finding Title: Budgeting Procedures

Criteria: GAAP and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between actual amounts and budget amounts. Any amendments to the budget should be approved and documented in the official minutes.

Condition: Differences were noted between the Board-approved budget and the budget entered into the County's financial system (IFS) for the General Fund. The Road and Bridge Special Revenue Fund budget was not entered into the IFS. Additionally, the Social Services Special Revenue Fund budget was entered into the IFS, but was not set as "Original Budget" and, therefore, does not appear in general ledger downloads or financial statements generated from the system.

Context: The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board.

Effect: General Fund budgeted expenditures were less in the financial system than the Board-approved budget. The Road and Bridge and the Social Services Special Revenue Funds' budgets were not readily available within the general ledger for comparison or other monitoring activities that are expected to be performed by management and the Board of County Commissioners.

Cause: Errors were made in posting the original Board-approved budget to the General Fund in the IFS financial system, and the original budget was not reviewed for accuracy after it was entered. Additionally, the County does not have a formal process to ensure all funds have an original budget entered fully in IFS.

Recommendation: We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budgets entered in the IFS and comparing them to the Board-approved budget for accuracy.

County's Response: *The Revenue Fund and Social Service Fund budgets amounts have been entered into IFS in the past and will continue to do so. The County Auditor's office staff enters the Revenue Fund departmental budget amounts into IFS and will include the annual levy amount in the future. Social Services enters their specific budget amounts into IFS. However, the Highway Department is responsible for entering their respective budget amounts into IFS on annual basis.*

Finding Number: 2020-007
Prior Year Finding Number: 2019-008
Repeat Finding Since: 2019
Finding Title: Highway Department Receivables Records

Criteria: Receivable amounts reported in the Highway Department Annual Report should reflect the actual amounts due to Red Lake County from individuals and other governments. During the fiscal period, the receivables records should be regularly updated for additions and withdrawals to maintain accuracy. Additionally, controls should be in place to ensure that information provided by the cost accounting system is accurately reported and that County assets are adequately safeguarded.

Condition: The receivables subsidiary report and the report of receivables at year end as listed in the highway cost accounting system were not accurate. For the year ended December 31, 2019, receivables listed in the Annual Report did not match the subsidiary records from the Highway Cost Accounting System. Neither of those records matched the actual amounts actually billed and collected in the subsequent period.

Context: The Highway Department uses its cost accounting system to manage and track receivables. Typically, additions to the system are posted based on invoices prepared for services provided, and deletions are based on receipt of the payments.

Effect: Without adequate controls over receivables, County assets are exposed to potential misuse and theft. Also, there is an increased risk of material misstatement in the County's financial statements.

Cause: Procedures for the additions and deletions of amounts reported for receivables have not been followed accurately.

Recommendation: The County should develop procedures related to receivables that include reconciliation to invoices for charges for services, and oversight to ensure regular balancing. The receivables records should be balanced at least monthly, and all support for year-end balances should be approved and maintained.

County's Response: *The Highway Department will make sure the receivables are correctly entered in the costing system and will continue to do monthly balances as soon as the Auditor's office provides their month end.*

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number: 2020-008
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: US Department of the Treasury Coronavirus Relief Fund (CFDA #21.019)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: For 2020, the County's written purchasing policy did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment. The policy had not been since 2018.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs County-wide. Written policies that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements. The County did adopt procurement policies; however, additional information related to the Uniform Guidance will need to be added.

Effect: Noncompliance with federal program requirements. Additionally, the lack of written policies and procedures that reflect the Uniform Guidance procurement requirements could increase the risk of

noncompliance with other federal program requirements.

Cause: The County was not aware of the Uniform Guidance requirements.

Recommendation: We recommend the County further develop and implement policies that include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

County's Response: *The County Auditor will add the additional information related to the Uniform Guidance to its procurement policy.*

Finding Number: 2020-009
Finding Title: Subrecipient Monitoring
Program: US Department of the Treasury Coronavirus Relief Fund (CFDA #21.019)
Award No.: SLT0016, 2020

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient and evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award.

Condition: The County did not document risk assessment procedures performed over its subrecipients. Award information, including the CFDA number, was not provided to subrecipients, and there were no signed subrecipient agreements in place.

Context: The County passed funds to local governments who have been operating for many years and with whom the County is familiar with. The County also passed funds to non-profit organizations in order to provide assistance for their continuing operations. For all subrecipients, the County reviewed detailed listings of expenditures, along with supporting documentation, prior to the funds being reported to Minnesota Management and Budget.

Effect: The County is not meeting all federal regulations pertaining to subrecipient monitoring.

Cause: The County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend the County document its rationale of who is a subrecipient, including guidance followed at the time of determination, and to document risk assessments completed for those identified as subrecipients in order to determine further monitoring procedures that should be performed. We further recommend that signed subrecipient agreements be put in place that provides subrecipients with all information required under the Uniform Guidance.

County's Response: *The County is in the process of completing their subrecipient monitoring policy.*

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2020-010
Prior Year Finding Number: 2019-009
Repeat Finding Since: 2015
Finding Title: Publishing Requirements

Criteria: Minnesota statutes contain requirements for publishing County Board minutes.

Condition: The County was not in compliance with the following State of Minnesota legal requirement:

- Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Context: Published summaries of the official proceedings of the County Board were reviewed; two were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. §§ 375.12.

Cause: County staff stated this was an oversight.

Recommendation: We recommend the County publish summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

County's Response: *The County is aware of the issue and is now meeting the requirement.*

Finding Number: 2020-011
Prior Year Finding Number: 2019-010
Repeat Finding Since: 2015
Finding Title: Electronic Funds Transfer (EFT) Policies and Procedures

Criteria: The County Board is required by Minn. Stat. §§ 471.381, subd. 3, and 385.071 to establish policies and procedures for the use of electronic or wire transfers to pay claims or make investments.

Minnesota Statutes, section 471.381, subdivision 3, states that, "Electronic approval means any electronic identifier intended by the person making, executing, or adopting it to authenticate and validate a city, town, or county administrative action. Notwithstanding any other general or special law to the contrary, a statutory or home rules charter city, a town, or a county may use electronic approvals, which have the same validity and consequence as an actual signature. The city, town, or county must establish policies and procedures to ensure the validity of electronic approvals."

Minnesota Statutes, section 385.071 states that, "Electronic funds transfer is the process of value exchange via mechanical means without the use of checks, drafts, or similar negotiable instruments. Notwithstanding any other law to the contrary, a county may make electronic funds transfers for investment purposes and for all county expenditures. The county board shall establish policies and procedures for investment and expenditure transactions via electronic funds transfer."

Condition: The County is making various investment and expenditure transactions via EFT without a

Board-approved policy related to the electronic transactions and ensuring the validity of electronic approvals.

Context: The County uses EFT's for investment transactions, payroll direct deposit, and payments to other governmental entities related to various taxes and fees, but does not have Board-approved policies in place related to electronic transactions or to ensure the validity of electronic approvals.

Effect: Noncompliance with Minn. Stat. §§ 471.381, subd. 3, and 385.071.

Cause: The County has no written Board-approved policies and procedures required for EFT payments.

Recommendation: We recommend the County Board establish written policies and procedures for electronic funds transfers as required by Minn. Stat. §§ 471.381, subd. 3, and 385.071. We further recommend that the County Board include the policy controls mandated by the 2017 amendments to Minn. Stat. § 471.38. See 2017 Minn. Laws, ch. 52.

County's Response: *The County was unaware that Board-approved policies and procedures were required for payments made via EFT.*

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2020-012
Prior Year Finding Number: 2019-012
Repeat Finding Since: 2015
Finding Title: Disaster Recovery Plan

Criteria: The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements. A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and County employees;
- a plan as to how the County will continue operations until normal operations are re-established; this should include the use of alternative computer facilities and/or the use of manual procedures, a list of master operating schedules, and critical job schedules;
- a list of materials the County needs to continue operations and how they will be obtained;
- hardware configurations and minimum equipment requirements;
- information relative to offsite backup storage facilities;
- a list of vendor contracts;
- identification of the space to be used; and
- a schedule for developing and periodically reviewing and updating the plan.

Condition: The County has informal disaster recovery procedures in place with their information technology (IT) consultants, but does not have a formal disaster recovery plan.

Context: A disaster recovery plan would give greater assurance the County is prepared for a disaster or major computer breakdown.

Effect: In the event a disaster occurred, the County could experience a delay in providing services or

reporting financial information to the public.

Cause: The County has informal procedures in place with their IT consultants but has not prepared a formal plan.

Recommendation: We recommend the County continue to develop, implement, and test the disaster recovery plan. The County Board should approve a formal plan, and all County employees should be familiar with the plan.

County's Response: *The County will work towards a more detailed Disaster Recovery Plan that will be reviewed and approved by the county Board.*

V. ITEMS RESOLVED THIS YEAR

2019-004	Management and Audit Responsibilities
2019-011	Contract Compliance

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Red Lake County Auditors Office

Bob Schmitz, County Auditor

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor

Summary of Corrective Action Previously Reported: Management is aware of the situation and continues to monitor. Due to limited staff the segregation of duties is not always possible.

Anticipated Completion Date: December 31, 2021. Monitor on an on-going basis.

Finding Number: 2020-002
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor; Nick Knott, County Treasurer

Summary of Corrective Action Previously Reported: The county will continue its efforts to develop and update policy to assess and monitor internal controls. The County Investment Policy will be updated to comply with SIPC Policy to manage custodial risk.

Anticipated Completion Date: December 31, 2021. Update on a continuous basis.

Finding Number: 2020-003
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor

Summary of Corrective Action Previously Reported: The County will provide increased review of the unaudited financial information to reduce the number of audit adjustments before releasing the information used in completing the annual financial audit.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-004
Finding Title: Capital Assets

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor

Summary of Corrective Action Previously Reported: The County Board of Commissioners will establish a Capital Asset Policy to assist in the County's accounting policies and in the procedures the various County departments use to identify capital asset additions, deletions, and etc.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-005
Finding Title: Highway Department Inventory Records

Name of Contact Person Responsible for Corrective Action: Erik Hove, County Highway Engineer

Summary of Corrective Action Previously Reported: The County Highway Department will track withdrawals of inventory on an annual basis and update the County Inventory System.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-006
Finding Title: Budgeting Procedures

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor; Erik Hove, County Highway Engineer; Penny Grove, Social Services Fiscal Supervisor; Kristi Nelson, Social Services Director

Summary of Corrective Action Previously Reported: Responsible supervisory staff in the three main fund departments will monitor the process to ensure proper completion.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-007
Finding Title: Highway Department Receivables Records

Name of Contact Person Responsible for Corrective Action: Erik Hove, County Highway Engineer, Nick Knott, County Treasurer; Bob Schmitz, County Auditor.

Summary of Corrective Action: The County will develop procedures related to receivables that include reconciliation to invoices for charges for services, and oversight to ensure regular balancing. The receivables records will be balanced at least monthly, and all support for year-end balances will be approved and maintained.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-008
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: US Department of the Treasury Coronavirus Relief Fund (CFDA#21.019)

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor.

Summary of Corrective Action: The County's written purchasing policy will have the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-009
Finding Title: Subrecipient Monitoring
Program: US Department of the Treasury Coronavirus Relief Fund (CFDA# 21.019)
Award No.: SLT0016, 2020

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor.

Summary of Corrective Action: The County's will document risk assessment procedures performed over its subrecipients, along with award information to include the CFDA identification number, and signed subrecipient agreements will be in place in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.303 and § 200.332.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-010
Finding Title: Publishing Requirements

Name of Contact Person Responsible for Corrective Action: Bob Schmitz, County Auditor

Summary of Corrective Action Previously Reported: The County will publish the minutes according to MN Statute requirements.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-011
Finding Title: Electronic Funds Transfer (EFT) Policies and Procedures

Name of Contact Person Responsible for Corrective Action: Nick Knott, County Treasurer; Bob Schmitz, County Auditor.

Summary of Corrective Action Previously Reported: The County will establish a written policy for electronic fund transfer procedures to pay claims and make investments.

Anticipated Completion Date: December 31, 2021.

Finding Number: 2020-012
Finding Title: Disaster Recovery Plan

Name of Contact Person Responsible for Corrective Action: Penny Grove, Social Services Fiscal Supervisor; Bob Schmitz, County Auditor

Summary of Corrective Action Previously Reported: A more comprehensive plan will be developed by a small committee including one representative from Social Services, the County Auditor, and any other key personnel as identified by the County Auditor. Planning has begun with full plan to be presented to the County Board for approval in 2021.

Anticipated Completion Date: December 31, 2021.

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Red Lake County Auditors Office

Bob Schmitz, County Auditor

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2019-001
Repeat Finding Since: 2016
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action: Management is continually aware that segregation of duties is not adequate from an internal control point of view. The County Board continues to implement oversite procedures and monitor those procedures to determine if they are still effective.

Status: Not corrected.

Finding Number: 2019-002
Repeat Finding Since: 2007
Finding Title: Internal Controls

Summary of Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for monitoring to ensure the internal controls are effective.

Summary of Corrective Action: The County has begun to formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

Status: Not corrected.

Finding Number: 2019-003
Repeat Finding Since: 2015
Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action: The County will provide increased review of the unaudited financial information to reduce the number of audit adjustments before releasing the information used in completing the annual financial audit.

Status: Not fully corrected.

Finding Number: 2019-004
Repeat Finding Since: 2015
Finding Title: Management and Audit Responsibilities

Summary of Condition: In addition to providing audit services, the County relied on its prior external auditors to make determinations and maintain records for financial reporting relevant to capital assets, contracts payable, salaries payable, compensated absences, and net other postemployment benefits.

Summary of Corrective Action: The County will increase its role in providing supporting calculations/documentation for the information used in reporting capital assets, contracts payable, compensated absences, and OPEB.

Status: Fully resolved.

Finding Number: 2019-005
Repeat Finding Since: 2015
Finding Title: Capital Assets

Summary of Condition: The County Board has not adopted formal capital asset policies or procedures. The following deficiencies related to capital assets were noted:

- Non-depreciable capital assets: construction in progress was decreased for infrastructure projects completed during the year that were also recorded as depreciable capital assets.
- No supporting documentation is required for disposal of assets. At the end of the year, department heads review a listing of assets and cross off assets no longer in use.
- Additions to capital assets are listed on the County's Property and Equipment Record form, but additional documentation supporting those additions, such as when the asset was acquired or the cost of the asset, is not required and, therefore, not used to verify asset additions.
- Department head review of asset listings and annual physical inventories of assets are not documented.
- The County could not provide support for the capitalization thresholds or useful lives of capital assets used for financial reporting purposes and indicated it neither calculates nor tracks depreciation.

Summary of Corrective Action: The County Board of Commissioners will establish a Capital Asset Policy to assist in the County's accounting policies and in the procedures the various County departments use to identify capital asset additions, deletions, and etc.

Status: Not fully corrected.

Finding Number: 2019-006
Repeat Finding Since: 2015
Finding Title: Inventory Records

Summary of Condition: A test of the year-end inventory count prepared by County staff revealed that not all inventory was counted or measured. The County Highway Engineer estimates the quantity of gravel.

Summary of Corrective Action: The County Highway Department will track withdrawals of inventory on an annual basis and update the County Inventory System.

Status: Not fully corrected.

Finding Number: 2019-007
Repeat Finding Since: 2015
Finding Title: Budgeting Procedures

Summary of Condition: Differences were noted between the Board approved budget and the budget entered into the County's financial system (IFS) for the General Fund. The Road and Bridge Special Revenue Fund budget was not entered into the IFS. Additionally, the Social Services Special Revenue Fund budget was entered into the IFS, but was not set as the original budget, and therefore, does not appear in general ledger downloads or financial statements generated from the system.

Summary of Corrective Action: Responsible supervisory staff in the three main fund departments will monitor the process to ensure proper completion.

Status: Not fully corrected.

Finding Number: 2019-008
Repeat Finding Since: N/A
Finding Title: Highway Department Receivables Records

Summary of Condition: The receivables subsidiary report and the report of receivables at year end as listed in the highway cost accounting system were not accurate.

Summary of Corrective Action: The Highway Department will make sure the receivables are correctly entered in the costing system and will continue to do monthly balances as soon as the Auditor's office provides their month end.

Status: Not fully corrected.

Finding Number: 2019-009
Repeat Finding Since: 2015
Finding Title: Publishing Requirements

Summary of Condition: The County was not in compliance with the following State of Minnesota legal requirements:

- Minn. Stat. § 375.12: The affidavits of publication related to the publishing of a summary of the 2015 County Board Minutes were reviewed. The summaries were not published in the County's official newspaper within the 30-day requirement.

- Minn. Stat. § 375.169: The County did not publish the board approved budgets.

Summary of Corrective Action: The County published the budget summaries as required and will publish the minutes according to MN Statute requirements.

Status: Not fully corrected.

Finding Number: 2019-010
Repeat Finding Since: 2015
Finding Title: Electronic Funds Transfer (EFT) Policies and Procedures

Summary of Condition: The County is making various investment and expenditure transactions via EFT without a Board-approved policy related to the electronic transactions and ensuring the validity of electronic approvals.

Summary of Corrective Action: The County will establish a written policy for electronic fund transfer procedures to pay claims and make investments.

Status: Not fully corrected.

Finding Number: 2019-011
Repeat Finding Since: N/A
Finding Title: Contract Compliance

Summary of Condition: The County was not in compliance with State of Minnesota contracting and bid law requirements resulting in noncompliance with Minn. Stat. § 375.21, § 471.425, § 16C.285, § 270C.66, and §574.26.

Summary of Corrective Action: The Highway Department will take the necessary measures to ensure all bidding and contracting is in compliance with Minnesota law.

Status: Fully resolved.

Finding Number: 2019-012
Repeat Finding Since: 2015
Finding Title: Disaster Recovery Plan

Summary of Condition: The County has informal disaster recovery procedures in place with their information technology (IT) consultants, but does not have a formal disaster recovery plan.

Summary of Corrective Action: A more comprehensive plan will be developed by a small committee including one representative from Social Services, the County Auditor, and any other key personnel as identified by the County Auditor. Planning has begun with the full plan to be presented to the County Board for approval by December 31, 2021.

Status: Not fully corrected.