

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

FOR THE YEAR ENDED DECEMBER 31, 2004

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

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

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

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

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**For the Year Ended December 31, 2004**



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

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

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AITKIN, MINNESOTA**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**ORGANIZATION  
AS OF DECEMBER 31, 2004**

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
District 1	Jon Olson	January 2007
District 2	Dale Lueck	January 2005
District 3	Paul Bailey	January 2007
District 4	Darrell Bruggman	January 2005
District 5	J. E. (Reggie) Lee	January 2007
Attorney	Thomas Murtha	January 2007
Auditor	Kirk Peysar	January 2007
Recorder	Diane Lafferty	January 2007
Sheriff	Dennis Landborg	January 2007
Treasurer	Vernon Nelson	January 2007
<b>Appointed</b>		
Administrator	Scott Arneson	Indefinite
Assessor	Don Niemi	December 2008
Engineer	John Welle	December 2008
Coroner	Dr. M. B. McGee	Indefinite
Health and Human Services Director	Tom Burke	Indefinite
Veterans Service Officer	Robert Nelson	Indefinite

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Aitkin County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Aitkin County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Aitkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Aitkin County, as of and for the year ended December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2005, on our consideration of Aitkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 11, 2005

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2004

(Unaudited)

The Aitkin County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities have total net assets of \$74,074,921, of which \$47,031,521 is invested in capital assets, net of related debt, and \$5,023,080 is restricted to specific purposes.
- Business-type activities have total net assets of \$3,428,514. Invested in capital assets, net of related debt, represents \$3,502,510, of the total. Of the total business-type net assets, \$2,000 are restricted for specific uses.
- Aitkin County's net assets increased by \$3,468,536 for the year ended December 31, 2004. Of the increase, \$3,569,519 was in governmental activities net assets and \$100,983 represented the decrease in business-type activities net assets. The net assets of the County's discretely presented component unit increased by \$170,375.
- The cost of primary government activities increased by \$396,783 to \$20,598,309 for the current fiscal year. Program revenues of \$10,703,575 offset those costs. A portion of the net cost was funded by general revenues and other items totaling \$13,363,270.
- Governmental funds' fund balances increased by \$1,316,536.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

**Component units**--The County includes one separate legal entity in its report. The Aitkin Municipal Airport is presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable.

## **Fund Financial Statements**

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

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

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

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

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

## **THE COUNTY AS A WHOLE**

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities for the year ended December 31, 2004, with comparative amounts for 2003.

**Table 1**  
**Net Assets**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 30,721	\$ 30,075	\$ (199)	\$ (212)	\$ 30,522	\$ 29,863
Capital assets	50,977	48,188	3,687	3,791	54,664	51,979
Total Assets	\$ 81,698	\$ 78,263	\$ 3,488	\$ 3,579	\$ 85,186	\$ 81,842
Long-term debt outstanding	\$ 4,503	\$ 4,813	\$ 15	\$ 13	\$ 4,518	\$ 4,826
Other liabilities	3,120	2,945	45	37	3,165	2,982
Total Liabilities	\$ 7,623	\$ 7,758	\$ 60	\$ 50	\$ 7,683	\$ 7,808
Net Assets						
Invested in capital assets, net of debt	\$ 47,032	\$ 43,899	\$ 3,502	\$ 3,580	\$ 50,534	\$ 47,479
Restricted	5,023	6,043	2	2	5,025	6,045
Unrestricted	22,020	20,563	(76)	(53)	21,944	20,510
Total Net Assets	\$ 74,075	\$ 70,505	\$ 3,428	\$ 3,529	\$ 77,503	\$ 74,034

**Table 2**  
**Changes in Net Assets**  
**(in thousands)**

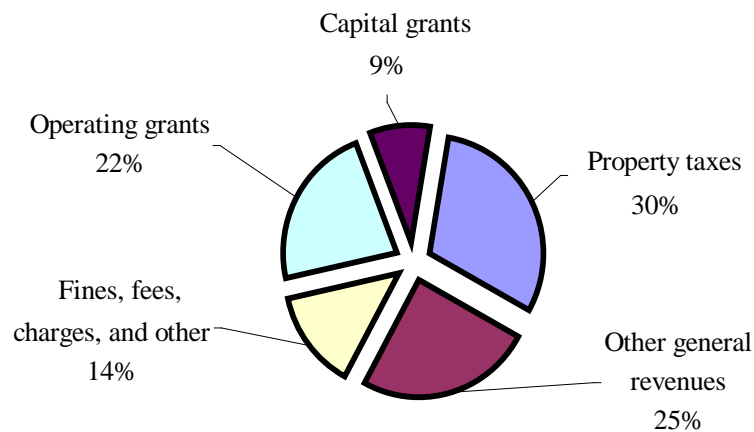
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues						
Fines, fees, charges, and other	\$ 2,603	\$ 2,429	\$ 723	\$ 677	\$ 3,326	\$ 3,106
Operating grants	5,245	6,627	12	31	5,257	6,658
Capital grants	2,120	1,996	-	-	2,120	1,996
General Revenues						
Property taxes	7,342	7,130	-	-	7,342	7,130
Other taxes	791	715	-	-	791	715
Grants and contributions	2,816	3,048	-	2	2,816	3,050
Other general revenues	2,415	2,793	-	-	2,415	2,793
Total Revenues	\$ 23,332	\$ 24,738	\$ 735	\$ 710	\$ 24,067	\$ 25,448
Expenses						
General government	\$ 3,646	\$ 3,298	\$ -	\$ -	\$ 3,646	\$ 3,298
Public safety	3,487	4,080	-	-	3,487	4,080
Highways and streets	4,382	3,864	-	-	4,382	3,864
Sanitation	320	346	-	-	320	346
Human services	4,888	4,821	-	-	4,888	4,821
Health	501	514	-	-	501	514
Culture and recreation	644	569	-	-	644	569
Conservation of natural resources	1,524	1,564	862	858	2,386	2,422
Economic development	142	83	-	-	142	83
Interest	202	206	-	-	202	206
Total Expenses	\$ 19,736	\$ 19,345	\$ 862	\$ 858	\$ 20,598	\$ 20,203

(Unaudited)

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	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues Over (Under) Expenses	\$ 3,596	\$ 5,393	\$ (127)	\$ (148)	\$ 3,469	\$ 5,245
Transfers	(26)	-	26	-	-	-
Increase (Decrease) in Net Assets	\$ 3,570	\$ 5,393	\$ (101)	\$ (148)	\$ 3,469	\$ 5,245
Net Assets, January 1	70,505	65,112	3,529	3,677	74,034	68,789
Net Assets, December 31	\$ 74,075	\$ 70,505	\$ 3,428	\$ 3,529	\$ 77,503	\$ 74,034

### Total County Revenues by Source



### Governmental Activities (unless otherwise indicated, all amounts in thousands)

The cost of all activities this year was \$20,598. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes was \$7,342 because some of the cost was paid by those who directly benefited from the programs (\$3,326) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,377).

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

**TABLE 3  
Governmental Activities  
(in thousands)**

Activity	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Human services	\$ 4,888	\$ 4,821	\$ 2,002	\$ 1,610
Highways and streets	4,382	3,864	355	(821)
General government	3,646	3,298	2,469	2,251
Public safety	3,487	4,080	2,427	2,810
Conservation of natural resources	1,524	1,564	1,065	1,240
Totals	<u>\$ 17,927</u>	<u>\$ 17,627</u>	<u>\$ 8,318</u>	<u>\$ 7,090</u>

**Business-Type Activities**

Revenues of the County's business-type activities increased by 3.5 percent, and expenses increased by 0.5 percent.

**The County's Funds (in thousands)**

As the County completed the year, its governmental funds reported a combined fund balance of \$24,785, which is above last year's total of \$23,428. Included in this year's total fund balance is a surplus of \$3,602 in the County's General Fund. The General Fund's change in fund balance (an increase of \$1,333 for 2004) represented the largest factor for the total increase (\$1,317) in governmental fund balances. Most of the General Fund's increase is due to expenditure reductions in a number of departments.

**General Fund Budgetary Highlights (in thousands)**

The actual charges to appropriations (expenditures) were \$113 below the final budget amounts. The most significant positive variance occurred in the Sheriff budget due to increased boarding fees. In addition, resources available for appropriation were slightly above the final budgeted amount due to greater than expected collections for certain fees and charges for services.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets (in thousands)**

At the end of 2004, the County had \$54,664 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4) This amount represents a net increase (including additions and deductions) of just over \$2,685, or 5.2 percent, over the last year.

**TABLE 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation, in thousands)**

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,613	\$ 1,541	\$ 15	\$ 15	\$ 1,628	\$ 1,556
Construction in progress	299	698	10	147	309	845
Buildings and improvements	9,535	9,464	3,619	3,578	13,154	13,042
Machinery and equipment	2,078	2,075	43	51	2,121	2,126
Infrastructure	37,452	34,410	-	-	37,452	34,410
<b>Totals</b>	<b>\$ 50,977</b>	<b>\$ 48,188</b>	<b>\$ 3,687</b>	<b>\$ 3,791</b>	<b>\$ 54,664</b>	<b>\$ 51,979</b>

This year's major additions include:

Paving project on County Road 2	\$1,529
Grading project on County Road 3	1,509
Ditching, fills, and aggregate surfacing on County Road 65	307

The County's fiscal year 2005 capital budget calls for it to spend another \$6,195 for capital projects, principally for highway and street improvements. Additional information on capital assets is found in Note 3.A.3.

**Debt (in thousands)**

At year-end, the County had \$4,269 in bonds and notes outstanding versus \$4,638 last year, a decrease of eight percent as shown in Table 5.

**Table 5**  
**Outstanding Debt, at Year-End**  
**(in thousands)**

	Governmental Activities	
	2004	2003
General obligation bonds and notes (backed by the County)	\$ 3,350	\$ 3,615
G. O. revenue notes	50	50
Certificates of participation	595	675
Clear Water Partnership Project notes	145	169
Minnesota Department of Agriculture notes	129	129
<b>Totals</b>	<b>\$ 4,269</b>	<b>\$ 4,638</b>

The County's general obligation bond rating is A3, a rating that has been assigned by national rating agencies to the County's debt since 2000. The State limits the amount of net debt the County can issue to two percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this \$28,162 state-imposed limit.

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

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities.

- The State of Minnesota had projected a significant budget deficit, and it is anticipated that there will be significant reductions in state aids to local governments.
- An increase in the unemployment rate in 2005 could impact the level of services requested by County residents.

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

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 24,604,564	\$ -	\$ 24,604,564	\$ 57,351
Petty cash and change funds	5,000	-	5,000	-
Cash with escrow agent	196,941	-	196,941	-
Cash with fiscal agent	196,371	-	196,371	-
Taxes receivable		-		
Prior - net	404,179	-	404,179	-
Special assessments receivable		-		
Prior - net	1,825	-	1,825	-
Noncurrent - net	26,028	-	26,028	-
Accounts receivable - net	2,685,359	33,291	2,718,650	-
Loans receivable	280,506	-	280,506	-
Accrued interest receivable	69,909	-	69,909	-
Internal balances	242,359	(242,359)	-	-
Due from other governments	1,773,157	504	1,773,661	-
Prepaid items	1,870	-	1,870	-
Deposits receivable	25,000	-	25,000	-
Inventories	208,112	7,320	215,432	-
Restricted assets				
Cash and pooled investments	-	2,000	2,000	-
Capital assets				
Non-depreciable	1,911,917	25,400	1,937,317	75,690
Depreciable - net of accumulated depreciation	49,064,604	3,662,018	52,726,622	591,872
<b>Total Assets</b>	<b>\$ 81,697,701</b>	<b>\$ 3,488,174</b>	<b>\$ 85,185,875</b>	<b>\$ 724,913</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 559,024	\$ 17,109	\$ 576,133	\$ 1,273
Salaries payable	587,905	27,310	615,215	-
Contracts payable	502,998	-	502,998	-
Due to other governments	959,800	102	959,902	-
Accrued interest payable	14,253	-	14,253	-
Unearned revenue	95,204	-	95,204	-
Long-term liabilities				
Due within one year	400,766	108	400,874	-
Due in more than one year	4,502,830	15,031	4,517,861	-
<b>Total Liabilities</b>	<b>\$ 7,622,780</b>	<b>\$ 59,660</b>	<b>\$ 7,682,440</b>	<b>\$ 1,273</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Primary Government</b>			<b>Discretely Presented Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Net Assets</u></b>				
Invested in capital assets net of related debt	\$ 47,031,521	\$ 3,502,510	\$ 50,534,031	\$ 667,562
Restricted for				
General government	185,555	-	185,555	-
Public safety	140,617	-	140,617	-
Culture and recreation	675,125	-	675,125	-
Conservation of natural resources	2,364,715	-	2,364,715	-
Highways and streets	343,973	-	343,973	-
Sanitation	457,722	-	457,722	-
Debt service	483,142	-	483,142	-
Other purposes	372,231	2,000	374,231	-
Unrestricted	22,020,320	(75,996)	21,944,324	56,078
<b>Total Net Assets</b>	<b>\$ 74,074,921</b>	<b>\$ 3,428,514</b>	<b>\$ 77,503,435</b>	<b>\$ 723,640</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Expenses</u>	<u>Fees, Charges, Fines and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Functions/Programs</b>			
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 3,645,715	\$ 1,067,095	\$ 109,839
Public safety	3,487,517	788,593	272,293
Highways and streets	4,382,083	211,891	1,694,788
Sanitation	319,906	37,677	-
Human services	4,888,483	377,783	2,508,917
Health	500,599	54,785	200,352
Culture and recreation	643,581	7,962	-
Conservation of natural resources	1,524,274	-	459,080
Economic development	142,312	56,788	-
Interest	201,625	-	-
<b>Total governmental activities</b>	<b>\$ 19,736,095</b>	<b>\$ 2,602,574</b>	<b>\$ 5,245,269</b>
<b>Business-type activities</b>			
Long Lake Conservation Center	862,214	723,442	11,812
<b>Total primary government</b>	<b>\$ 20,598,309</b>	<b>\$ 3,326,016</b>	<b>\$ 5,257,081</b>
<b>Component unit</b>			
Aitkin Municipal Airport Commission	<b>\$ 112,939</b>	<b>\$ 13,873</b>	<b>\$ 32,499</b>

**General Revenues**

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

**Total general revenues and transfers**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Unit
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (2,468,781)	\$ -	\$ (2,468,781)	
-	(2,426,631)	-	(2,426,631)	
2,120,289	(355,115)	-	(355,115)	
-	(282,229)	-	(282,229)	
-	(2,001,783)	-	(2,001,783)	
-	(245,462)	-	(245,462)	
-	(635,619)	-	(635,619)	
189	(1,065,005)	-	(1,065,005)	
-	(85,524)	-	(85,524)	
-	(201,625)	-	(201,625)	
<b>\$ 2,120,478</b>	<b>\$ (9,767,774)</b>	<b>\$ -</b>	<b>\$ (9,767,774)</b>	
-	-	(126,960)	(126,960)	
<b>\$ 2,120,478</b>	<b>\$ (9,767,774)</b>	<b>\$ (126,960)</b>	<b>\$ (9,894,734)</b>	
<b>\$ 234,231</b>				<b>\$ 167,664</b>
	\$ 7,341,607	\$ -	\$ 7,341,607	\$ -
	25,344	-	25,344	-
	34,539	-	34,539	-
	730,668	-	730,668	-
	2,816,289	-	2,816,289	-
	359,689	32	359,721	122
	2,055,102	-	2,055,102	2,589
	(25,945)	25,945	-	-
	<b>\$ 13,337,293</b>	<b>\$ 25,977</b>	<b>\$ 13,363,270</b>	<b>\$ 2,711</b>
	<b>\$ 3,569,519</b>	<b>\$ (100,983)</b>	<b>\$ 3,468,536</b>	<b>\$ 170,375</b>
	<b>70,505,402</b>	<b>3,529,497</b>	<b>74,034,899</b>	<b>553,265</b>
	<b>\$ 74,074,921</b>	<b>\$ 3,428,514</b>	<b>\$ 77,503,435</b>	<b>\$ 723,640</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 14,001,204	\$ 2,940,433
Petty cash and change funds	2,000	-
Cash with fiscal agent	196,371	-
Cash with escrow agent	196,941	-
Taxes receivable		
Prior	242,046	60,858
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	461	803
Accrued interest receivable	69,909	-
Loans receivable	195,175	-
Due from other funds	364,864	35,174
Due from other governments	38,104	1,431,881
Inventories	-	208,112
Advances to other funds	-	-
Prepaid items	-	-
Deposits receivable	25,000	-
	<b>\$ 15,332,075</b>	<b>\$ 4,677,261</b>
 <b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 121,855	\$ 164,437
Salaries payable	325,454	78,478
Contracts payable	-	502,998
Compensated absences - current	1,341	8,308
Due to other funds	-	-
Due to other governments	5,503	-
Deferred revenue - unavailable	171,511	956,912
Timber permit bonds	-	-
	<b>\$ 625,664</b>	<b>\$ 1,711,133</b>

**EXHIBIT 3**

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,991,111	\$ 2,360,445	\$ 2,311,371	\$ 24,604,564
3,000	-	-	5,000
-	-	-	196,371
-	-	-	196,941
82,861	-	18,414	404,179
-	-	1,825	1,825
-	-	26,028	26,028
-	2,656,088	28,007	2,685,359
-	-	-	69,909
-	-	85,331	280,506
-	-	372,026	772,064
303,172	-	-	1,773,157
-	-	-	208,112
-	184,908	-	184,908
1,870	-	-	1,870
-	-	-	25,000
<b><u>\$ 3,382,014</u></b>	<b><u>\$ 5,201,441</u></b>	<b><u>\$ 2,843,002</u></b>	<b><u>\$ 31,435,793</u></b>
\$ 255,063	\$ 15,546	\$ 2,123	\$ 559,024
146,591	31,449	5,933	587,905
-	-	-	502,998
5,408	913	544	16,514
-	679,439	35,174	714,613
43,400	219,021	-	267,924
56,630	2,653,681	67,927	3,906,661
-	95,204	-	95,204
<b><u>\$ 507,092</u></b>	<b><u>\$ 3,695,253</u></b>	<b><u>\$ 111,701</u></b>	<b><u>\$ 6,650,843</u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
(Continued)		
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 208,112
Advances to other funds	-	-
Missing heirs	-	-
Law library	-	-
Sheriff's contingency	5,000	-
Debt service	393,312	-
Enhanced 911	89,663	-
Loans receivable	195,175	-
Recorder's equipment	64,396	-
Attorney grant carryover	4,665	-
Petty cash and change funds	2,000	-
County parks	213,875	-
Prisoner welfare	32,108	-
STS carryover	953	-
Capital membership	25,000	-
County development	-	-
Unclaimed property	-	-
Life line	-	-
Conservation forfeited tax sale	-	-
Forfeited tax sale	-	-
Environmental purposes	-	-
Gun permit carryover	13,846	-
Unreserved		
Designated for future expenditures	878,206	293,093
Designated for cash flows	8,728,645	-
Designated for workers' compensation	-	-
Designated for solid waste	457,722	-
Undesignated	3,601,845	2,464,923
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
<b>Total Fund Balances</b>	<b>\$ 14,706,411</b>	<b>\$ 2,966,128</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,332,075</b>	<b>\$ 4,677,261</b>

**EXHIBIT 3**  
**(Continued)**

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 208,112
-	184,908	-	184,908
-	26,246	-	26,246
-	116,494	-	116,494
-	-	-	5,000
-	-	-	393,312
-	-	-	89,663
-	-	-	195,175
-	-	-	64,396
-	-	-	4,665
3,000	-	-	5,000
-	-	-	213,875
-	-	-	32,108
-	-	-	953
-	-	-	25,000
-	344,170	-	344,170
-	1,815	-	1,815
-	2,072	-	2,072
-	1,201	-	1,201
-	19,093	-	19,093
-	-	452,931	452,931
-	-	-	13,846
-	-	-	1,171,299
-	-	-	8,728,645
-	810,189	-	810,189
-	-	-	457,722
2,871,922	-	-	8,938,690
-	-	2,188,540	2,188,540
-	-	89,830	89,830
<b>\$ 2,874,922</b>	<b>\$ 1,506,188</b>	<b>\$ 2,731,301</b>	<b>\$ 24,784,950</b>
<b>\$ 3,382,014</b>	<b>\$ 5,201,441</b>	<b>\$ 2,843,002</b>	<b>\$ 31,435,793</b>

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Fund balances - total governmental funds</b>	<b>\$</b>	<b>24,784,950</b>
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		50,976,521
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. (See Note 1.E.1.)		3,214,785
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,350,000)	
General obligation note	(194,755)	
Loans payable	(128,797)	
Compensated absences - long-term	(618,530)	
Accrued interest payable	(14,253)	
Certificates of participation	(595,000)	
	(4,901,335)	(4,901,335)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>74,074,921</u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 4,385,900	\$ 1,034,018
Special assessments	-	-
Licenses and permits	93,002	-
Intergovernmental	2,917,798	5,268,648
Charges for services	1,490,897	202,041
Fines and forfeits	54,258	-
Interest on investments	349,074	-
Miscellaneous	321,022	11,625
	<b>\$ 9,611,951</b>	<b>\$ 6,516,332</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,533,061	\$ -
Public safety	3,703,214	-
Highways and streets	-	6,860,951
Sanitation	303,014	-
Human services	-	-
Health	4,094	-
Culture and recreation	634,787	-
Conservation of natural resources	217,161	-
Economic development	115,762	-
<b>Intergovernmental</b>		
Public safety	68,945	-
<b>Debt service</b>		
Principal retirement	104,190	-
Interest	36,365	-
	<b>\$ 8,720,593</b>	<b>\$ 6,860,951</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 891,358</b>	<b>\$ (344,619)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 562,934	\$ 30,809
Transfers out	(121,197)	-
	<b>\$ 441,737</b>	<b>\$ 30,809</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,333,095</b>	<b>\$ (313,810)</b>
<b>Fund Balance - January 1 as restated</b>	<b>13,373,316</b>	<b>3,239,208</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>40,730</b>
<b>Fund Balance - December 31</b>	<b>\$ 14,706,411</b>	<b>\$ 2,966,128</b>

**EXHIBIT 5**

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,583,117	\$ -	\$ 402,551	\$ 7,405,586
-	-	7,066	7,066
-	-	8,101	101,103
3,325,222	158,360	295,446	11,965,474
25,383	31,196	-	1,749,517
-	-	-	54,258
-	-	10,615	359,689
384,508	1,803,078	87,611	2,607,844
<b>\$ 5,318,230</b>	<b>\$ 1,992,634</b>	<b>\$ 811,390</b>	<b>\$ 24,250,537</b>
\$ -	\$ 89,938	\$ 1,537	\$ 3,624,536
-	-	14,791	3,718,005
-	-	3,625	6,864,576
-	-	-	303,014
4,896,759	-	-	4,896,759
490,846	-	-	494,940
-	-	-	634,787
-	999,063	384,905	1,601,129
-	-	25,831	141,593
-	-	-	68,945
-	-	265,000	369,190
-	-	154,217	190,582
<b>\$ 5,387,605</b>	<b>\$ 1,089,001</b>	<b>\$ 849,906</b>	<b>\$ 22,908,056</b>
<b>\$ (69,375)</b>	<b>\$ 903,633</b>	<b>\$ (38,516)</b>	<b>\$ 1,342,481</b>
\$ -	\$ -	\$ 493,223	\$ 1,086,966
-	(729,439)	(262,275)	(1,112,911)
<b>\$ -</b>	<b>\$ (729,439)</b>	<b>\$ 230,948</b>	<b>\$ (25,945)</b>
<b>\$ (69,375)</b>	<b>\$ 174,194</b>	<b>\$ 192,432</b>	<b>\$ 1,316,536</b>
2,944,297	1,331,994	2,538,869	23,427,684
-	-	-	40,730
<b>\$ 2,874,922</b>	<b>\$ 1,506,188</b>	<b>\$ 2,731,301</b>	<b>\$ 24,784,950</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net change in fund balances - total governmental funds** **\$ 1,316,536**

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

In the funds, under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable. (See Note 1.E.2.) (877,045)

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

Expenditures for general capital assets and infrastructure	\$	4,686,691	
Net book value of disposed assets		(41,933)	
Current year depreciation		(1,856,702)	2,788,056

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments			
General obligation bonds and notes	\$	289,190	
Certificates of participation		80,000	369,190

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$	(11,043)	
Change in compensated absences (not reported in the funds)		(56,905)	
Change in inventories		40,730	(27,218)

**Change in net assets of governmental activities** **\$ 3,569,519**

**PROPRIETARY FUNDS**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FUND NET ASSETS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
DECEMBER 31, 2004**

**Assets**

Current assets	
Accounts receivable - net	\$ 33,291
Due from other governments	504
Inventories	7,320
	<hr/>
Total current assets	\$ 41,115
Restricted assets	
Cash and pooled investments	\$ 2,000
	<hr/>
Non-current assets	
Capital assets	
Non-depreciable	\$ 25,400
Depreciable - net	3,662,018
	<hr/>
<b>Total Assets</b>	<b>\$ 3,730,533</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 17,109
Salaries payable	27,310
Compensated absences payable - current	108
Due to other funds	57,451
Due to other governments	102
	<hr/>
Total current liabilities	\$ 102,080
Non-current liabilities	
Compensated absences payable - long-term	\$ 15,031
Advance from other funds	184,908
	<hr/>
Total non-current liabilities	\$ 199,939
	<hr/>
<b>Total Liabilities</b>	<b>\$ 302,019</b>

**Net Assets**

Invested in capital assets, net of related debt	\$ 3,502,510
Restricted for other purposes	2,000
Unrestricted	(75,996)
	<hr/>
<b>Total Net Assets</b>	<b>\$ 3,428,514</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Operating Revenues</b>	
Program packages	\$ 667,982
Resale	50,569
Miscellaneous	<u>4,891</u>
<b>Total operating revenues</b>	<b>\$ 723,442</b>
<b>Operating Expenses</b>	
Personal services	\$ 499,615
Other services and charges	67,114
Supplies	87,975
Utilities	40,184
Resale	33,195
Depreciation	<u>134,131</u>
<b>Total operating expenses</b>	<b>\$ 862,214</b>
<b>Operating income</b>	<b>\$ (138,772)</b>
<b>Nonoperating revenues (expenses)</b>	
Intergovernmental	\$ 11,812
Interest income	<u>32</u>
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 11,844</b>
<b>Income before contributions and transfers</b>	<b>\$ (126,928)</b>
<b>Transfers in</b>	<u>25,945</u>
<b>Change in Net Assets</b>	<b>\$ (100,983)</b>
<b>Net Assets - January 1</b>	<u>3,529,497</u>
<b>Net Assets - December 31</b>	<b>\$ 3,428,514</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
LONG LAKE CONSERVATION CENTER ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 720,736
Cash paid to suppliers	(226,677)
Cash paid to employees	<u>(494,352)</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (293)</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Contributions and donations	\$ 9,826
Intergovernmental	1,990
Interfund receipts	<u>44,951</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 56,767</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	\$ (30,578)
Payment on interfund loan	<u>(25,944)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (56,522)</b>
<b>Cash Flows from Investing Activities</b>	
Interest	<u>\$ 48</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ -</b>
<b>Cash and Cash Equivalents at January 1</b>	<u><b>2,000</b></u>
<b>Cash and Cash Equivalents at December 31</b>	<u><u><b>\$ 2,000</b></u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<u><b>\$ (138,772)</b></u>
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation	\$ 134,131
Changes in assets and liabilities	
Accounts receivable	(2,706)
Inventories	(2,808)
Accounts payable	4,599
Salaries payable	4,236
Compensated absences	<u>1,027</u>
<b>Total adjustments</b>	<b>\$ 138,479</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u><b>\$ (293)</b></u></u>

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**FIDUCIARY FUNDS**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 705,483</u>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 97,327
Due to other governments	<u>608,156</u>
<b>Total Liabilities</b>	<u><b>\$ 705,483</b></u>

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Aitkin County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Aitkin County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

Although part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Aitkin County is discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Aitkin Municipal Airport Commission is authorized by Minn. Stat. Ch. 360.	County appoints members, and the Airport Commission is a financial burden.	Separate financial statements are not prepared.

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

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**AITKIN COUNTY  
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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

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

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

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Aitkin County considers all revenues to be available if they are collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, shared revenues, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$349,074.

Aitkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

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

3. Receivables and Payables

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

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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

5. Restricted Assets

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Capital Assets

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

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

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Compensated Absences (Continued)

who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

9. Long-Term Obligations

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

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Fund Equity

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

11. Use of Estimates

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

E. Reconciliation of Government-Wide and Fund Financial Statements

1. Governmental Fund Balance Sheet and Statement of Net Assets

Exhibit 4 provides a reconciliation between fund balance as reported in the governmental fund balance sheet and net assets--governmental activities as reported in the statement of net assets. One element of that reconciliation is "other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds." The detail of this \$3,214,785 follows.

Included in the long-term assets are receivables for forfeited tax sales. Forfeited tax sales are distributed to the County and certain governments within the County. Receivables not available to pay current expenditures have been deferred. On the government-wide financial statements, the portion of this receivable that will be distributed to the County is reported as revenue, and the amount to be distributed to others is reported as due to other governments.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Reconciliation of Government-Wide and Fund Financial Statements

1. Governmental Fund Balance Sheet and Statement of Net Assets (Continued)

Deferred revenue	\$	3,906,661
Due to other governments		691,876
Adjustment to increase fund balance to arrive at net assets--governmental activities		\$ 3,214,785

2. Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities

Exhibit 6 is a reconciliation between the increase in governmental funds fund balance and the increase in net assets--governmental activities. One element of that increase is "in the funds, under the modified accrual basis, receivables not available for expenditures are deferred in the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase (decrease) in revenues deferred as unavailable." The details of the \$877,045 follow.

Included in deferred revenue are forfeited tax sales receivable that, when received, will be paid to other governments. On the government-wide statements, these are reported as due to other governments.

December 31		
Deferred revenue - unavailable	\$	3,906,661
Less: forfeited tax sales due to other governments		(691,876)
January 1		
Deferred revenue - unavailable		(4,708,939)
Less: forfeited tax sales due to other governments		617,109
Adjustment to Revenue	\$	(877,045)

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$16,171 as of December 31, 2004. This deficit will be eliminated by future special assessment levies against benefited properties.

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

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2. Stewardship, Compliance, and Accountability (Continued)

B. Expenditures in Excess of Budget

For the year ended December 31, 2004, expenditures exceeded appropriations in the Forfeited Tax Sale Fund by \$135,095 and the Jail Bond Debt Service Fund by \$4,581.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 24,604,564
Cash with fiscal agent	196,371
Cash with escrow agent	196,941
Restricted assets	
Cash and pooled investments	2,000
Component units	
Cash and pooled investments	57,351
Fiduciary funds	
Cash and pooled investments	<u>705,483</u>
 Total Cash and Investments	 <u>\$ 25,762,710</u>

Minn. Stat. §§ 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 County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$6,857,278. The bank balance deposit amount was \$6,910,130. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 1,224,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>5,686,130</u>
Total covered deposits	\$ 6,910,130
Uncollateralized	<u>-</u>
Total	<u>\$ 6,910,130</u>

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 8,344,958	\$ -	\$ -	\$ 8,344,958
Negotiable certificates of deposit	292,119	-	1,743,000	2,035,119
Cash with escrow agent				
U.S. treasury obligations	-	-	196,941	196,941
<b>Total Investments</b>	<b>\$ 8,637,077</b>	<b>\$ -</b>	<b>\$ 1,939,941</b>	<b>\$ 10,577,018</b>
Add				
Money market mutual funds				381,087
Minnesota Association of Governments Investing for Counties (MAGIC)				7,947,327
Deposits				6,857,278
<b>Total Cash and Investments</b>				<b>\$ 25,762,710</b>

2. Receivables

Receivables as of December 31, 2004, year-end for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 404,179	\$ -
Special Assessments	27,853	20,976
Due from other governments	1,773,157	-
Accounts	2,685,359	-
Interest	69,909	-
Loans	280,506	248,044
Deposits	25,000	25,000
<b>Total Governmental Activities</b>	<b>\$ 5,265,963</b>	<b>\$ 294,020</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Due from other governments	\$ 504	\$ -
Accounts	33,291	-
Total Business-Type Activities	\$ 33,795	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,540,536	\$ 72,204	\$ -	\$ 1,612,740
Construction in progress	697,967	183,164	581,954	299,177
Total capital assets not depreciated	\$ 2,238,503	\$ 255,368	\$ 581,954	\$ 1,911,917
Capital assets depreciated				
Buildings	\$ 12,990,614	\$ 374,537	\$ -	\$ 13,365,151
Machinery, furniture, and equipment	7,233,408	672,467	390,222	7,515,653
Infrastructure	42,833,104	3,966,273	-	46,799,377
Total capital assets depreciated	\$ 63,057,126	\$ 5,013,277	\$ 390,222	\$ 67,680,181
Less: accumulated depreciation for				
Buildings	\$ 3,526,573	\$ 303,541	\$ -	\$ 3,830,114
Machinery, furniture, and equipment	5,158,043	627,985	348,289	5,437,739
Infrastructure	8,422,548	925,176	-	9,347,724
Total accumulated depreciation	\$ 17,107,164	\$ 1,856,702	\$ 348,289	\$ 18,615,577
Total capital assets, depreciated, net	\$ 45,949,962	\$ 3,156,575	\$ 41,933	\$ 49,064,604
Governmental Activities Capital Assets, Net	\$ 48,188,465	\$ 3,411,943	\$ 623,887	\$ 50,976,521

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 15,400	\$ -	\$ -	\$ 15,400
Construction in progress	146,695	28,830	165,525	10,000
 Total capital assets not depreciated	 \$ 162,095	 \$ 28,830	 \$ 165,525	 \$ 25,400
Capital assets depreciated				
Buildings	\$ 4,633,242	\$ 164,175	\$ -	\$ 4,797,417
Machinery, furniture, and equipment	148,702	3,098	-	151,800
 Total capital assets depreciated	 \$ 4,781,944	 \$ 167,273	 \$ -	 \$ 4,949,217
Less: accumulated depreciation for				
Buildings	\$ 1,054,982	\$ 123,950	\$ -	\$ 1,178,932
Machinery, furniture, and equipment	98,086	10,181	-	108,267
 Total accumulated depreciation	 \$ 1,153,068	 \$ 134,131	 \$ -	 \$ 1,287,199
 Total capital assets depreciated, net	 \$ 3,628,876	 \$ 33,142	 \$ -	 \$ 3,662,018
 Business-Type Activities Capital Assets, Net	 \$ 3,790,971	 \$ 61,972	 \$ 165,525	 \$ 3,687,418

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

Governmental Activities	
General government	\$ 143,567
Public safety	436,430
Highways and streets, including depreciation of infrastructure assets	1,180,302
Human services	26,630
Sanitation	13,908
Culture and recreation	8,693
Conservation of natural resources	47,172
 Total Depreciation Expense - Governmental Activities	 \$ 1,856,702

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities	
Long Lake Conservation Center	\$ 134,131

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Forfeited Tax Sale	\$ 307,413
	Long Lake Conservation Center	57,451
Total Due to General Fund		\$ 364,864
Road and Bridge	Other Governmental	\$ 35,174
Other Governmental	Forfeited Tax Sale	\$ 372,026
Total Due To/From Other Funds		\$ 772,064

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Forfeited Tax Sale	Long Lake Conservation Center	\$ 184,908

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	\$ 357,413	Forfeited tax sale apportionment and transfers of funds to cover expenditures
Nonmajor governmental funds	<u>205,521</u>	Closed out capital projects fund
Total Transferred to General Fund	<u>\$ 562,934</u>	
Transfers to Road and Bridge Fund from nonmajor governmental funds	\$ 30,809	Provide fund for services
Transfers to nonmajor governmental funds from		
General Fund	\$ 121,197	Provide funds for economic development loans
Forfeited Tax Sale Fund	<u>372,026</u>	Forfeited tax sale apportionment
Total transfers to nonmajor governmental funds	<u>\$ 493,223</u>	
Transfer to Long Lake Conservation Center	\$ 25,945	Provide funds for repayment of interfund loan
Total Interfund Transfers	<u>\$ 1,112,911</u>	

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
1999 General obligation jail bonds	2015	\$230,000 - \$405,000	4.25 - 4.30	\$ 4,585,000	\$ 3,350,000
1999B General obligation revenue notes	2014	\$50,000	0.00	50,000	50,123
2000A Certificates of Participation	2010	\$20,000 - \$115,000	5.00 - 5.90	<u>845,000</u>	<u>595,000</u>
Total General Obligation Bonds				<u>\$ 5,480,000</u>	<u>\$ 3,995,123</u>
1999 Clean Water Partnership Project Notes	2010	\$21,186	0.00	\$ 211,864	\$ 116,525
2000 Clean Water Partnership Project Notes	2013	\$1,806	2.00	<u>32,450</u>	<u>28,107</u>
Total Clean Water Partnership Notes				<u>\$ 244,314</u>	<u>\$ 144,632</u>
1999 Minnesota Department of Agriculture Loans	2019	\$73,930	0.00	\$ 73,930	\$ 73,930
2001 Minnesota Department of Agriculture Loans	2018	\$54,867	0.00	<u>54,867</u>	<u>54,867</u>
Total Minnesota Department of Agriculture Loans				<u>\$ 128,797</u>	<u>\$ 128,797</u>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		General Obligation Revenue Notes		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 275,000	\$ 142,955	\$ -	\$ -	\$ 85,000	\$ 31,867
2006	285,000	131,267	-	-	90,000	27,010
2007	300,000	119,155	-	-	95,000	21,783
2008	310,000	106,405	-	-	100,000	16,175
2009	325,000	93,230	-	-	110,000	10,030
2010 - 2014	1,855,000	245,650	50,123	-	115,000	3,392
2015 - 2019	-	-	-	-	-	-
<b>Total</b>	<b>\$ 3,350,000</b>	<b>\$ 838,662</b>	<b>\$ 50,123</b>	<b>\$ -</b>	<b>\$ 595,000</b>	<b>\$ 110,257</b>

Year Ending December 31	Clean Water Partnership Project Notes of 1999		Clean Water Partnership Project Notes of 2000		Minnesota Department of Agriculture Loans of 1999	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 21,187	\$ -	\$ 3,065	\$ 547	\$ -	\$ -
2006	21,186	-	3,127	485	-	-
2007	21,187	-	3,190	422	-	-
2008	21,186	-	3,253	359	-	-
2009	21,186	-	3,319	293	-	-
2010 - 2014	10,593	-	12,153	491	-	-
2015 - 2019	-	-	-	-	73,930	-
<b>Total</b>	<b>\$ 116,525</b>	<b>\$ -</b>	<b>\$ 28,107</b>	<b>\$ 2,597</b>	<b>\$ 73,930</b>	<b>\$ -</b>

Year Ending December 31	Minnesota Department of Agriculture Loans of 2001		Total	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ -	\$ 384,252	\$ 175,369
2006	-	-	399,313	158,762
2007	-	-	419,377	141,360
2008	-	-	434,439	122,939
2009	-	-	459,505	103,553
2010 - 2014	-	-	2,042,869	249,533
2015 - 2019	54,867	-	128,797	-
<b>Total</b>	<b>\$ 54,867</b>	<b>\$ -</b>	<b>\$ 4,268,552</b>	<b>\$ 951,516</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 3,615,000	\$ -	\$ 265,000	\$ 3,350,000	\$ 275,000
G.O. revenue notes	50,123	-	-	50,123	-
Certificates of participation	675,000	-	80,000	595,000	85,000
Total bonds payable	\$ 4,340,123	\$ -	\$ 345,000	\$ 3,995,123	\$ 360,000
Clear Water Partnership Project Notes of 1999	137,712	-	21,187	116,525	21,187
Clear Water Partnership Project Notes of 2000	31,110	-	3,003	28,107	3,065
Minnesota Department of Agriculture Loans of 1999	73,930	-	-	73,930	-
Minnesota Department of Agriculture Loans of 2001	54,867	-	-	54,867	-
Compensated absences	598,371	576,220	539,547	635,044	16,514
Governmental Activity Long-Term Liabilities	\$ 5,236,113	\$ 576,220	\$ 908,737	\$ 4,903,596	\$ 400,766

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 14,112	\$ 1,027	\$ -	\$ 15,139	\$ 108

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year.

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For Basic and Coordinated Plan members hired prior to July 1, 1989, whose annuity is calculated using Method 1, all Public Employees Police and Fire Fund members, and all Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund and Public Employees Correctional Fund members and 65 for

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree---no survivor annuity is payable. Also available are various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

B. Funding Policy

Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 365,059	\$ 80,803	\$ 66,245
2003	353,785	80,482	63,455
2002	331,660	76,625	63,882

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

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other 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 the 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.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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5. Risk Management (Continued)

The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Central Minnesota Community Corrections Agency

The Central Minnesota Community Corrections Agency was established by Crow Wing and Morrison Counties in 1974 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, for the purpose of administering, budgeting, staffing, and operating correctional services. Effective January 1, 1992, Aitkin County became a member of the Agency. The governing board is composed of five County Commissioners from each of the participating counties. Crow Wing County maintains the accounting records of the Agency.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Community Corrections Agency (Continued)

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from its member counties. Aitkin County had expenditures of \$68,945 for community corrections to the agency for 2004.

In the event of dissolution of the Agency, the unexpended balance of monies and assets held by the Agency will be divided between the counties in proportion to their contributions.

Complete financial information can be obtained from:

Central Minnesota Community Corrections Agency  
Crow Wing County Courthouse  
326 Laurel Street  
Brainerd, Minnesota 56401

Northeast Minnesota Office of Job Training

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

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

At fiscal year-end June 30, 2004, the Northeast Minnesota Office of Job Training had net assets of \$1,382,550 and long-term debt of \$758,370. The change in net assets was \$394,478 for the year ended June 30, 2004.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northeast Minnesota Office of Job Training (Continued)

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training  
820 North Ninth Street, Suite 200  
Virginia, Minnesota 55792

Joint County Natural Resources Board

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

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

In the event of dissolution of the Joint County Natural Resources Board, the net assets of the Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Aitkin County provided no funding to this organization during 2004.

The Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties. Complete financial information can be obtained from:

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Community Health Services Board

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

The Community Health Services Board is composed of two members from Aitkin and Koochiching Counties and three members from Itasca County, each appointed by the participating counties. Itasca County maintains the accounting records of the Community Health Service. Funding is obtained through federal, state, local, and private sources. Aitkin County provided no funding to this organization during 2004.

Complete financial information can be obtained from:

Itasca County Courthouse  
123 - 4th Street N. E.  
Grand Rapids, Minnesota 55744

Mississippi Headwaters Board

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

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Cass County maintains the accounting records of the Board. Funding is obtained through federal, state, local, and private sources. Aitkin County provided \$1,500 to this organization during 2004.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Mississippi Headwaters Board (Continued)

Complete financial information can be obtained from:

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

Snake River Watershed Management Board

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

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

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

Aitkin County provided \$10,079 to this organization during 2004. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial information can be obtained from:

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

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Minnesota Counties Information System (MCIS)

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

MICS is governed by an 11 member Board, composed of a member appointed by each of the participating counties' boards of commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

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

Separate financial information can be obtained from:

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

C. Jointly Governed Organizations

Aitkin County Family Services Collaborative

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

D. Minnesota Community Capital Fund

The County is a Class A member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout greater Minnesota by pooling local revolving loan fund resources and providing professional management

**AITKIN COUNTY  
AITKIN, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Minnesota Community Capital Fund (Continued)

services to support local efforts. The MCCF is designed to provide its members with greater lending flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited local resources.

E. Tax-Forfeited Land

The County manages approximately 221,896 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.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entity

The Aitkin Municipal Airport Commission (Commission) is governed by a five-member Board of Directors, three appointed by the County Board, and two appointed by the City of Aitkin.

Cash and Pooled Investments

All cash of the Commission is on deposit with the Aitkin County Treasurer.

**AITKIN COUNTY  
AITKIN, MINNESOTA**

7. Component Unit Disclosures (Continued)

B. Detailed Notes

1. Assets

Capital Assets

Commission capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 67,320	\$ 8,370	\$ -	\$ 75,690
Construction in progress	53,188	-	53,188	-
	<u>120,508</u>	<u>8,370</u>	<u>53,188</u>	<u>75,690</u>
Total capital assets not depreciated	<u>\$ 120,508</u>	<u>\$ 8,370</u>	<u>\$ 53,188</u>	<u>\$ 75,690</u>
Capital assets depreciated				
Buildings	\$ 72,030	\$ 123,273	\$ -	\$ 195,303
Runways and improvements	820,450	155,776	-	976,226
Machinery, furniture, and equipment	220,997	-	-	220,997
	<u>1,113,477</u>	<u>279,049</u>	<u>-</u>	<u>1,392,526</u>
Total capital assets depreciated	<u>\$ 1,113,477</u>	<u>\$ 279,049</u>	<u>\$ -</u>	<u>\$ 1,392,526</u>
Less: accumulated depreciation for				
Buildings	\$ 56,489	\$ 6,680	\$ -	\$ 63,169
Runways and improvements	589,449	56,526	-	645,975
Machinery, furniture, and equipment	76,777	14,733	-	91,510
	<u>722,715</u>	<u>77,939</u>	<u>-</u>	<u>800,654</u>
Total accumulated depreciation	<u>\$ 722,715</u>	<u>\$ 77,939</u>	<u>\$ -</u>	<u>\$ 800,654</u>
Total capital assets depreciated, net	<u>\$ 390,762</u>	<u>\$ 201,110</u>	<u>\$ -</u>	<u>\$ 591,872</u>
Total Capital Assets, Net	<u>\$ 511,270</u>	<u>\$ 209,480</u>	<u>\$ 53,188</u>	<u>\$ 667,562</u>

Depreciation of \$77,939 was charged to the Airport for 2004.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,105,208	\$ 6,105,208	\$ 4,385,900	\$ (1,719,308)
Licenses and permits	51,100	51,100	93,002	41,902
Intergovernmental	989,143	989,143	2,917,798	1,928,655
Charges for services	996,835	996,835	1,490,897	494,062
Fines and forfeits	-	-	54,258	54,258
Investments earnings	250,000	250,000	349,074	99,074
Miscellaneous	166,979	166,979	321,022	154,043
<b>Total Revenues</b>	<b>\$ 8,559,265</b>	<b>\$ 8,559,265</b>	<b>\$ 9,611,951</b>	<b>\$ 1,052,686</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 194,672	\$ 194,672	\$ 239,726	\$ (45,054)
Courts	42,500	42,500	42,526	(26)
County administration	268,497	268,497	265,814	2,683
County auditor	447,464	447,464	442,063	5,401
License bureau	-	-	4,433	(4,433)
County treasurer	177,479	177,479	168,439	9,040
County assessor	498,317	498,317	512,026	(13,709)
Elections	47,277	47,277	41,024	6,253
Internal audit	-	-	1,563	(1,563)
Data processing	286,999	286,999	248,534	38,465
Central services	143,825	143,900	148,768	(4,868)
Personnel	-	-	7,267	(7,267)
Attorney	532,068	532,068	557,168	(25,100)
Recorder	203,543	203,543	157,543	46,000
Planning and zoning	320,800	320,800	312,148	8,652
Buildings and plant	-	-	24,536	(24,536)
Maintenance	272,981	272,981	259,739	13,242
Veterans service officer	63,528	63,528	66,464	(2,936)
Pollution control	30,463	30,463	20,745	9,718
Housing and development	1,500	1,500	1,250	250
Other general government	-	-	11,285	(11,285)
<b>Total general government</b>	<b>\$ 3,531,913</b>	<b>\$ 3,531,988</b>	<b>\$ 3,533,061</b>	<b>\$ (1,073)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,575,238	\$ 1,575,238	\$ 1,417,254	\$ 157,984
Boat and water safety	67,512	67,512	39,041	28,471
Coroner	39,000	39,000	43,719	(4,719)
Snowmobile	19,085	19,085	6,634	12,451
E-911 system	46,300	46,300	23,012	23,288
Community corrections	1,935,860	1,935,860	1,936,745	(885)
Caseload reduction	-	-	7,075	(7,075)
Crime victim	-	-	1,593	(1,593)
Civil defense	10,558	10,558	39,060	(28,502)
Juvenile detention	124,500	124,500	106,704	17,796
Juvenile diversion	54,000	54,000	39,499	14,501
Other public safety	41,000	41,000	42,878	(1,878)
<b>Total public safety</b>	<b>\$ 3,913,053</b>	<b>\$ 3,913,053</b>	<b>\$ 3,703,214</b>	<b>\$ 209,839</b>
<b>Sanitation</b>				
Solid waste	\$ 296,150	\$ 296,150	\$ 255,259	\$ 40,891
Environmental health	65,207	65,207	47,755	17,452
<b>Total sanitation</b>	<b>\$ 361,357</b>	<b>\$ 361,357</b>	<b>\$ 303,014</b>	<b>\$ 58,343</b>
<b>Health</b>				
Water wells	\$ 4,500	\$ 4,500	\$ 4,094	\$ 406
<b>Culture and recreation</b>				
Historical society	\$ 14,050	\$ 14,050	\$ 14,271	\$ (221)
Parks	360,964	360,964	452,486	(91,522)
Regional library	154,322	154,322	151,362	2,960
Tourism	22,300	22,300	16,668	5,632
<b>Total culture and recreation</b>	<b>\$ 551,636</b>	<b>\$ 551,636</b>	<b>\$ 634,787</b>	<b>\$ (83,151)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 99,606	\$ 99,606	\$ 90,608	\$ 8,998
Soil and water conservation	92,179	92,179	112,205	(20,026)
Agricultural inspections	3,605	3,605	3,574	31
Agricultural society/County fair	10,000	10,000	10,774	(774)
<b>Total conservation of natural resources</b>	<b>\$ 205,390</b>	<b>\$ 205,390</b>	<b>\$ 217,161</b>	<b>\$ (11,771)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 915	\$ 915	\$ 754	\$ 161
Airports	16,400	16,400	16,400	-
Other	64,306	64,306	98,608	(34,302)
<b>Total economic development</b>	<b>\$ 81,621</b>	<b>\$ 81,621</b>	<b>\$ 115,762</b>	<b>\$ (34,141)</b>
<b>Intergovernmental</b>				
<b>Public safety</b>				
Central Minnesota Community Corrections	\$ 68,945	\$ 68,945	\$ 68,945	\$ -
<b>Debt service</b>				
Principal retirement	\$ 75,000	\$ 75,000	\$ 104,190	\$ (29,190)
Interest	\$ 40,000	\$ 40,000	\$ 36,365	\$ 3,635
<b>Total Expenditures</b>	<b>\$ 8,833,415</b>	<b>\$ 8,833,490</b>	<b>\$ 8,720,593</b>	<b>\$ 112,897</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (274,150)</b>	<b>\$ (274,225)</b>	<b>\$ 891,358</b>	<b>\$ 1,165,583</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 226,000	\$ 226,000	\$ 562,934	\$ 336,934
Transfers out	(144,000)	(144,000)	(121,197)	22,803
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 82,000</b>	<b>\$ 82,000</b>	<b>\$ 441,737</b>	<b>\$ 359,737</b>
<b>Net Change in Fund Balance</b>	<b>\$ (192,150)</b>	<b>\$ (192,225)</b>	<b>\$ 1,333,095</b>	<b>\$ 1,525,320</b>
<b>Fund Balance - January 1</b>	<b>13,373,316</b>	<b>13,373,316</b>	<b>13,373,316</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 13,181,166</b>	<b>\$ 13,181,091</b>	<b>\$ 14,706,411</b>	<b>\$ 1,525,320</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 916,772	\$ 916,772	\$ 1,034,018	\$ 117,246
Intergovernmental	7,241,400	7,241,400	5,268,648	(1,972,752)
Charges for services	213,000	213,000	202,041	(10,959)
Miscellaneous	21,000	21,000	11,625	(9,375)
<b>Total Revenues</b>	<b>\$ 8,392,172</b>	<b>\$ 8,392,172</b>	<b>\$ 6,516,332</b>	<b>\$ (1,875,840)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and Streets</b>				
Administration	\$ 340,437	\$ 340,437	\$ 323,268	\$ 17,169
Engineering	359,652	359,652	339,249	20,403
Maintenance	1,932,182	1,932,182	1,826,065	106,117
Construction	5,893,400	5,893,400	4,372,369	1,521,031
<b>Total Expenditures</b>	<b>\$ 8,525,671</b>	<b>\$ 8,525,671</b>	<b>\$ 6,860,951</b>	<b>\$ 1,664,720</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (133,499)</b>	<b>\$ (133,499)</b>	<b>\$ (344,619)</b>	<b>\$ (211,120)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	30,809	30,809
<b>Net Change in Fund Balance</b>	<b>\$ (133,499)</b>	<b>\$ (133,499)</b>	<b>\$ (313,810)</b>	<b>\$ (180,311)</b>
<b>Fund Balance - January 1</b>	<b>3,239,208</b>	<b>3,239,208</b>	<b>3,239,208</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>40,730</b>	<b>40,730</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,105,709</b>	<b>\$ 3,105,709</b>	<b>\$ 2,966,128</b>	<b>\$ (139,581)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,188,860	\$ 2,188,860	\$ 1,583,117	\$ (605,743)
Intergovernmental	3,238,997	3,238,997	3,325,222	86,225
Charges for services	10,800	10,800	25,383	14,583
Miscellaneous	212,258	212,258	384,508	172,250
<b>Total Revenues</b>	<b>\$ 5,650,915</b>	<b>\$ 5,650,915</b>	<b>\$ 5,318,230</b>	<b>\$ (332,685)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human Services</b>				
Income maintenance	\$ 1,128,972	\$ 1,128,972	\$ 1,153,335	\$ (24,363)
Social services	4,001,928	4,001,928	3,743,424	258,504
<b>Total human services</b>	<b>\$ 5,130,900</b>	<b>\$ 5,130,900</b>	<b>\$ 4,896,759</b>	<b>\$ 234,141</b>
<b>Health</b>				
Nursing service	\$ 13,590	\$ 13,590	\$ 16,082	\$ (2,492)
Transportation	53,500	53,500	36,225	17,275
Maternal and child health	132,339	132,339	129,479	2,860
Miscellaneous	351,830	351,830	309,060	42,770
<b>Total health</b>	<b>\$ 551,259</b>	<b>\$ 551,259</b>	<b>\$ 490,846</b>	<b>\$ 60,413</b>
<b>Total Expenditures</b>	<b>\$ 5,682,159</b>	<b>\$ 5,682,159</b>	<b>\$ 5,387,605</b>	<b>\$ 294,554</b>
<b>Net Change in Fund Balance</b>	<b>\$ (31,244)</b>	<b>\$ (31,244)</b>	<b>\$ (69,375)</b>	<b>\$ (38,131)</b>
<b>Fund Balance - January 1</b>	<b>2,944,297</b>	<b>2,944,297</b>	<b>2,944,297</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,913,053</b>	<b>\$ 2,913,053</b>	<b>\$ 2,874,922</b>	<b>\$ (38,131)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
FORFEITED TAX SALE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 170,600	\$ 170,600	\$ 158,360	\$ (12,240)
Charges for services	22,000	22,000	31,196	9,196
Interest on investments	200	200	-	(200)
Miscellaneous	1,369,050	1,369,050	1,803,078	434,028
<b>Total Revenues</b>	<b>\$ 1,561,850</b>	<b>\$ 1,561,850</b>	<b>\$ 1,992,634</b>	<b>\$ 430,784</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Insurance	\$ 50,000	\$ 50,000	\$ 60,000	\$ (10,000)
Law library	22,300	22,300	26,501	(4,201)
Lifeline subsidy	200	200	456	(256)
Other	-	-	2,981	(2,981)
<b>Total general government</b>	<b>\$ 72,500</b>	<b>\$ 72,500</b>	<b>\$ 89,938</b>	<b>\$ (17,438)</b>
<b>Conservation of natural resources</b>				
County development	\$ 123,622	\$ 123,622	\$ 55,900	\$ 67,722
Consolidated conservation	2,000	2,000	447	1,553
Forfeited tax	755,734	755,734	942,711	(186,977)
Other	50	50	5	45
<b>Total conservation of natural resources</b>	<b>\$ 881,406</b>	<b>\$ 881,406</b>	<b>\$ 999,063</b>	<b>\$ (117,657)</b>
<b>Total Expenditures</b>	<b>\$ 953,906</b>	<b>\$ 953,906</b>	<b>\$ 1,089,001</b>	<b>\$ (135,095)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 607,944</b>	<b>\$ 607,944</b>	<b>\$ 903,633</b>	<b>\$ 295,689</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(551,266)	(551,266)	(729,439)	(178,173)
<b>Net Change in Fund Balance</b>	<b>\$ 607,944</b>	<b>\$ 607,944</b>	<b>\$ 903,633</b>	<b>\$ 295,689</b>
<b>Fund Balance - January 1</b>	<b>1,331,994</b>	<b>1,331,994</b>	<b>1,331,994</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,939,938</b>	<b>\$ 1,939,938</b>	<b>\$ 2,235,627</b>	<b>\$ 295,689</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, expenditures exceeded appropriations in the Forfeited Tax Sale Fund by \$135,095. The expenditures in excess of appropriations were funded by greater than anticipated revenues.

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>Special Revenue</b>	<b>Jail Bond Debt Service</b>	<b>Environmental Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,773,885	\$ 84,555	\$ 452,931	\$ 2,311,371
Taxes receivable				
Prior	3,506	14,908	-	18,414
Special assessments receivable				
Prior	1,825	-	-	1,825
Noncurrent	26,028	-	-	26,028
Accounts receivable	-	-	28,007	28,007
Due from other funds	372,026	-	-	372,026
Loans receivable	85,331	-	-	85,331
	<b>\$ 2,262,601</b>	<b>\$ 99,463</b>	<b>\$ 480,938</b>	<b>\$ 2,843,002</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,123	\$ -	\$ -	\$ 2,123
Salaries payable	5,933	-	-	5,933
Due to other funds	35,174	-	-	35,174
Deferred revenue - unavailable	30,287	9,633	28,007	67,927
Compensated absences payable	544	-	-	544
	<b>\$ 74,061</b>	<b>\$ 9,633</b>	<b>\$ 28,007</b>	<b>\$ 111,701</b>
<b>Fund Balances</b>				
Reserved for environmental purposes	\$ -	\$ -	\$ 452,931	\$ 452,931
Unreserved				
Designated for debt service	-	89,830	-	89,830
Undesignated	2,188,540	-	-	2,188,540
	<b>\$ 2,188,540</b>	<b>\$ 89,830</b>	<b>\$ 452,931</b>	<b>\$ 2,731,301</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,262,601</b>	<b>\$ 99,463</b>	<b>\$ 480,938</b>	<b>\$ 2,843,002</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Special Revenue</u>	<u>Jail Bond Debt Service</u>	<u>Capital Projects</u>	<u>Environmental Permanent</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 84,200	\$ 318,351	\$ -	\$ -	\$ 402,551
Special assessments	7,066	-	-	-	7,066
Licenses and permits	8,101	-	-	-	8,101
Intergovernmental	170,464	124,982	-	-	295,446
Investment earnings	725	-	-	9,890	10,615
Miscellaneous	18,900	-	-	68,711	87,611
<b>Total Revenues</b>	<b>\$ 289,456</b>	<b>\$ 443,333</b>	<b>\$ -</b>	<b>\$ 78,601</b>	<b>\$ 811,390</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,537	\$ -	\$ -	\$ -	\$ 1,537
Public safety	14,791	-	-	-	14,791
Highways and streets	3,625	-	-	-	3,625
Conservation of natural resources	384,905	-	-	-	384,905
Economic development	25,831	-	-	-	25,831
<b>Debt service</b>					
Principal retirement	-	265,000	-	-	265,000
Interest	-	154,217	-	-	154,217
<b>Total Expenditures</b>	<b>\$ 430,689</b>	<b>\$ 419,217</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 849,906</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (141,233)</b>	<b>\$ 24,116</b>	<b>\$ -</b>	<b>\$ 78,601</b>	<b>\$ (38,516)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 493,223	\$ -	\$ -	\$ -	\$ 493,223
Transfers out	(30,809)	-	(205,521)	(25,945)	(262,275)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 462,414</b>	<b>\$ -</b>	<b>\$ (205,521)</b>	<b>\$ (25,945)</b>	<b>\$ 230,948</b>
<b>Net Change in Fund Balances</b>	<b>\$ 321,181</b>	<b>\$ 24,116</b>	<b>\$ (205,521)</b>	<b>\$ 52,656</b>	<b>\$ 192,432</b>
<b>Fund Balance - January 1</b>	<b>1,867,359</b>	<b>65,714</b>	<b>205,521</b>	<b>400,275</b>	<b>2,538,869</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,188,540</b>	<b>\$ 89,830</b>	<b>\$ -</b>	<b>\$ 452,931</b>	<b>\$ 2,731,301</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Statement 3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL  
REVENUE FUNDS  
DECEMBER 31, 2004**

	<b>Forest Development</b>	<b>Unorganized Road, Bridge, and Fire</b>	<b>Ditch</b>	<b>Economic Development</b>	<b>Total</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 1,055,334	\$ 332,805	\$ 13,799	\$ 371,947	\$ 1,773,885
Taxes receivable					
Prior	-	3,506	-	-	3,506
Special assessments receivable					
Prior	-	-	1,825	-	1,825
Noncurrent	-	-	26,028	-	26,028
Due from other funds	356,526	15,500	-	-	372,026
Loans receivable	-	-	-	85,331	85,331
<b>Total Assets</b>	<b><u>\$ 1,411,860</u></b>	<b><u>\$ 351,811</u></b>	<b><u>\$ 41,652</u></b>	<b><u>\$ 457,278</u></b>	<b><u>\$ 2,262,601</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,923	\$ -	\$ 200	\$ -	\$ 2,123
Salaries payable	5,933	-	-	-	5,933
Due to other funds	-	5,404	29,770	-	35,174
Deferred revenue - unavailable	-	2,434	27,853	-	30,287
Compensated absences payable	544	-	-	-	544
<b>Total Liabilities</b>	<b><u>\$ 8,400</u></b>	<b><u>\$ 7,838</u></b>	<b><u>\$ 57,823</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 74,061</u></b>
<b>Fund Balances</b>					
Unreserved					
Undesignated	1,403,460	343,973	(16,171)	457,278	2,188,540
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,411,860</u></b>	<b><u>\$ 351,811</u></b>	<b><u>\$ 41,652</u></b>	<b><u>\$ 457,278</u></b>	<b><u>\$ 2,262,601</u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Statement 4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL  
REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Forest Development	Unorganized Road, Bridge, and Fire	Ditch	Economic Development	Total
<b>Revenues</b>					
Taxes	\$ -	\$ 84,200	\$ -	\$ -	\$ 84,200
Special assessments	-	-	7,066	-	7,066
Licenses and permits	8,101	-	-	-	8,101
Intergovernmental	144,977	25,487	-	-	170,464
Investment earnings	-	-	367	358	725
Miscellaneous	18,900	-	-	-	18,900
<b>Total Revenues</b>	<b>\$ 171,978</b>	<b>\$ 109,687</b>	<b>\$ 7,433</b>	<b>\$ 358</b>	<b>\$ 289,456</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 1,537	\$ -	\$ -	\$ 1,537
Public safety	-	14,791	-	-	14,791
Highways and streets	-	-	3,625	-	3,625
Conservation of natural resources	384,905	-	-	-	384,905
Economic development	-	-	-	25,831	25,831
<b>Total Expenditures</b>	<b>\$ 384,905</b>	<b>\$ 16,328</b>	<b>\$ 3,625</b>	<b>\$ 25,831</b>	<b>\$ 430,689</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (212,927)</b>	<b>\$ 93,359</b>	<b>\$ 3,808</b>	<b>\$ (25,473)</b>	<b>\$ (141,233)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 356,526	\$ 15,500	\$ -	\$ 121,197	\$ 493,223
Transfers out	-	(26,333)	(4,476)	-	(30,809)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 356,526</b>	<b>\$ (10,833)</b>	<b>\$ (4,476)</b>	<b>\$ 121,197</b>	<b>\$ 462,414</b>
<b>Net Change in Fund Balances</b>	<b>\$ 143,599</b>	<b>\$ 82,526</b>	<b>\$ (668)</b>	<b>\$ 95,724</b>	<b>\$ 321,181</b>
<b>Fund Balance - January 1</b>	<b>1,259,861</b>	<b>261,447</b>	<b>(15,503)</b>	<b>361,554</b>	<b>1,867,359</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,403,460</b>	<b>\$ 343,973</b>	<b>\$ (16,171)</b>	<b>\$ 457,278</b>	<b>\$ 2,188,540</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
FOREST DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 8,101	\$ 4,101
Intergovernmental	133,557	133,557	144,977	11,420
Miscellaneous	38,550	38,550	18,900	(19,650)
<b>Total Revenues</b>	<b>\$ 176,107</b>	<b>\$ 176,107</b>	<b>\$ 171,978</b>	<b>\$ (4,129)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Forest resource	\$ 116,349	\$ 116,349	\$ 100,080	\$ 16,269
Reforestation	251,689	251,689	183,521	68,168
Memorial forest	74,200	74,200	72,415	1,785
Forest road	37,486	37,486	28,889	8,597
Gravel pit	5,500	5,500	-	5,500
<b>Total Expenditures</b>	<b>\$ 485,224</b>	<b>\$ 485,224</b>	<b>\$ 384,905</b>	<b>\$ 100,319</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (309,117)</b>	<b>\$ (309,117)</b>	<b>\$ (212,927)</b>	<b>\$ 96,190</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	320,000	320,000	356,526	36,526
<b>Net Change in Fund Balance</b>	<b>\$ 10,883</b>	<b>\$ 10,883</b>	<b>\$ 143,599</b>	<b>\$ 132,716</b>
<b>Fund Balance - January 1</b>	<b>1,259,861</b>	<b>1,259,861</b>	<b>1,259,861</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,270,744</b>	<b>\$ 1,270,744</b>	<b>\$ 1,403,460</b>	<b>\$ 132,716</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED ROAD, BRIDGE, AND FIRE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 72,240	\$ 72,240	\$ 84,200	\$ 11,960
Intergovernmental	-	-	25,487	25,487
<b>Total Revenues</b>	<b>\$ 72,240</b>	<b>\$ 72,240</b>	<b>\$ 109,687</b>	<b>\$ 37,447</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other general government	\$ 1,240	\$ 1,240	\$ 1,537	\$ (297)
<b>Public safety</b>				
Emergency services	22,250	22,250	14,791	7,459
<b>Total Expenditures</b>	<b>\$ 23,490</b>	<b>\$ 23,490</b>	<b>\$ 16,328</b>	<b>\$ 7,162</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 48,750</b>	<b>\$ 48,750</b>	<b>\$ 93,359</b>	<b>\$ 44,609</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 15,500	\$ 15,500
Transfers out	(48,750)	(48,750)	(26,333)	22,417
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (48,750)</b>	<b>\$ (48,750)</b>	<b>\$ (10,833)</b>	<b>\$ 37,917</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,526</b>	<b>\$ 82,526</b>
<b>Fund Balance - January 1</b>	<b>261,447</b>	<b>261,447</b>	<b>261,447</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 261,447</b>	<b>\$ 261,447</b>	<b>\$ 343,973</b>	<b>\$ 82,526</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 9,871	\$ 9,871	\$ 7,066	\$ (2,805)
Interest on investments	255	255	367	112
<b>Total Revenues</b>	<b>\$ 10,126</b>	<b>\$ 10,126</b>	<b>\$ 7,433</b>	<b>\$ (2,693)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and Streets</b>				
Other highways and streets	9,596	9,596	3,625	5,971
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 530</b>	<b>\$ 530</b>	<b>\$ 3,808</b>	<b>\$ 3,278</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(4,476)	(4,476)
<b>Net Change in Fund Balance</b>	<b>\$ 530</b>	<b>\$ 530</b>	<b>\$ (668)</b>	<b>\$ (1,198)</b>
<b>Fund Balance - January 1</b>	<b>(15,503)</b>	<b>(15,503)</b>	<b>(15,503)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (14,973)</b>	<b>\$ (14,973)</b>	<b>\$ (16,171)</b>	<b>\$ (1,198)</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Interest on investments	\$ -	\$ -	\$ 358	\$ 358
<b>Expenditures</b>				
<b>Current</b>				
Economic development	150,000	150,000	25,831	124,169
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (150,000)	\$ (150,000)	\$ (25,473)	\$ 124,527
<b>Other Financing Sources (Uses)</b>				
Transfers in	172,440	172,440	121,197	(51,243)
<b>Net Change in Fund Balance</b>	\$ 22,440	\$ 22,440	\$ 95,724	\$ 73,284
<b>Fund Balance - January 1</b>	361,554	361,554	361,554	-
<b>Fund Balance - December 31</b>	<u>\$ 383,994</u>	<u>\$ 383,994</u>	<u>\$ 457,278</u>	<u>\$ 73,284</u>

**AIKTIN COUNTY  
AITKIN, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 256,207	\$ 6,567,984	\$ 6,372,731	\$ 451,460
<b><u>Liabilities</u></b>				
Due to other governments	\$ 256,207	\$ 6,567,984	\$ 6,372,731	\$ 451,460
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
<b><u>Liabilities</u></b>				
Accounts payable	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 134,696	\$ 3,073,380	\$ 3,051,380	\$ 156,696
<b><u>Liabilities</u></b>				
Due to other governments	\$ 134,696	\$ 3,073,380	\$ 3,051,380	\$ 156,696

**AIKTIN COUNTY  
AITKIN, MINNESOTA**

***Statement 5  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 18,734,518	\$ 18,734,518	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 18,734,518	\$ 18,734,518	\$ -
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 595,272	\$ 28,553,545	\$ 28,443,334	\$ 705,483
<b><u>Liabilities</u></b>				
Accounts payable	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
Due to other governments	390,903	28,375,882	28,158,629	608,156
<b>Total Liabilities</b>	<b>\$ 595,272</b>	<b>\$ 28,553,545</b>	<b>\$ 28,443,334</b>	<b>\$ 705,483</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 9**

**BUDGETARY COMPARISON SCHEDULE  
JAIL BOND DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 440,179	\$ 440,179	\$ 318,351	\$ (121,828)
Intergovernmental	-	-	124,982	124,982
<b>Total Revenues</b>	<b>\$ 440,179</b>	<b>\$ 440,179</b>	<b>\$ 443,333</b>	<b>\$ 3,154</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 255,000	\$ 255,000	\$ 265,000	\$ (10,000)
Interest	159,636	159,636	154,217	5,419
<b>Total Expenditures</b>	<b>\$ 414,636</b>	<b>\$ 414,636</b>	<b>\$ 419,217</b>	<b>\$ (4,581)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 25,543</b>	<b>\$ 25,543</b>	<b>\$ 24,116</b>	<b>\$ (1,427)</b>
<b>Fund Balance - January 1</b>	<b>65,714</b>	<b>65,714</b>	<b>65,714</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 91,257</b>	<b>\$ 91,257</b>	<b>\$ 89,830</b>	<b>\$ (1,427)</b>

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**FIDUCIARY FUNDS**

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**AIKTIN COUNTY  
AITKIN, MINNESOTA**

*Statement 5*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 256,207	\$ 6,567,984	\$ 6,372,731	\$ 451,460
<b><u>Liabilities</u></b>				
Due to other governments	\$ 256,207	\$ 6,567,984	\$ 6,372,731	\$ 451,460
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
<b><u>Liabilities</u></b>				
Accounts payable	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 134,696	\$ 3,073,380	\$ 3,051,380	\$ 156,696
<b><u>Liabilities</u></b>				
Due to other governments	\$ 134,696	\$ 3,073,380	\$ 3,051,380	\$ 156,696

**AIKTIN COUNTY  
AITKIN, MINNESOTA**

**Statement 5**  
***(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 18,734,518	\$ 18,734,518	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 18,734,518	\$ 18,734,518	\$ -
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 595,272	\$ 28,553,545	\$ 28,443,334	\$ 705,483
<b><u>Liabilities</u></b>				
Accounts payable	\$ 204,369	\$ 177,663	\$ 284,705	\$ 97,327
Due to other governments	390,903	28,375,882	28,158,629	608,156
<b>Total Liabilities</b>	<b>\$ 595,272</b>	<b>\$ 28,553,545</b>	<b>\$ 28,443,334</b>	<b>\$ 705,483</b>

## **COMPONENT UNIT**

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Statement 6*

**STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
AITKIN MUNICIPAL AIRPORT COMMISSION  
DECEMBER 31, 2004**

	<b>General Fund</b>	<b>Adjustments (See below)</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 57,351	\$ -	\$ 57,351
Capital assets			
Non-depreciable	-	75,690	75,690
Depreciable - net	-	591,872	591,872
	<u>\$ 57,351</u>	<u>\$ 667,562</u>	<u>\$ 724,913</u>
<b>Total Assets</b>	<b>\$ 57,351</b>	<b>\$ 667,562</b>	<b>\$ 724,913</b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 1,273	\$ -	1,273
			<u>1,273</u>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Unreserved			
Undesignated	56,078	\$ (56,078)	
	<u>56,078</u>	<u>(56,078)</u>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 57,351</b>		
<b>Net Assets</b>			
Invested in capital assets		\$ 667,562	\$ 667,562
Unrestricted		56,078	56,078
		<u>667,562</u>	<u>56,078</u>
<b>Total Net Assets</b>		<b>\$ 723,640</b>	<b>\$ 723,640</b>
<b><u>Reconciliation of the General Fund Balance to Net Assets</u></b>			
General Fund Balance			\$ 56,078
Capital assets are reported on the Statement of Net Assets but not in the General Fund Balance Sheet			<u>667,562</u>
<b>Net Assets</b>			<b>\$ 723,640</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Statement 7*

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
AITKIN MUNICIPAL AIRPORT COMMISSION  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Adjustments (See below)	Statement of Activities
<b>Revenues</b>			
Intergovernmental	\$ 266,730	\$ -	\$ 266,730
Charges for services	13,873	-	13,873
Investment earnings	122	-	122
Miscellaneous	2,589	-	2,589
	<b>\$ 283,314</b>	<b>\$ -</b>	<b>\$ 283,314</b>
<b>Total Revenues</b>			
<b>Expenditures</b>			
<b>Current</b>			
Economic development	\$ 35,000	\$ 77,939	\$ 112,939
<b>Capital outlay</b>	234,231	(234,231)	-
	<b>\$ 269,231</b>	<b>\$ (156,292)</b>	<b>\$ 112,939</b>
<b>Total Expenditures</b>			
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 14,083</b>	<b>\$ 156,292</b>	<b>\$ 170,375</b>
<b>Fund Balance/Net Assets - January 1</b>	41,995	511,270	553,265
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 56,078</b>	<b>\$ 667,562</b>	<b>\$ 723,640</b>

**Reconciliation of the Change in Fund Balance to the Change in Net Assets**

Net Change in Fund Balance		\$ 14,083
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the assets' estimated useful lives and reported as depreciation expense.		
Capital outlay		234,231
Depreciation expense		(77,939)
		14,083
<b>Change in Net Assets</b>		<b>\$ 170,375</b>

## **OTHER SCHEDULES**

**AITKIN COUNTY  
AITKIN, MINNESOTA**

*Schedule 10*

**SCHEDULE OF POOLED INVESTMENTS  
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Par Value</u>	<u>Fair Value</u>
<b>Pooled Investments</b>				
Federal Home Loan Bank	4.00	Dates vary	\$ 2,149,500	\$ 2,140,676
Federal Home Loan Mortgage Corporation	1.50 - 8.00	Dates vary	6,251,172	6,187,420
Government National Mortgage Association	8.50	Dates vary	15,338	16,862
Negotiable CDs	Rates vary	Dates vary	2,036,000	2,035,119
Minnesota Association of Governments Investing for Counties Liquid Asset Fund	Floating	Not applicable	7,947,327	7,947,327
Money Market Mutual Fund	Floating	Not applicable	<u>381,087</u>	<u>381,087</u>
<b>Total Pooled Investments</b>			<b><u>\$ 18,780,424</u></b>	<b><u>\$ 18,708,491</u></b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 11**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Primary Government</b>	<b>Component Units</b>
<b>Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$ 4,845,064	\$ -	\$ 4,845,064	\$ -
Homestead credit	1,264,289	-	1,264,289	-
PERA rate reimbursement	28,165	1,888	30,053	-
Disparity reduction aid	10,739	-	10,739	-
Police aid	80,482	-	80,482	-
Taconite credit	559,354	-	559,354	-
Enhanced 911	43,704	-	43,704	-
Market value credit	953,742	-	953,742	-
<b>Total Shared Revenue</b>	<b>\$ 7,785,539</b>	<b>\$ 1,888</b>	<b>\$ 7,787,427</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$ 1,502,200	\$ -	\$ 1,502,200	\$ -
<b>Payments</b>				
<b>Local</b>				
Local contributions	\$ -	\$ 9,924	\$ 9,924	\$ 41,321
<b>State</b>				
Payments in lieu of taxes	730,668	-	730,668	-
<b>Total Payments</b>	<b>\$ 730,668</b>	<b>\$ 9,924</b>	<b>\$ 740,592</b>	<b>\$ 41,321</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department/Board of Crime Victim Services	\$ 33,529	\$ -	\$ 33,529	\$ -
Economic Security	10,000	-	10,000	-
Transportation	-	-	-	36,396
Health	97,409	-	97,409	-
Natural Resources	402,169	-	402,169	-
Human Services	792,986	-	792,986	-
Office of Environmental Assistance	49,099	-	49,099	-
<b>Total State</b>	<b>\$ 1,385,192</b>	<b>\$ -</b>	<b>\$ 1,385,192</b>	<b>\$ 36,396</b>
<b>Federal</b>				
Department of Agriculture	\$ 39,960	\$ -	\$ 39,960	\$ -
Justice	62,989	-	62,989	-
Transportation	22,972	-	22,972	189,013
Education	2,818	-	2,818	-
Health and Human Services	394,365	-	394,365	-
Homeland Security	38,771	-	38,771	-
<b>Total Federal</b>	<b>\$ 561,875</b>	<b>\$ -</b>	<b>\$ 561,875</b>	<b>\$ 189,013</b>
<b>Total State and Federal Grants</b>	<b>\$ 1,947,067</b>	<b>\$ -</b>	<b>\$ 1,947,067</b>	<b>\$ 225,409</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 11,965,474</b>	<b>\$ 11,812</b>	<b>\$ 11,977,286</b>	<b>\$ 266,730</b>

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2004**

	Assets			
	Cash	Special Assessments Receivable	Due from Other Ditches	Total
<b>County Ditches</b>				
2	\$ -	\$ -	\$ -	\$ -
5	(9,964)	-	-	(9,964)
13	-	-	-	-
14	-	-	-	-
20	(747)	-	-	(747)
21	(421)	-	-	(421)
23	(443)	-	-	(443)
24	(10,968)	369	1,500	(9,099)
25	(240)	-	-	(240)
28	(2,144)	-	-	(2,144)
29	-	-	-	-
30	25,038	1,294	11,861	38,193
34	1,956	978	-	2,934
36	2,755	1,208	-	3,963
37	(2,601)	8,564	-	5,963
42	(1,518)	-	-	(1,518)
43	(76)	-	-	(76)
58	(130)	-	-	(130)
63	323	15,277	-	15,600
66	2,379	-	-	2,379
88	-	-	-	-
<b>Judicial Ditch</b>				
2	10,600	163	-	10,763
<b>Total</b>	<b>\$ 13,799</b>	<b>\$ 27,853</b>	<b>\$ 13,361</b>	<b>\$ 55,013</b>

**Schedule 12**

Accounts Payable	Due to Other Funds	Liabilities			Fund Balance	Total Liabilities and Fund Balance
		Deferred Revenue	Due to Other Ditches	Total		
\$ -	\$ 858	\$ -	\$ -	\$ 858	\$ (858)	\$ -
-	3,654	-	7,250	10,904	(20,868)	(9,964)
-	488	-	-	488	(488)	-
-	317	-	-	317	(317)	-
-	-	-	-	-	(747)	(747)
-	756	-	-	756	(1,177)	(421)
-	241	-	-	241	(684)	(443)
200	59	369	-	628	(9,727)	(9,099)
-	-	-	-	-	(240)	(240)
-	6,723	-	1,287	8,010	(10,154)	(2,144)
-	265	-	-	265	(265)	-
-	-	1,294	-	1,294	36,899	38,193
-	-	978	65	1,043	1,891	2,934
-	-	1,208	65	1,273	2,690	3,963
-	369	8,564	2,173	11,106	(5,143)	5,963
-	1,202	-	935	2,137	(3,655)	(1,518)
-	149	-	76	225	(301)	(76)
-	-	-	-	-	(130)	(130)
-	14,325	15,277	-	29,602	(14,002)	15,600
-	-	-	1,510	1,510	869	2,379
-	364	-	-	364	(364)	-
-	-	163	-	163	10,600	10,763
<b>\$ 200</b>	<b>\$ 29,770</b>	<b>\$ 27,853</b>	<b>\$ 13,361</b>	<b>\$ 71,184</b>	<b>\$ (16,171)</b>	<b>\$ 55,013</b>

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**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 13**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Aitkin County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Aitkin County and is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Aitkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Aitkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:  

Temporary Assistance to Needy Families	CFDA #93.558
--	--------------
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Aitkin County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-5 Departmental Internal Accounting Controls

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

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

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

Client's Response:

*County management is aware of this situation. However the County lacks the resources to staff departments to levels needed to provide segregation of functions. County management will review internal controls and transactions.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Unclaimed Property

Minn. Stat. § 345.38 states that assets remaining unclaimed by the owner for more than three years are presumed abandoned. Minn. Stat. § 345.41 requires that anyone holding assets presumed abandoned must file a report annually with the Minnesota Commissioner of Commerce. Two bank accounts maintained by the County had outstanding checks totaling several thousand dollars which were more than three years old, but no report of abandoned property was filed with the Commissioner of Commerce.

We recommend the County comply with the abandoned property statutes.

Client's Response:

*Will turn over as soon as County Attorney gets Road and Bridge checks that are in Clerk of Court's office corrected.*

00-2 Prompt Payment of Invoices

During our current audit, we noted one transaction that, when paid, did not meet the requirements of Minn. Stat. § 471.425. Counties are required by this statute to make payment on vendor invoices according to the terms of the contract, or within 35 days. The statute also requires the County to pay interest on the outstanding balance of the obligation at the rate of 1.5 percent per month or part of a month. The late payment noted was an instance in which the County paid several vouchers from a vendor with one check. This resulted in four of the vouchers being paid late. Payment of these vouchers ranged from 43 to 50 days between invoice date and payment.

We recommend the County review the payment process and establish procedures to comply with Minn. Stat. § 471.425.

Client's Response:

*County Auditor will further review payment procedures with Department Heads regarding prompt submittal of invoices to insure prompt payment. Department Heads will also be instructed to document any invoices held beyond 30 days.*

02-1

Advance Between Funds

On June 18, 2002, the Board, by resolution, loaned \$210,852 from the County Development accounts within the Forfeited Tax Sale Special Revenue Fund to the Long Lake Conservation Center Enterprise Fund. The funds were used by Long Lake to satisfy the County's obligation on a letter of credit which provided interim financing for construction expenses. The loan is to be satisfied by June 30, 2006. During 2004, \$25,944 of the loan was repaid leaving a balance of \$184,908 at December 31, 2004.

Minn. Stat. §385.32 allows for the temporary transfer from one fund to another to avoid interest on warrants, but requires repayment within six months. We are not aware of any statute that would authorize a loan between funds in excess of six months.

We recommend the County Board comply with the statute. One option to correct this situation is addressed by Minn. Stat. § 375.18, subd. 7, which authorizes a county board to transfer any surplus in any county fund to any other county fund to supply a deficiency in it.

Client's Response:

*County staff will recommend to the County Board a funds transfer be utilized rather than a loan arrangement in accordance with M.S. 375.18, subd. 7.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Sheriff's Contingent Fund (03-1)**

The fund balance reserve for the sheriff's contingent fund was greater than the \$5,000 allowed by Minn. Stat. § 387.213.

**Resolution**

The County reduced the reserve to \$5,000 as of December 31, 2004.

**Claim Declaration (03-2)**

The County did not stamp the declaration statement specified in Minn. Stat. § 471.391 on the Health and Human Services check stock.

**Resolution**

The County now stamps the reverse side of the Health and Human Services checks.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-3 Ditch Fund Balance Deficits

Seventeen of the 22 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2004, totaling \$69,120, the largest being \$20,868. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system and repay the solvent ditch funds for the intrafund loans.

Client's Response:

*County management is reviewing drainage system benefited parcels for purposes of spreading special assessments for drainage system funding. As funding becomes available, Ditch Fund deficits will be reconciled.*

03-3 Aitkin Municipal Airport Commission

The Airport Commission is being accounted for in a piecemeal manner. The City of Aitkin is accounting for airport grants while Aitkin County is accounting for daily airport operations, including the payment of operating expenses and receipt of operating revenues. The Airport Commission is reported as a component unit of the County. For financial reporting purposes the grant activity accounted for by the City was combined with daily activities accounted for by the County. The

County does not account for daily airport operations on its official accounting system but rather utilizes a manual ledger and checkbook maintained by the County Treasurer. All of these conditions result in additional audit costs.

The agreement between the County and City creating the Aitkin Municipal Airport Commission, dated September 8, 1971, established two special funds to account for airport activities. The agreement specifies that airport activities are to be accounted for by the County Auditor. Current accounting procedures are not in compliance with accounting procedures specified in the agreement. We also noted that the agreement establishes the Airport Commission's fiscal year-end as April 30. However, the Airport Commission is being reported with the County's financial statements, which are reported on a calendar year basis.

We recommend the City and County amend the Aitkin Municipal Airport Commission agreement and change its fiscal year-end to December 31. Current accounting procedures should be reviewed and modified to ensure compliance with the agreement. A separate accounting fund should be established on the County's accounting system to account for all airport operations, including grants. The Airport Commission's checking account should be closed and its cash reported as a separate account within the County's pooled cash and investments.

Client's Response:

*County Auditor is reviewing this item as to scope and magnitude for appropriate handling*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Consolidated General Ledger (00-3)**

Separate general ledgers were maintained by the County Auditor and the Health and Human Services Department.

**Resolution**

The ledgers are now consolidated.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, like what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEBs can include many different benefits offered to retirees, such as health, dental, life and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered an OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- Determine if the employees are provided OPEBs.
- If OPEBs are being provided, the government will have to decide whether it will advance fund the benefits or pay for them on a pay as you go basis.
- If OPEBs are being provided, the government will have to decide whether to establish a trust to fund the OPEBs.
- In order to determine annual costs and liabilities that need to be recognized, the government will have to decide whether to hire an actuary.

If applicable for Aitkin County, GASB Statement No. 43 and Statement No. 45 would be implemented for years ended December 31, 2007, and December 31, 2008, respectively.

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**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Aitkin County

We have audited the financial statements of Aitkin County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aitkin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, Aitkin County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 00-2, and 02-1.

This report is intended solely for the information and use of the Board of County Commissioners, audit committee, and management and is not intended to be and should not be used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 11, 2005



**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Aitkin County

Compliance

We have audited the compliance of Aitkin County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to its major federal program for the year ended December 31, 2004. Aitkin County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Aitkin County's basic financial statements include the operations of the Aitkin Municipal Airport Commission, a component unit, which expended \$189,013 in federal awards during the year ended December 31, 2004, which are not included in the Schedule of Expenditures of Federal Awards because those funds were included in the audit of the City of Aitkin.

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

In our opinion, Aitkin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Aitkin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Aitkin County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 11, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: August 11, 2005

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	\$ 32,148
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	<u>7,812</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 39,960</u></b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Employment and Economic Development Juvenile Accountability Incentive Block Grant	16.523	\$ 19,384
Passed Through Minnesota Department of Public Safety Crime Victim Grant	16.575	24,426
Juvenile Justice and Delinquency Prevention	16.540	10,429
Direct COPS/FAST Grant	16.710	<u>8,750</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 62,989</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Construction Grant	20.205	<b><u>\$ 45,359</u></b>
<b>U.S. Department of Education</b>		
Passed Through Minnesota Department of Natural Resources Adult Education State Grant Program (Boating)	84.002A	<b><u>\$ 2,818</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Education Basic Sliding Fee and Child Care Development Fund	93.596	\$ 6,222
Passed Through Minnesota Department of Health Tri-Project Immunization Grant	93.268	250

**AITKIN COUNTY  
AITKIN, MINNESOTA**

**Schedule 14  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services Health Alert Network Grant	93.283	14,823
Temporary Assistance to Needy Families - Minnesota Family Investment Program	93.558	147,154
Low-Income Home Energy Assistance	93.568	1,725
Children's Justice Grant	93.643	1,694
Foster Care Title IV-E	93.658	35,690
Social Services Block Grant Title XX	93.667	133,637
Support for Emancipation and Living Functionally (SELF)	93.674	6,929
Healthy Start Initiative	93.926	<u>46,241</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>\$ 394,365</u></b>
<b>U.S Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness	97.004	\$ 26,678
Emergency Management Performance Grants	97.042	<u>12,093</u>
<b>Total U.S. Department of Homeland Security</b>		<b><u>\$ 38,771</u></b>
<b>Total Federal Awards</b>		<b><u>\$ 584,262</u></b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Aitkin County. The reporting entity is defined in Note 1 to the Aitkin County basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Expenditures on this schedule differ from federal revenues reported due to certain expenditures reported when the revenues are not available for recognition using the modified accrual basis of accounting.
3. Aitkin County did not pass any federal money to subrecipients in 2004.
4. Pass-through grant numbers were not assigned by the pass-through agencies.
5. Expenditures for the federal award granted to the Municipal Airport Commission are not included on this Schedule because the audit of those funds was included in the audit of the City of Aitkin.