LLCC Budget

			2020 Adopted		2021 Proposed Budget (with groups, Wendie's edition)		2021 Proposed Budget (without groups, maintenance)		2021 Proposed Budget (without groups, maintenance and office)	
			Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue
ADMINISTRATION										
Overnight Programs Revenue	NEED	Program Fees (60% of Overnight Reservations Rate)				$351,188.60				
Day Programs Revenue	NEED	Program Fees (determined by Day Program reservations)				$500.00				
	19-521-000-5751	Unrestricted Contributions		$2,500.00		$2,500.00		$1,000		$1,000
	19-521-000-5762	Restricted Contributions		$0.00		$0.00		$0		$0
	19-521-000-5840	Miscellaneous Income		$2,000.00		$75,600.00		$75,000		$75,000
	19-521-000-5861	Insurance Proceeds/Dividends		$4,576.00		$4,576.00		$4,576		$4,576
Additional Revenue	19-521-000-5884	Commissary Sales Non Taxable		$28,000.00		$28,000.00		$0		$0
	19-521-000-5885	Commissary Sales Taxable		$18,000.00		$18,000.00		$0		$0
	19-521-000-6101	Salaries-Full Time	$63,223.20		$260,107.84		$49,642		$97,592	
	19-521-000-6102	Salaries-Part time			$22,912.25					
	19-521-000-6150	Health Insurance-Employer	$6,843.00		$48,426.00		$17,981		$25,749	
	19-521-000-6148	Employer HSA Contribution	$2,260.00		$13,300.00		$3,260		$5,520	
	19-521-000-6152	Life Insurance-Employer	$93.00		$355.00		$93		$150	
	19-521-000-6154	Long Term Disability-Employer	$127.00		$714.00		$119		$239	
	19-521-000-6155	Long Term Disability-Employee	$0.00		$0.00					
	19-521-000-6159	PERA Co-or 7.5%	$4,741.74		$21,226.51		$3,262		$6,859	
	19-521-000-6124	Medicare-Employer 1.45%	$916.74		$17,547.25		$631		$1,326	
	19-521-000-6165	FICA-Employer 6.20%	$3,919.84		$4,103.79		$2,697		$5,670	
	19-521-000-6353	Workers Compensation	$88.00		$0.00		$0		$0	
	19-521-000-6234	Background Check Fees	$0.00		$0.00		$0		$0	
Staff Expenses	19-521-000-6272	Physical Examinations	$0.00		$0.00		$0		$0	
		Overtime			$600.00		$0		$0	
	19-521-000-6208	Training/Education	$2,050.00		$2,050.00		$0		$0	
Training and Travel Expenses	19-521-000-6330	Transportation/Travel/Parking	$1,000.00		$1,000.00		$0		$0	
	19-521-000-6332	Hotel/Motel Lodging	$250.00		$250.00		$0		$0	
	19-521-000-6340	Meals Reimbursed Non-taxable	$200.00		$200.00		$0		$0	
	19-521-000-6231	Services, Labor, Contracts	$28,720.00		$28,720.00		$11,460		$11,460	
	19-521-000-6250	Telephone/Internet	$8,400.00		$8,400.00		$8,400		$8,400	
	19-521-000-6254	Utilities	$42,900.00		$42,900.00		$32,900		$32,900	
	19-521-000-6255	Garbage	$1,200.00		$1,200.00		$420		$420	
	19-521-000-6352	Insurance-Auto/Equip/Liability	$10,440.00		$10,440.00		$10,440		$10,440	
Services and Fees Expenses	19-521-000-6374	Auto & Trailer License	$100.00		$100.00		$100		$100	
	19-521-000-6240	Dues/Assoc. Fees	$1,606.00		$1,606.00		$1,240		$1,240	
	19-522-000-6217	Credit Card Fees	$1,500.00		$1,500.00		$0		$0	
Admin Supplies Expenses	19-521-000-6405	Office & Computer Supplies	$1,000.00		$1,000.00		$0		$0	
	19-521-000-6205	Postage	$400.00		$400.00		$0		$0	
	19-521-000-5896	Postage Reimursement						$0		$0
Marketing and Sales	19-521-000-6230	Marketing, Promotion	$4,684.00		$4,684.00		$0		$0	
	19-521-000-6400	Commissary Items	$23,000.00		$23,000.00		$0		$0	
Administration Totals			$209,662.51	$55,076.00	$516,742.63	$480,364.60	$142,645	$80,576	$208,065	$80,576
Net			-$154,586.51		-$36,378.04		-$62,069		-$127,489	

			2020 Adopted		2021 Proposed Budget (with groups, Wendie's edition)		2021 Proposed Budget (without groups, maintenance)		2021 Proposed Budget (without groups, maintenance and office)	
			Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue
EDUCATION			**Expense**	**Revenue**	**Expense**	**Revenue**	**Expense**	**Revenue**	**Expense**	**Revenue**
Overnight Programs Revenue	NEED	Program Fees (13% of Overnight Reservations Rate)				$76,090.86		$0		$0
Day Programs Revenue	NEED	Program Fees (determined by Day Program reservations)				$500.00		$0		$0
	19-522-000-5892	Overpayments								
Staffing Expenses	19-522-000-6102	Wages-Part Time	$95,805.12		$70,204.42		$0		$0	
	19-522-000-6109	Salaries-Overtime	$0.00		$1,000.00		$0		$0	
	19-522-000-6150	Health Insurance-Employer	$13,686.00		$0.00		$0		$0	
	19-522-000-6148	Employer HSA Contribution	$4,520.00		$0.00		$0		$0	
	19-522-000-6152	Life Insurance-Employer	$76.00		$0.00		$0		$0	
	19-522-000-6154	Long Term Disability-Employer	$227.00		$0.00		$0		$0	
	19-522-000-6155	Long Term Disability-Employee	$0.00							
	19-522-000-6159	PERA Co-or 7.5%	$15,316.10		$5,004.18		$0		$0	
	19-522-000-6165	FICA-Employer 6.20%	$12,661.31		$4,352.67		$0		$0	
	19-522-000-6124	Medicare-Employer 1.45%	$2,961.11		$1,017.96		$0		$0	
	19-522-000-6353	Workers Compensation	$3,798.00		$0.00		$0		$0	
		Background Check Fees	$0.00		$0.00		$0		$0	
		Physical Examinations	$0.00		$0.00		$0		$0	
	19-522-000-6267	Unemployment	$500.00		$500.00		$0		$0	
Supplies Expenses	19-522-000-6406	Camp Supplies/Transportation	$1,500.00		$1,500.00		$0		$0	
	19-522-000-6416	Education Supplies	$3,835.00		$3,835.00		$0		$0	
	19-522-000-6430	Medical Supplies	$500.00		$500.00		$0		$0	
	19-522-000-6820	Refunds/Reimbursements	$0.00							
	19-522-000-6241	Registration Fees (DNR, MDHA)	$2,500.00		$2,500.00		$0		$0	
	Education Totals		**$157,885.65**	**$0.00**	**$90,414.24**	**$76,590.86**	**$0**	**$0**	**$0**	**$0**
	Net		**-$157,885.65**		**-$13,823.38**		**$0**		**$0**	
Food Service			**Expense**	**Revenue**	**Expense**	**Revenue**	**Expense**	**Revenue**	**Expense**	**Revenue**
Overnight Programs Revenue	NEED	Program Fees (20% of Overnight Reservations Rate)				$117,062.87		$0		$0
Day Programs Revenue	NEED	Program Fees (determined by Day Program reservations)				$3,000.00		$0		$0
	19-523-000-5543	Special Milk Refunds		$4,500.00		$4,500.00		$0		$0
Staffin Expenses	19-523-000-6102	Wages-Part Time	$27,855.92		$24,893.88		$0		$0	
	19-523-000-6109	Salaries-Overtime	$1,000.00		$1,000.00		$0		$0	
	19-523-000-6150	Health Insurance-Employer	$13,453.00		$0.00		$0		$0	
	19-523-000-6148	Employer HSA Contribution	$3,260.00		$0.00		$0		$0	
	19-523-000-6152	Life Insurance-Employer	$85.00		$0.00		$0		$0	
	19-523-000-6154	Long Term Disability-Employer	$108.00		$0.00		$0		$0	
		Retiree Health Insurance								
	19-523-000-6159	PERA Co-or 7.5%	$5,284.19		$5,004.18		$0		$0	
	19-523-000-6165	FICA-Employer 6.20%	$4,368.27		$4,352.67		$0		$0	
	19-523-000-6124	Medicare-Employer 1.45%	$1,021.61		$1,017.96		$0		$0	
		Workers Compensation								
		Background Check Fees								
		Physical Examinations								
	19-523-000-6267	Unemployment			$500.00		$0		$0	
	19-523-000-6418	Groceries	$64,000.00		$64,000.00		$0		$0	
	19-523-000-6420	Food Services Supplies	$2,000.00		$2,000.00		$0		$0	
			$122,435.99	**$4,500.00**	**$102,768.70**	**$124,562.87**	**$0**	**$0**	**$0**	**$0**
			-$117,935.99		**$21,794.16**		**$0**		**$0**	

			2020 Adopted		2021 Proposed Budget (with groups, Wendie's edition)		2021 Proposed Budget (without groups, maintenance)		2021 Proposed Budget (without groups, maintenance and office)	
			Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue
MAINTENANCE			Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue
Overnight Programs Revenue	NEED	Program Fees (5% of Overnight Reservations Rate)				$29,265.72		$0		$0
Day Programs Revenue	NEED	Program Fees (determined by Day Program reservations)				$3,000.00		$0		$0
	19-524-000-6102	Wages-Part Time	$2,612.00		$2,703.42		$0		$0	
	19-524-000-6109	Salaries-Overtime	$600.00							
	19-524-000-6150	Health Insurance-Employer	$15,565.00		$0.00		$0		$0	
	19-524-000-6148	Employer HSA Contribution	$3,260.00		$0.00		$0		$0	
	19-524-000-6152	Life Insurance-Employer	$93.00		$0.00		$0		$0	
	19-524-000-6154	Long Term Disability-Employer	$87.00		$0.00		$0		$0	
	19-524-000-6159	PERA Co-or 7.5%	$3,476.04		$202.76		$0		$0	
	19-524-000-6165	FICA-Employer 6.20%	$2,873.53		$167.61		$0		$0	
	19-524-000-6124	Medicare-Employer 1.45%	$672.03		$39.20		$0		$0	
	19-524-000-6353	Workers Compensation	$1,385.00		$0.00		$0		$0	
		Background Check Fees			$0.00		$0		$0	
		Physical Examinations			$0.00		$0		$0	
	19-524-000-6267	Unemployment	$500.00		$500.00		$0		$0	
	19-524-000-6422	Janitorial Service/Supplies	$11,105.00		$11,105.00		$11,105		$11,105	
	19-524-000-6511	Gas & Oil	$900.00		$900.00		$900		$900	
	19-524-000-6302	Vehicle Maintenance	$500.00		$500.00		$500		$500	
	19-524-000-6590	Repair & Maintenance	$11,000.00		$11,000.00		$11,000		$11,000	
Maintenance Totals			54,629	0	27,118	32,266	$23,505	$0	$23,505	$0
Net			-$54,628.60		$5,147.73		-$23,505		-$23,505	
TOTALS							$166,150	$80,576	$231,570	$80,576
NET							-$85,574		-$150,994	
CAPITAL										
	19-525-000-5840	Capital Improvement Revenue		$0.00		$11,706.29		$0		$0
	19-525-000-6601	Capital Outlay - Non Residential	$5,000.00		$5,000.00		$5,000		$5,000	
	19-525-085-5867	Rental Income- Cap Imp. Residential		$7,200.00		$7,200.00		$7,200		$7,200
	19-525-085-6600	Capital Expense - Residential	$0.00		$0.00		$0		$0	
			$5,000.00	$7,200.00	$5,000.00	$18,906.29	$5,000	$7,200	$5,000	$7,200
			$2,200.00		$13,906.29		$2,200		$2,200	
TOTALS							$171,150	$87,776	$236,570	$87,776
NET							-$83,374		-$148,794	

2021 Budget Overview

August 25, 2020

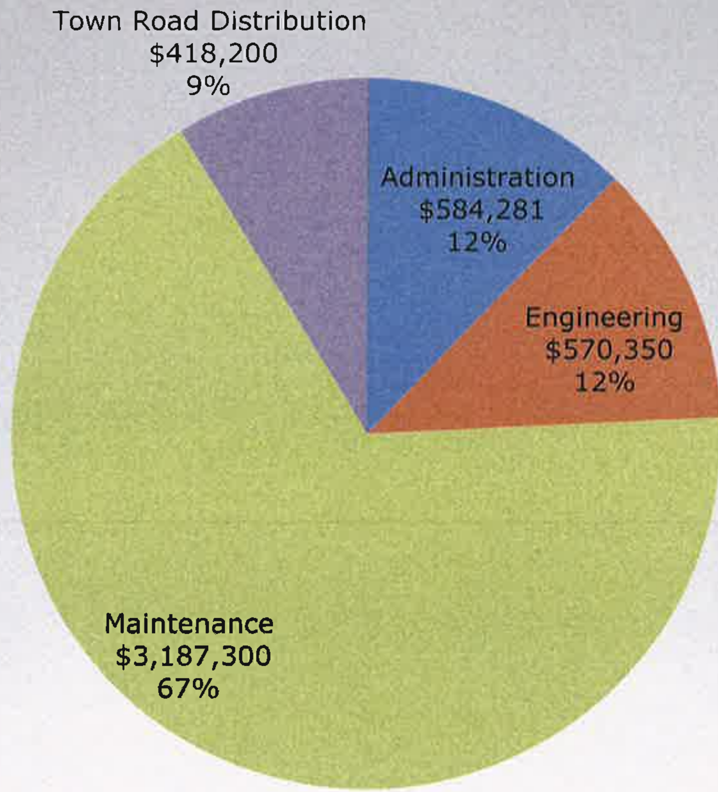
The Highway Department Budget contains three components:

1. Operations Budget
   - Maintenance of County Highway System
   - Internal Engineering for construction of County Highway System
   - Administration of County Highway System

2. Capital Equipment and Facilities Budget
   - Major Equipment Purchases
   - Facility Improvements

3. Capital Infrastructure Budget
   - Construction Projects Costs

Budget Components



Operations Budget Expenditures by Work Section

- Total Operations Expenditures
  - 2.6% overall increase
- Payroll costs
  - Represent 60% of operations cost
    - 1% cost increase from 2020
- Supplies and Materials
  - Represents 19% of operations cost
    - 3.1% cost increase from 2020
- Road Maintenance/Other Services
  - Represents 17% of operations cost
    - 7.5% cost increase from 2020
- Insurance
  - Represents 2% of operations cost
    - 9.5% cost increase from 2020
- Dues, Utilities, Other Expenses
  - Represents 2% of operations cost
    - No cost increase from 2020

Operations Expenditure Summary

- Total Non-Levy Operations Revenue
  - 6% decrease
  - County State-Aid Revenue
    - Represents 48% of operations revenue
      - 9% decrease from 2020
  - Local Non-Levy Revenue
    - Represents 10% of operations revenue
      - 11% increase from 2020
- Levy Revenue
  - Represents 42% of operations revenue
    - 37% increase from 2020
- No planned use of fund balance for Operations

Operations Revenue Summary

- Capital Equipment/Facility Expenditures
  - $618,600 – 0.3% increase from 2020
  - Facility Improvements - $246,000
    - Aitkin office expansion/renovation - $246,000
  - Equipment Replacements - $372,600
    - Replace Computers - $3,600
    - Replace 3 Dump Trucks (additional cost in 2022) - $230,000
    - Replace Water Pump - $4,000
    - Water Tank - $5,000
    - Hydro Seeder - $10,000
    - Replace Motor Grader (acquired in 2020) - $30,000
    - Replace Two Pickup Trucks - $47,000
    - Replace Mower - $5,000
    - Replace Two Equipment Trailers - $38,000
- Delayed Equipment Replacement - $140,000
  - Replace Front-End Loader - $140,000
- $246,000 Planned Use of Fund Balance for Aitkin Office Expansion/Renovation Project
- 5-year (2021-2025) Capital Equipment and Facility Program
  - Indicates program ranging from $560,000 in 2022 to $622,000 in 2025

Capital Equipment/Facility Summary

- Expenditures
  - $137,000 for professional services related to projects
  - $5.330 million for anticipated contract payments
  - Total expenditures of $5.542 million, increase of 28% from 2020

- Revenue
  - $600,000 local levy
  - $91,000 federal funds
  - $284,000 state park road account funds
  - $75,000 town bridge funds
  - $691,785 bond funds through Local Bridge Replacement Program
  - $3.800 million state-aid construction funds

- Proposed 2021-2025 Capital Infrastructure Plan included in budget documents

Capital Infrastructure Budget

Project Selection Process

Identified improvements fall into one of four construction categories. Those categories, listed in priority order are as follows:

1. Bridge Replacement
2. Pavement Resurfacing/Shoulder Widening
3. Gravel Road Reconstruction to Paved Road Standards
4. Gravel Road Improvement

1. Bridge Replacement Project Selection

Bridge replacement projects are selected based on calculated sufficiency ratings that are the result of bridge safety inspections conducted on each bridge under the County's jurisdiction. See attached listing of all local highway bridges in Aitkin County. Highlighted bridges on the attachment are included in the current 5-year capital improvement program.

2021-2025 Capital Infrastructure Program

AITKIN COUNTY Bridge Roster

(Highlighted Bridges included in 2021-2025 Capital Road Improvement Program)

08/17/2020

BR NO	AGENCY BR NO	FACILITY CARRIED	FEATURE CROSSED	REF POINT	MAIN SPAN TYPE	DEF STAT	SUFF RTG	FHWA STATUS
7367		PEDESTRIAN	RIPPLE RIVER		TIMB BEAM SPAN	S.D.	54.0	CLOSED
01502		CSAH 22	WAKEFIELD BROOK	000+00.200	TIMB SLAB SPAN	S.D.	60.8	OPEN
01503		CSAH 14	SAVANNA RIVER	009+00.220	TIMB SLAB SPAN	S.D.	65.7	LOAD POSTED
01513		CSAH 29	WILLOW RIVER	013+00.410	TIMB SLAB SPAN	S.D.	67.9	LOAD POSTED
01508		CSAH 5	RICE RIVER	007+00.230	TIMB SLAB SPAN	S.D.	68.3	LOAD POSTED
01505		CSAH 18	WILLOW RIVER	008+00.720	TIMB SLAB SPAN	S.D.	68.4	LOAD POSTED
01509		CSAH 5	WILLOW RIVER	021+00.150	TIMB SLAB SPAN	S.D.	69.9	LOAD POSTED
01507		CSAH 12	RIPPLE RIVER	006+00.201	TIMB SLAB SPAN	S.D.	70.5	LOAD POSTED
01510		CR 62	SANDY RIVER	002+00.280	TIMB SLAB SPAN	S.D.	71.6	LOAD POSTED
88100		CSAH 11	RIPPLE RIVER	000+00.380	STEEL PIPE ARCH	ADEQ	73.5	OPEN
7375		CR 54	SISSABAGAMAH CREEK	002+00.520	TIMB SLAB SPAN	ADEQ	73.9	LOAD POSTED
7216		CSAH 2	SNAKE RIVER	011+00.550	TIMB BEAM SPAN	ADEQ	77.4	OPEN
7215		CSAH 2	STREAM	010+00.700	TIMB BEAM SPAN	ADEQ	78.8	OPEN
94156		CSAH 16	SANDY RIVER TRIB	004+00.706	TIMB BOX CULV	ADEQ	79.1	OPEN
94157		CSAH 16	SANDY RIVER	005+00.900	TIMB BOX CULV	ADEQ	79.1	OPEN
94154		CSAH 16	SANDY RIVER TRIB	004+00.283	TIMB BOX CULV	ADEQ	79.2	OPEN

2021-2025 Capital Infrastructure Program

2. Pavement Resurfacing Project Selection

Pavement resurfacing projects are selected based on pavement condition data collected on a two-year frequency. In addition, observed pavement conditions and geographical grouping of projects for lower construction costs are considered when scheduling resurfacing projects. See attached listing of Ride Quality Index (RQI) information for all of Aitkin County's paved highway segments. Highlighted segments on the attachment are included in the current 5-year capital improvement program.

The specific type of pavement resurfacing project is determined during the design stage of the project based on the project's individual characteristics. Overlay, mill and overlay, reclaim and pave, cold in-place recycle and chipseal are included in this construction category.

For segments that have deficient shoulder width, slopes, or culverts, additional work to correct these deficiencies may be added to the resurfacing project.

2021-2025 Capital Infrastructure Program

Bituminous Pavements - Age and RQI Data

(Highlighted Segments Included in 2021-2025 Capital Road Improvement Program)

	Length	2019 RQI
1996		
CR 69	0.3	
1997		
CSAH 17	7.1	2.9/3.0
1999		
CSAH 39	5.1	3.5
CR 76	2.82	2.4/2.5
CR 77W	1.04	2.5/2.6
2000		
2001		
CSAH 14 from 2.3 m. notheast of TH 65 to State Park	8.61	2.9-3.2
CSAH 22	4.6	3.4/3.5
CSAH 24	4.2	3.6
2002		
CSAH 31	3.53	2.3
CSAH 40	4.9	2.8/2.9
CR 62 from TH 210 to 435th Street	2.64	2.5/2.7
2003		
CSAH 9	0.82	1.9/2.1
CSAH 11	3.2	2.8/3.0
CSAH 23	5.3	3.3/3.8
CSAH 28 from TH 169 to CSAH 12	5.8	3.4
CSAH 37	2.3	2.6/2.9
CR 54 from .47 miles east of CSAH 1 to CR 83	0.83	2.4/2.5
CR 79	0.48	1.8
2004		
CSAH 2 from TH 65 to Pine County Line	10.4	3.3
2005		
CSAH 1 from TH 210 to beginning of Mississippi River E	0.45	2.2/2.4

2021-2025 Capital Infrastructure Program

3. Gravel Road Reconstruction to Paved Road Standards

Projects in this category are programmed for existing gravel roads to reconstruct them as improved, paved highways. Projects are chosen based on a prioritization worksheet that ranks the various gravel road segments based on annual average daily traffic (AADT) count, residence density, functional classification, sight distance deficiencies, improved route system layout, and private land ownership. The resulting priority ratings are updated with each Capital Road Improvement Plan update. See attached priority rating worksheet. Highlighted segments on the attachment are included in the current 5-year capital improvement program.

Priority Rating Worksheet

(Highlighted Segments Included in 2021-2025 Capital Road Improvement Program)

8/17/2020

Road Number	Segment Description	Length	2016 ADT (20 points decile)	Residence Density (20 point decile)	Functional Classification (10 points)	Sight Distance Deficiency (10 point decile)	Improved Route System Layout (10 points)	Privately-Owed Land (10 point decile)	Priority Rating (80 points)
5.2	CR 53 to TH 210	4.7	12	20	10	6	10	7	58.7
71		1	20	12	4	1	10	10	48.0
30	TH 65 to CSAH 16	7	16	14	7	6	0	10	44.0
51	TH 18 to CSAH 28	4.77	12	14	4	3	10	8	43.8
62.1	2 miles N of TH 210 to CR 71	1.36	20	6	4	1	10	10	42.0
1	3.6 miles N of CSAH 22 to CSAH 3	7.4	16	6	7	2	10	6	41.6
64.2	CSAH 32 to 5 miles North	5	16	16	4	3	0	3	39.3
50	CSAH 5 to CR 56	2.95	18	2	4	3	10	10	38.0
13	CSAH 16 to Carlton County Line	5.6	12	2	7	4	10	5	35.5
62.2	CR 71 to 1 mile south of TH 232	3	10	8	4	1	10	10	34.0
19.2	CSAH 20 to CSAH 29	2	14	4	10	5	0	3	33.3
19.1	Cass County Line to CSAH 20	4.8	6	10	10	7	0	2	33.2
5.1	CR 50 to CR 53	5.9	8	10	10	4	0	10	33.0
57.1	TH 65 to 5 miles east	5	14	8	4	5	0	10	32.0
27	CSAH 13 to TH 27	6.6	4	6	7	4	10	9	31.9
74		2.07	4	6	4	4	10	10	29.0
36.2	CR 65 to 1.5 miles N of CSAH 14	5.2	8	6	7	7	0	5	28.5
59		4.28	16	4	4	3	0	10	28.0
63		2.69	6	8	4	9	0	10	28.0

2021 Capital Infrastructure Program

4. Gravel Road Improvement

Projects in this category involve drainage and roadbed improvements on roads that will remain as gravel surfaced roads. Projects constructed under this category are programmed based on observed deficiencies of gravel road segments.

2022 Capital Infrastructure Program

Project Description	Length	Location	Estimated Cost
SAP 001-605-013 - CSAH 5 Bridge (Culvert) Replacement	0.1	CSAH 5 over Fleming Lake inlet	$ 179,182
SAP 001-609-004 - CSAH 9 Resurfacing	0.82	TH 65 to TH 65	$ 130,000
SAP 001-612-023 - CSAH 12 Bridge Replacement	0.2	CSAH 12 over Ripple River	$ 713,688
SAP 001-625-002 - CSAH 25 Bituminous Paving	3.3	Kanabec County Line to CSAH 23	$ 1,100,000
CP 001-027-001 CSAH 27 Gravel Road Improvement	6.6	TH 27 to CSAH 13	$ 800,000
Bituminous Patches CH 22, 23, 60		various locations	$ 80,000
CSAH 39 Chipseal	5.1	CSAH 12 to CSAH 12	$ 255,000
SP 001-070-008 HSIP Chevron signing		various locations	$ 101,000
CP 001-079-002 - CR 79 Resurfacing	0.48	in the City of McGrath	$ 130,000
Total:			**3,488,870**

2021 Capital Infrastructure Program

Project Description	Length		Location	Estimated Cost
SAP 001-617-004 - CSAH 17 Resurfacing	7.1		TH 47 to TH 47	$ 1,200,000
SAP 001-618-005 - CSAH 18 Bridge Replacement	0.2		CSAH 18 over Willow River	$ 874,928
CSAH 22 Chipseal	4.6		CSAH 1 to Crow Wing County Line	$ 239,200
CSAH 24 Chipseal	4.2		CSAH 22 to Crow Wing County Line	$ 218,400
CSAH 23 Chipseal	5.3		TH 18 to Pine County Line	$ 275,600
CP 001-076-002 - CR 76 Resurfacing	2.82		US Hwy 169 to US Hwy 169	$ 680,000
SP 001-070-007 HSIP Pavement Markings			various locations	$ 230,000
Bituminous Patches CH 8,10, 13, 29, 38			various locations	$ 100,000
Total:				**3,818,128**

2022 Capital Infrastructure Program

Project Description	Length		Location	Estimated Cost	
SP 001-611-003 - CSAH 11 Widening/Resurfacing/Bridge Replacement	3.2		Crow Wing County Line to US Hwy169	$	3,400,000
SAP 001-598-016 - CR 54 Bridge Replacement	0.5		CR 54 over Sissabagamah Creek	$	455,000
SAP 001-598-014 - CR 62 Bridge Replacement	0.2		CR 62 over Sandy River	$	679,990
CR 77W Resurfacing	1.04		CSAH 11 to CR 77	$	150,000
Total:					**4,684,990**

2023 Capital Infrastructure Program

Project Description	Length		Location	Estimated Cost
SAP 001-605-014 - CSAH 5 Reconstruction (Grading and Agg. Base)	4.7		CR 53 to TH 210	$ 2,750,000
CSAH 5 Bridge Replacement over Rice River	0.1		CSAH 5 over Rice River	$ 750,000
SAP 001-631-003 - CSAH 31 Resurfacing	3.53		CSAH 6 to CSAH 32	$ 650,000
SAP 001-640-003 - CSAH 40 Resurfacing	4.9		CSAH 6 to CSAH 14	$ 900,000
CP 001-062-004 - CR 62 Resurfacing	2.64		TH 210 to 435th Street	$ 480,000
Total:				**5,530,000**

2024 Capital Infrastructure Program

Project Description	Length	Location	Estimated Cost
CSAH 1 Resurfacing	0.45	US Hwy 169 to Mississippi River	$ 180,000
CSAH 2 Chipseal	10.4	TH 65 to Pine County Line	$ 603,200
CSAH 5 Bituminous Paving	4.7	CR 53 to TH 210	$ 1,800,000
CSAH 5 Bridge Replacement over Willow River		CSAH 5 over Willow River	$ 940,000
CR 62 Reconstruction (Grading and Agg. Base)	1.36	435th Street to CR 71	$ 650,000
CR 71 Reconstruction (Grading and Agg. Base)	1	CR 62 to TH 65	$ 475,000
Total:			**4,648,200**

2025 Capital Infrastructure Program

2021 Highway Department Budget Summary

Revenue:

	2018 Actual	2019 Actual	Adopted 2020 Budget	2020 As of 6-30-20	Proposed 2021 Budget
Operating	$ 4,441,372	$ 4,678,462	$ 4,724,979	$2,165,195	$ 4,760,131
Capital Equipment/Facilities	$ 571,600	$ 605,000	$ 616,400	$ 516,400	$ 618,600
Capital Infrastructure	$ 3,112,769	$ 4,124,792	$ 4,327,700	$5,902,754	$ 5,542,450
Total:	**$ 8,125,741**	**$ 9,408,254**	**$ 9,669,079**	**$8,584,350**	**$10,921,181**

Expenditures:

	2018 Actual	2019 Actual	Adopted 2020 Budget	2020 As of 6-30-20	Proposed 2021 Budget
Operating	$ 4,013,396	$ 4,891,474	$ 4,724,979	$2,587,842	$ 4,760,131
Capital Equipment/Facilities	$ 371,948	$ 770,600	$ 616,400	$ 288,931	$ 618,600
Capital Infrastructure	$ 6,031,144	$ 4,210,865	$ 4,327,700	$1,093,571	$ 5,542,450
Total:	**$ 10,416,488**	**$ 9,872,940**	**$ 9,669,079**	**$3,970,343**	**$10,921,181**

2021 Highway Department Budget Levy Revenue Summary

	2018 Actual	2019 Actual	Adopted 2020 Budget	2020 As of 6-30-20	Proposed 2021 Budget
Operating	$ 1,415,624	$ 1,260,780	$ 1,316,749	$ 210,493	$ 1,810,459
Capital Equipment/Facilities	$ 571,600	$ 605,000	$ 516,400	$ 516,400	$ 372,600
Capital Infrastructure	$ 600,000	$ 600,000	$ 600,000	$ 600,000	$ 600,000
Total:	**$ 2,587,224**	**$ 2,465,780**	**$ 2,433,149**	**$1,326,893**	**$ 2,783,059**
% Increase Over Previous Year's Budget:					**14.38%**

- Delayed hiring of additional equipment operator from 7-1-20 to 7-1-21
  - $65,000 cost reduction

- Delayed replacement of equipment
  - $140,000 cost reduction in 2021
  - $65,000 cost reduction in 2022

Cost Saving Measures Taken for 2021 Budget

- Use of County Development Funds up to $192,800 in lieu of levy dollars for the following expenditures in Consolidation Conservation Areas
  - Aggregate Surfacing on CSAH 18 - $50,000
  - Aggregate Surfacing on CSAH 21- $69,000
  - Aggregate Surfacing on CR 54 - $48,800
  - Aggregate Surfacing on CSAH 36 - $25,000
- Delay of $56,000 of Additional Equipment Replacement
- Reduction of portion of $600,000 levy dollars for County Road Construction

Additional Cost Saving Consideration for 2021 Budget

Board of County Commissioners Agenda Request

Aitkin County — Est 1857

Agenda Item #

Requested Meeting Date: August 25,2020

Title of Item: Approve Going Out for Bid on Health & Human Services Roof Repair

☑ REGULAR AGENDA	**Action Requested:**	☐ Direction Requested
☐ CONSENT AGENDA	☑ Approve/Deny Motion	☐ Discussion Item
☐ INFORMATION ONLY	☐ Adopt Resolution (attach draft)	☐ Hold Public Hearing*

**provide copy of hearing notice that was published*

Submitted by:
Jim Bright

Department:
Maintenance

Presenter (Name and Title):
Jim Bright, Facilities Coordinator

Estimated Time Needed:

Summary of Issue:

Facilities Coordinator Jim Bright has been working with ARI to prepare information to go out for bid for the Health & Human Services roof repair. This has been presented to the facilities committee and has been recommended to move forward.

Alternatives, Options, Effects on Others/Comments:

Recommended Action/Motion:

Approve going out for bid on the Health & Human Services roof repair.

Financial Impact:

Is there a cost associated with this request? ☐ *Yes* ☐ *No*

What is the total cost, with tax and shipping? $

Is this budgeted? ☐ *Yes* ☐ *No* *Please Explain:*

Legally binding agreements must have County Attorney approval prior to submission.

AITKIN COUNTY

HUMAN SERVICES REROOF

204 1st ST NW, AITKIN, MN 56431

VICINITY MAP

NOT TO SCALE

PROJECT LOCATION MAP

NOT TO SCALE

CODE REVIEW

EXISTING CONSTRUCTION VB
OCCUPANCY: B
BUILDING TOTAL SPRINKLER

EXISTING AREAS:
1st FLOOR = 10,822 sqft - No sqft added
2nd FLOOR = 6,515 sqft - No sqft added

ENERGY CODE:
PATH - ANSI/ASHRAE/IES STANDARD 90 1 - 2010
COMPLIANCE - PRESCIPTIVE
CLIMATE ZONE - 7
MIN. R-VALUE - 20.0 C.I.

PROJECT TEAM

PROJECT OWNER

CONTACT: JIM BRIGHT - MAINTENANCE SUPERVISOR

AITKIN COUNTY
217 2nd ST NW, ROOM 115
AITKIN, MN 56431
PH (218) 927-7363
E-MAIL: jim bright@email co.aitkin mn us

ARCHITECT

ARCHITECT: RYAN ERSPAMER
CONTACT: SCOTT SOSALLA

ARCHITECTURAL RESOURCES, INC
704 EAST HOWARD STREET
HIBBING, MN 55746
PH (218) 263-6868
FAX (218) 722-6803
E-MAIL: ryan.erspamer@arimn com
scott sosalla@arimn com

MECHANICAL

CONTACT: MICHAEL WASHBURN, P.E.

ARCHITECTURAL RESOURCES, INC
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HIBBING, MN 55746
PH (218) 263-6868
FAX (218) 722-6803
E-MAIL: michael washburn@arimn com

SHEET INDEX

SHEET	DESCRIPTION
COVER	
COV	SHEET INDEX, BUILDING CODE REVIEW
ARCHITECTURAL	
A1 1	ROOF PLAN & DETAILS
A1 2	ROOF DETAILS
MECHANICAL	
M1 1	PLUMBING PLAN

APPLICABLE CODES

- 2020 MINNESOTA BUILDING CODE
- 2018 INTERNATIONAL BUILDING CODE
- 2017 NATIONAL ELECTRICAL CODE EFFECTIVE JULY 1 2017
- 2020 MINNESOTA ENERGY CODE
- 2020 MINNESOTA ACCESSIBILITY CODE
- 2020 MINNESOTA MECHANICAL & FUEL GAS CODE
- 2015 MINNESOTA STATE PLUMBING CODE
- 2020 MINNESOTA STATE FIRE CODE

OTHER GUIDELINES
- LIFE SAFETY CODE - NFPA 101
- LOCAL UTILITY COMPANY REQUIREMENTS

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- INTERIOR DESIGN
- ENGINEERING
- TECHNOLOGY

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AITKIN COUNTY
HUMAN SERVICES
REROOF
AITKIN, MN

PROJECT NO.: 20-057
DATE: 20-JULY-2020
DRAWN BY: MP
REVISIONS:

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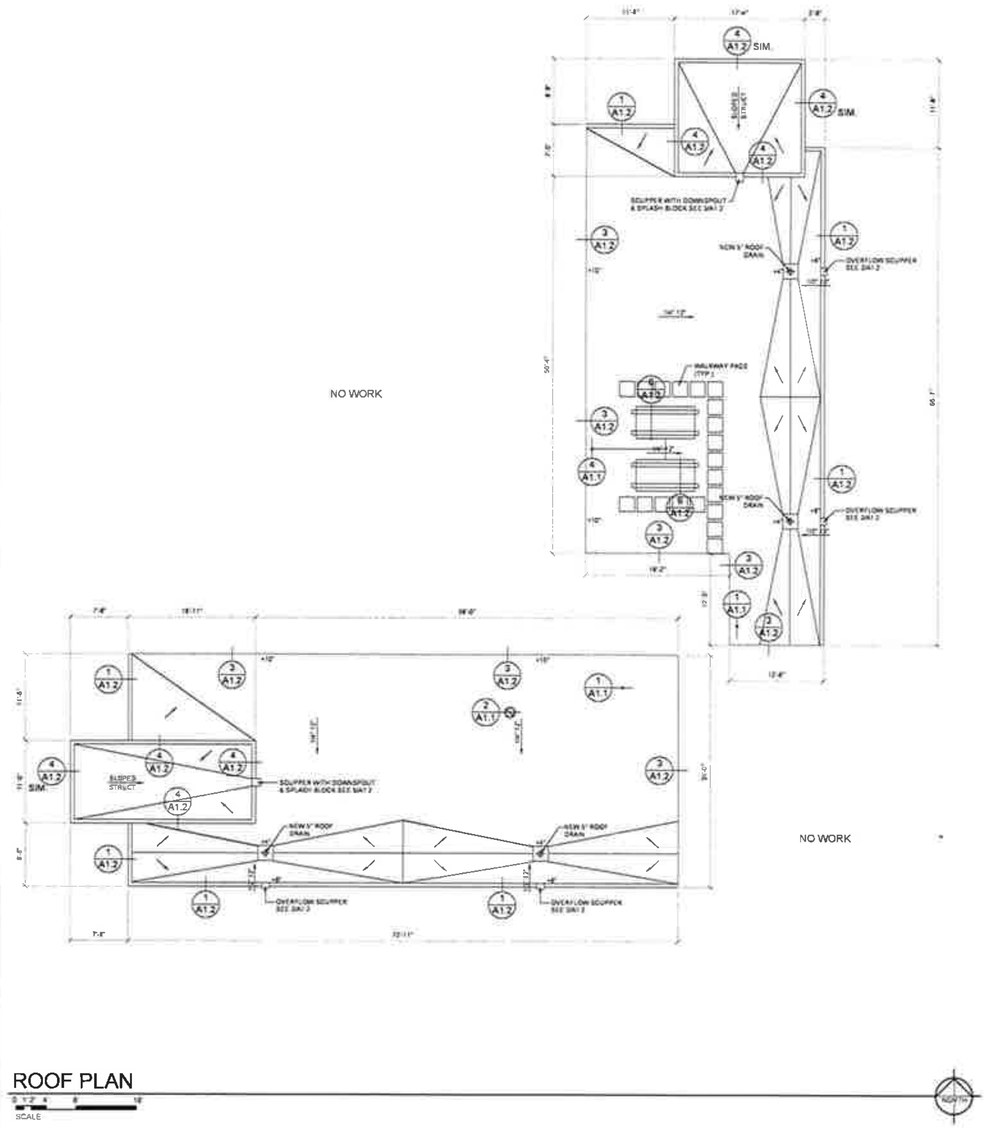
XX-XXX-XXXX

COV



ROOF PLAN

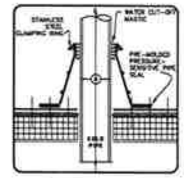
SCALE

LEGEND

- DETAIL #
- TAPERED INSULATION SLOPE INDICATED ON DRAWING
- INSULATION THICKNESS
- EXISTING ROOF DRAIN SEE DETAIL 3/A1.1
- PLUMBING VENT SEE DETAIL 1/A1.1
- ROOF CURB SEE DETAIL 2/A1.1
- INDICATED ROOF WALKWAY PADS

CONSTRUCTION NOTES

CONTRACTOR TO REMOVE EXISTING BALLASTED ROOF DOWN TO EXISTING CONCRETE DECK. REMOVE ALL EXISTING METAL FLASHINGS. CONTRACTOR TO INSTALL NEW VAPOR BARRIER, RIGID INSULATION & EPDM. NEW ROOF TO BE FULLY ADHERED.



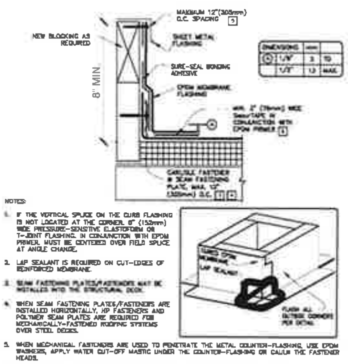
DIMENSIONS	mm	
1/2"	13	TO
6"	152	

NOTES:

1. REMOVE ALL LEAD AND OTHER FLASHING BEFORE INSTALLING FIELD FABRICATED PIPE SEAL.
2. TEMPERATURE OF PIPE MUST NOT EXCEED 180°F (82°C).
3. APPLY EPDM PRIMER TO SPLICE AREA.
4. PIPE SEAL MUST HAVE INTACT RIB AT TOP EDGE, REGARDLESS OF PIPE DIAMETER.
5. DECK FLANGES OF THE PRE-MOLDED PIPE SEAL SHALL NOT BE OVERLAPPED, CUT OR APPLIED OVER ANY ANGLE CHANGE.
6. WHEN A FIELD SPLICE INTERSECTS A PIPE SEAL, APPLY LAP SEALANT ALONG THE EDGE OF THE MEMBRANE SPLICE COVERING THE EXPOSED SPLICE TAPE 2" (51mm) IN EACH DIRECTION FROM THE SPLICE INTERSECTION & OVERLAY WITH A 6"x6" (152 X 152mm) T-JOINT COVER.

ROOF VENT DETAIL 1/A1.1

NOT TO SCALE



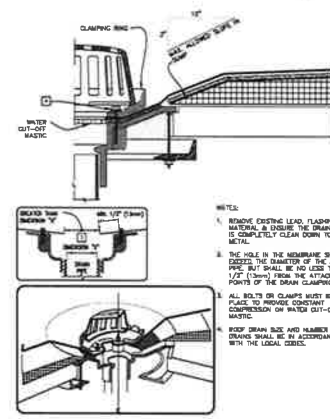
DIMENSIONS	mm	
1/8"	3	TO
1/2"	13	MAX.

NOTES:

1. IF THE VERTICAL SPLICE ON THE CURB FLASHING IS NOT LOCATED AT THE CORNER, 6" (152mm) WIDE PRESSURE-SENSITIVE ELASTOFORM OR T-JOINT FLASHING, IN CONJUNCTION WITH EPDM PRIMER, MUST BE CENTERED OVER FIELD SPLICE AT ANGLE CHANGE.
2. LAP SEALANT IS REQUIRED ON CUT-EDGES OF REINFORCED MEMBRANE.
3. SEAM FASTENING PLATES/FASTENERS MAY BE INSTALLED INTO THE STRUCTURAL DECK.
4. WHEN SEAM FASTENING PLATES/FASTENERS ARE INSTALLED HORIZONTALLY, HP FASTENERS AND POLYMER SEAM PLATES ARE REQUIRED FOR MECHANICALLY-FASTENED ROOFING SYSTEMS OVER STEEL DECKS.
5. WHEN MECHANICAL FASTENERS ARE USED TO PENETRATE THE METAL COUNTER-FLASHING, USE EPDM WASHERS, APPLY WATER CUT-OFF MASTIC UNDER THE COUNTER-FLASHING OR CAULK THE FASTENER HEADS.
6. MEMBRANE SPLICES SHALL INCORPORATE 6" (152mm) WIDE FIELD APPLIED SecurTAPE FOR PROJECTS WITH 20, 25 and 30-YEAR WARRANTIES.

ROOF CURB DETAIL 2/A1.1

NOT TO SCALE

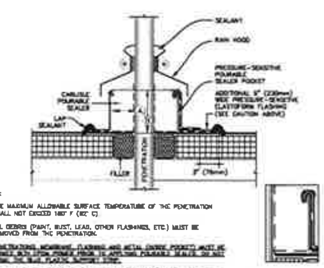


NOTES:

1. REMOVE EXISTING LEAD, FLASHING MATERIAL & ENSURE THE DRAIN RING IS COMPLETELY CLEAN DOWN TO BARE METAL.
2. THE HOLE IN THE MEMBRANE SHALL EXCEED THE DIAMETER OF THE DRAIN PIPE, BUT SHALL BE NO LESS THAN 1/2" (13mm) FROM THE ATTACHMENT POINTS OF THE DRAIN CLAMPING RING.
3. ALL BOLTS OR CLAMPS MUST BE IN PLACE TO PROVIDE CONSTANT COMPRESSION ON WATER CUT-OFF MASTIC.
4. ROOF DRAIN SIZE AND NUMBER OF DRAINS SHALL BE IN ACCORDANCE WITH THE LOCAL CODES.

ROOF DRAIN DETAIL 3/A1.1

NOT TO SCALE



NOTES:

1. THE MAXIMUM ALLOWABLE SURFACE TEMPERATURE OF THE PENETRATION SHALL NOT EXCEED 180° F (82° C).
2. ALL DEBRIS (PAINT, RUST, LEAD, OTHER FLASHINGS, ETC.) MUST BE REMOVED FROM THE PENETRATION.
3. [illegible]
4. POURABLE SEALER MUST COMPLETELY FILL POURABLE SEALER POCKET TO PREVENT PONDING OF WATER.
5. POURABLE SEALER MUST CONTACT PRIMED PRESSURE-SENSITIVE ELASTOFORM FLASHING AND DECK MEMBRANE.
6. SECUREMENT IS REQUIRED FOR POURABLE SEALER POCKETS WHICH ARE GREATER THAN 18" (457mm) IN DIAMETER. REFER TO SPECIFICATIONS.
7. ON MECHANICALLY-FASTENED ROOFING SYSTEMS, ADDITIONAL MEMBRANE SECUREMENT IS REQUIRED (SIMILAR TO DETAIL MF-8A) REGARDLESS OF SIZE OR DIAMETER.
8. PIPE CLUSTERS MUST HAVE MINIMUM 1" (25mm) CLEARANCE BETWEEN PENETRATIONS.

MANDATORY EPDM PRIMER AT ALL INTERFACES OF POURABLE SEALER EXCEPT BLUE PLASTIC SUPPORT STRIP

DIMENSIONS	mm	
1"	25	MIN.
2"	51	MIN.

PITCH POCKET DETAIL 4/A1.1

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AITKIN COUNTY HUMAN SERVICES REROOF

AITKIN, MN

PROJECT NO.: 20-057

DATE: 20-JULY-2020

DRAWN BY: MP

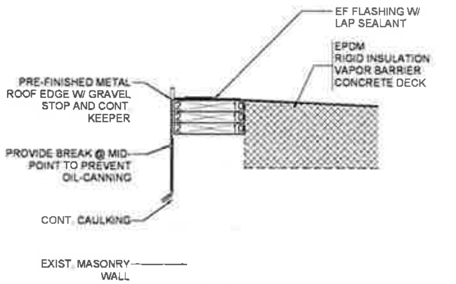
REVISIONS:

ARCHITECT UNDER THE LAWS

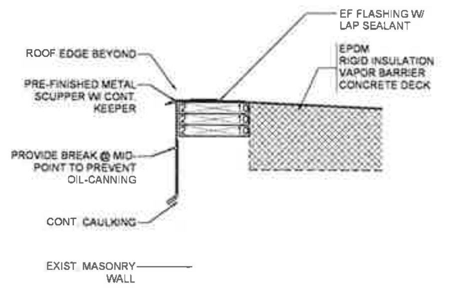
PRELIMINARY DO NOT USE FOR CONSTRUCTION

ROOF PLAN & DETAILS

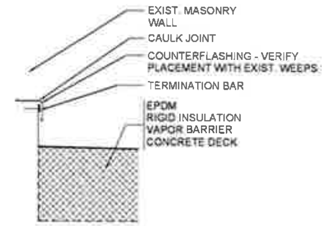
A 1.1



ROOF EDGE DETAIL
0 3" 6" 12" 24"
SCALE
1/A1.2



OVERFLOW SCUPPER DETAIL
0 3" 6" 12" 24"
SCALE
2/A1.2



ROOF EDGE DETAIL
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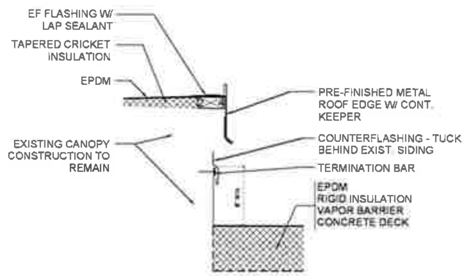
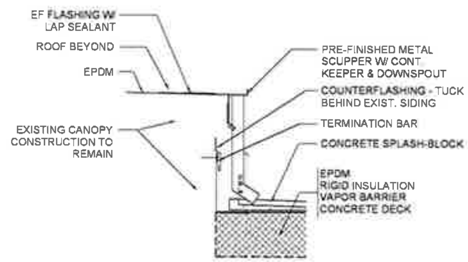
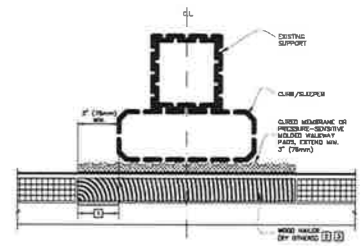
SCALE
3/A1.2



ROOF EDGE DETAIL
0 3" 6" 12" 24"
SCALE
4/A1.2



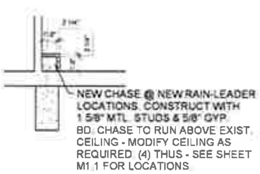
SCUPPER DETAIL
0 3" 6" 12" 24"
SCALE
5/A1.2



NOTES:

1. SLEEPER MUST BE LARGE ENOUGH TO SUPPORT WEIGHT OF EQUIPMENT WITHOUT INDENTING INSULATION. EXTEND WOOD NAILER OUT AS REQUIRED BY STRUCTURAL ENGINEER TO DISTRIBUTE SUBJECT LOAD OR AT LEAST EXTEND OUT MIN. 3" (76mm).
2. ENSURE SCREW/ANCHOR HEADS IN TOP SURFACE OF WOOD BLOCKING ARE RECESSED TO PROTECT MEMBRANE.
3. WOOD NAILERS NOT REQUIRED UNDER PIPE SUPPORTS.
4. CONSULT STRUCTURAL ENGINEER AND/OR SPECIFIER TO AVOID WATER PONDING DUE TO DECK DEFLECTION.

EQUIPMENT SUPPORT DETAIL
NOT TO SCALE
6/A1.2



PARTIAL FLOOR PLAN @ CHASE
0 1' 2' 4' 8'
SCALE
7/A1.2

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AITKIN COUNTY
HUMAN SERVICES
REROOF
AITKIN, MN

PROJECT NO.:	20-057
DATE:	20-JULY-2020
DRAWN BY:	MP
REVISIONS:	

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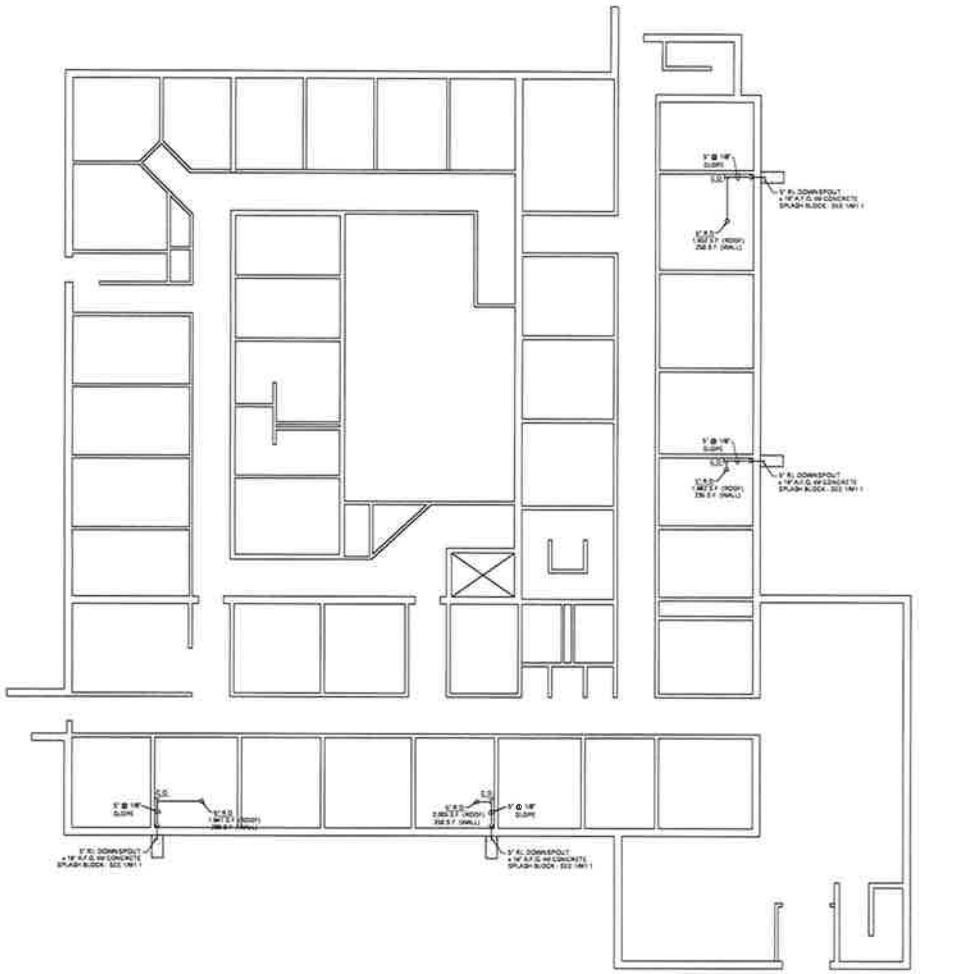
ROOF
DETAILS

A
1.2

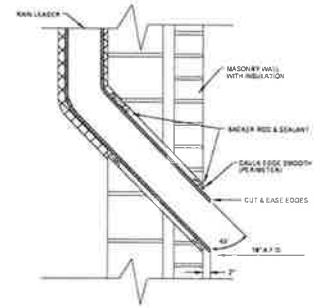


1st FLOOR PLUMBING PLAN

0 1 2 4 8 16'

SCALE

NORTH



DOWNSPOUT DETAIL 1/M1.1

NO SCALE

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- ENGINEERING
- TECHNOLOGY

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AITKIN COUNTY
HUMAN SERVICES
REROOF

AITKIN, MN

PROJECT NO.: 20-057

DATE: 20-JULY-2020

DRAWN BY: MP

REVISIONS:

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XX-XXX-XXXX

1st FLOOR
PLUMBING
PLAN

M
1.1

Headquarters: 244 South Birch Street
Cambridge MN 55008
Phone (763) 689-7390

Branches in Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties

August 12, 2020

County Administrators,

Enclosed is your copy of the 2019 Audit recently completed by Abdo, Eick and Meyers, LLP and approved by the Board of Directors for East Central Regional Library.

If you have any questions, please contact me at the information listed below.

Thank you for your support of all the branches that serve the residents of east central Minnesota.

Pamela Fry

Pamela Fry
Finance Manager
Direct: 763-692-0640
Email: pfry@ecrlib.org

Management Communication

East Central Regional Library
Cambridge, Minnesota

For the Year Ended
December 31, 2019

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

People
+ Process.
Going
Beyond the
Numbers

ABDO
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Certified Public Accountants & Consultants

July 10, 2020

Management and Board of Trustees
East Central Regional Library
Cambridge, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the East Central Regional Library, Cambridge, Minnesota (the Library), as of and for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We consider the deficiency described on the following pages as item 2019-005 to be a material weakness. We did also identify certain deficiencies in internal control, described below as items 2019-003 and 2019-004 that we consider to be significant deficiencies.

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2019-003 **Preparation of Financial Statements**

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board of Trustees as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the Library is reviewing the financial statements, we recommend that the Library agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the Library's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

2019-004	**Segregation of Duties**
Condition:	During our audit we reviewed procedures over cash disbursements, payroll, financial reporting, and capital assets and found the Library to have limited segregation of duties over those transaction cycles.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	As a result of the limited number of staff, in the disbursement cycle, the Finance Manager has access to checks, ability to posts to the general ledger, and prepares bank reconciliations. In the payroll cycle, the Finance Manager has control over the checks, sets up employee records, posts to the general ledger. In the financial reporting and capital asset transaction cycles, the Finance Manager performs all of the duties.
Effect:	The existence of this limited segregation of duties increases the risk of fraud.
Recommendation:	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the Library evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the Board of Trustees is aware of this condition and monitor all financial information.

Management Response:

Management recognizes that it is not economically feasible to correct this finding, however, is aware of the deficiency and is relying on oversight by management and the Board of Trustees to monitor this deficiency.

2019-005	**Material Audit Adjustment**
Condition:	During our audit, a material adjustment was needed to correct the current and prior year-end compensated absences balance.
Criteria:	Such adjustments were needed to correct current and prior year end balances. In prior years compensated absences had no balance that was recorded. An entry was required to correct the prior years ending balance and record the current year activity.
Cause:	Management had not accounted for compensated absences on the financial statements.
Effect:	This indicates that misstatements may occur and not be detected by the Library's system of internal control.
Recommendation:	We recommend management review the related journal entries, obtain an understanding of why the entries were necessary and modify current procedure to ensure that future corrections are not needed.

Management Response:

The Finance Manager will review each journal entry in an effort to better understand the reason the modification as necessary in an effort to limit future corrections.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of Minnesota statutes, 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of the Library's compliance with those requirements. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*.

2019-001	**Insufficient Collateral Coverage**
Condition:	Auditing of legal compliance requires a review of the Library's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
Criteria:	In accordance with Minnesota Statute, section 118A.03, the Library is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
Cause:	The Library had $66,766 of deposits uncollateralized on December 31, 2019, which calculates to the Library being $73,442 undercollateralized. The Minnesota Statute requires deposits over FDIC coverage to be collateralized at 110%. In the past, the Library's cash has not exceeded the amount covered by Federal Depository Insurance.
Effect:	At year end, the Library did not have sufficient collateral pledged and therefore was not in compliance with state statute.
Recommendation:	We recommend that the Library reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the Library complies with the applicable statue.

Management Response:

The Finance Manager will take the appropriate actions with the bank to ensure that Library's deposits are sufficiently covered by collateral throughout the entire year.

2019-002 **Electronic Funds Transfer**

Condition: The Library has not enacted a plan as required under Minnesota Statute § 471.38, subd. 3a for electronic fund transfers that contains policy controls regarding annual delegation of authority, a certified copy of the delegation to be kept on file at the disbursing bank, the identity of the initiator of each transaction, approval prior to each transfer, written confirmation within one day of each transaction, and a list of transactions to be submitted to the board at the meeting following each transfer.

Criteria: Minnesota Statute § 471.38, subd. 3a requires a plan to be in place containing the information in the bullets below.

Cause: The Library lacks a policy containing information as required by Minnesota Statute § 471.38, subd. 3a.

Effect: The Library is not in compliance with Minnesota Statutes.

Recommendation: We recommend that the Library establish internal controls to ensure compliance with Minnesota Statutes regarding electronic fund transfers. To comply with the state statute, the following controls should be in place:

- the governing body shall annually delegate the authority to make electronic fund transfers to a designated member of the finance department;
- the disbursing bank shall keep on file a certified copy of the delegation of authority;
- the initiator of each electronic transfer shall be identified;
- The initiator shall document the request and obtain an approval for each transfer from the designated member of the finance department before initiating the transfer;
- written confirmation of each transaction shall be made no later than one business day after the transaction;
- a list of all transactions made by electronic funds transfers shall be submitted to the Library's board at the next regular meeting after the transaction.

Management Response:

Management agrees and will establish a policy requiring the previously described controls.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2019. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include depreciation on capital assets and the liability for the Library's pensions.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 10, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employer's Contributions), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (individual fund schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future Library financial statements: [(1)]

GASB Statement No. 87 - *Leases*

Summary

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*

Summary

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Future Accounting Standard Changes (Continued)

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

GASB Statement No. 91 - *Conduit Debt Obligations*

Summary

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

Future Accounting Standard Changes (Continued)

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

* * * * *

Restriction on Use

This communication is intended solely for the information and use of the Board of Trustees, City Councils, management and the Minnesota Office of the State Auditor and is not intended and should not be used by anyone other than those specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 10, 2020

Annual Financial Report

East Central Regional Library

Cambridge, Minnesota

For the Year Ended
December 31, 2019

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

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East Central Regional Library
Cambridge, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2019

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INTRODUCTORY SECTION

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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East Central Regional Library
Cambridge, Minnesota
Board of Trustees
For the Year Ended December 31, 2019

Board of Trustees

Name	Member County	Position on Board
Don Niemi	Aitkin County	Trustee
Rebecca May	Aitkin County	Trustee
Bruce Groulx	Aitkin County	Trustee
Ben Montzka	Chisago County	Trustee
George McMahon (Alternate)	Chisago County	Trustee
Keith Carlson	Chisago County	Trustee
Patricia Frank	Chisago County	Trustee
Barbara Kruschel	Isanti County	Trustee
Mike Warring	Isanti County	Trustee
Karen Lee	Isanti County	Treasurer
Gene Anderson	Kanabec County	President
Karen Rasmusson	Kanabec County	Trustee
Robert Jensen	Kanabec County	Trustee
Wendy Kafka	Mille Lacs County	Trustee
Linda Boettcher	Mille Lacs County	Trustee
Genny Reynolds	Mille Lacs County	Vice President
Judy Scholin	Pine County	Trustee
Joshua Mohr	Pine County	Secretary
Carol Goddard	Pine County	Trustee

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FINANCIAL SECTION

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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ABDO
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
East Central Regional Library
Cambridge, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information for the East Central Regional Library, Cambridge, Minnesota (the Library), as of and for the year ended December 31, 2019, which collectively comprise the Library's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of December 31, 2019, and the respective changes in financial position and budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 46 and Notes to Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The introductory section and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2020, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 10, 2020

People
+ Process
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the East Central Regional Library, Cambridge, Minnesota (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2019.

Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the Library at the close of the most recent fiscal year by $868,589 (net position). Of this amount, $406,855 (unrestricted net position) may be used to meet the Library's ongoing obligations.

- The Library's total net position decreased $268,166 with a majority of the decrease related to an increase in expenses from the prior year due to capital related purchases.

- As of the close of the current fiscal year, the Library's governmental funds reported combined ending fund balances of $2,303,490. Approximately 14.93 percent of this is restricted, 6.44 percent is assigned, and 78.63 percent is unassigned.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $1,811,288 or 55.2 percent of total 2019 General fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of individual fund financial statements that further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

Figure 1
Required Components of the
Library's Annual Financial Report

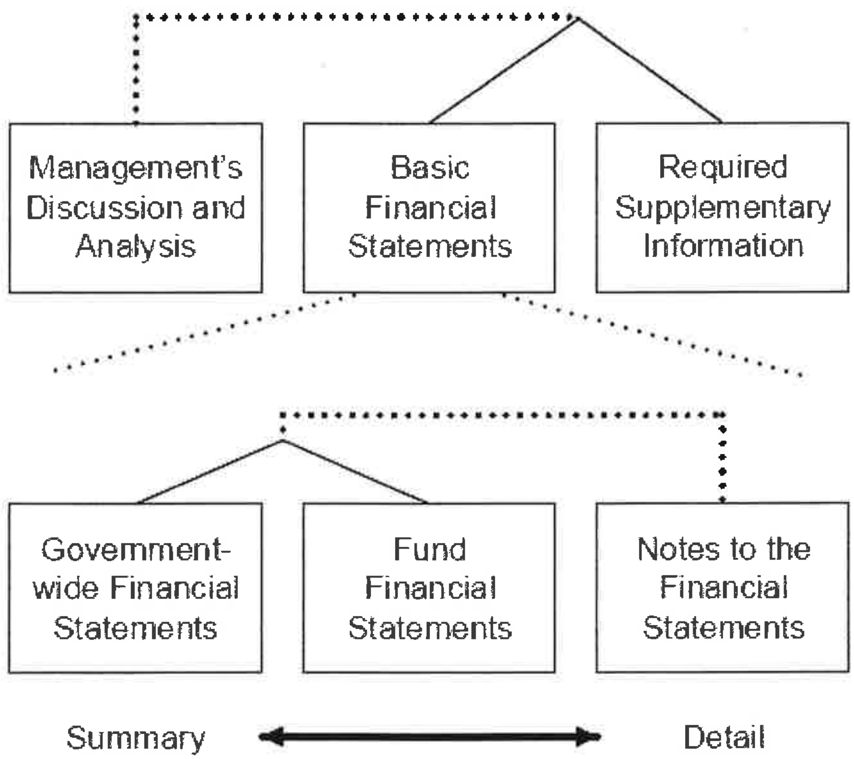


Figure 2 summarizes the major features of the Library's financial statements, including the portion of the Library they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Library (except fiduciary funds) and the Library's component units	The activities of the Library
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activity of the Library includes culture and recreation.

The government-wide financial statements start on page 24 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library fall into one category: governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains three individual governmental funds, two of which are special revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund which is considered to be a major fund while the Special Revenue and Legacy Grant funds are nonmajor.

The Library adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with its budget.

The basic governmental fund financial statements start on page 28 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Library's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 46 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $868,589 at the close of the most recent fiscal year.

A large portion of the Library's net position, $343,950 is restricted for specific purpose of library and legacy grant donations. The Library has, $117,784 which reflects its investment in capital assets (improvements other than buildings, vehicles, and machinery and equipment). The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of *unrestricted net position,* $406,855 may be used to meet the Library's ongoing obligations..

East Central Regional Library's Summary of Net Position

	Governmental Activities		
	2019	2018	Increase (Decrease)
Assets			
Current and other assets	$ 2,792,751	$ 2,748,850	$ 43,901
Capital assets	117,784	126,323	(8,539)
Total Assets	2,910,535	2,875,173	35,362
Deferred Outflows of Resources			
Deferred pension resources	137,034	222,749	(85,715)
Liabilities			
Noncurrent liabilities outstanding	1,336,879	1,404,539	(67,660)
Other liabilities	489,261	495,628	(6,367)
Total Liabilities	1,826,140	1,900,167	(74,027)
Deferred Inflows of Resources			
Deferred pension resources	352,840	61,000	291,840
Net Position			
Investment in capital assets	117,784	126,323	(8,539)
Restricted for library	343,950	450,493	(106,543)
Unrestricted	406,855	559,939	(153,084)
Total Net Position	$ 868,589	$ 1,136,755	$ (268,166)

At the end of the current fiscal year, the Library is able to report positive balances in both categories of net position, for the Library as a whole, as well as for its separate governmental activities. All categories were positive in the prior year as well.

The Library's net position decreased $268,166 during the current fiscal year. Key elements of this decrease are as follows:

East Central Regional Library's Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 113,418	$ 109,293	$ 4,125
Operating grants and contributions	2,308,588	2,140,827	167,761
General revenues			
State aid formula grants	930,585	948,273	(17,688)
Miscellaneous	36,817	44,822	(8,005)
Interest on investments	52,432	43,419	9,013
Total Revenues	3,441,840	3,286,634	155,206
Expenses			
Culture and recreation	3,710,006	3,295,081	414,925
Change in Net Position	(268,166)	(8,447)	(259,719)
Net Position, January 1 (Restated)*	1,136,755	1,145,202	(8,447)
Net Position, December 31	$ 868,589	$ 1,136,755	$ (268,166)

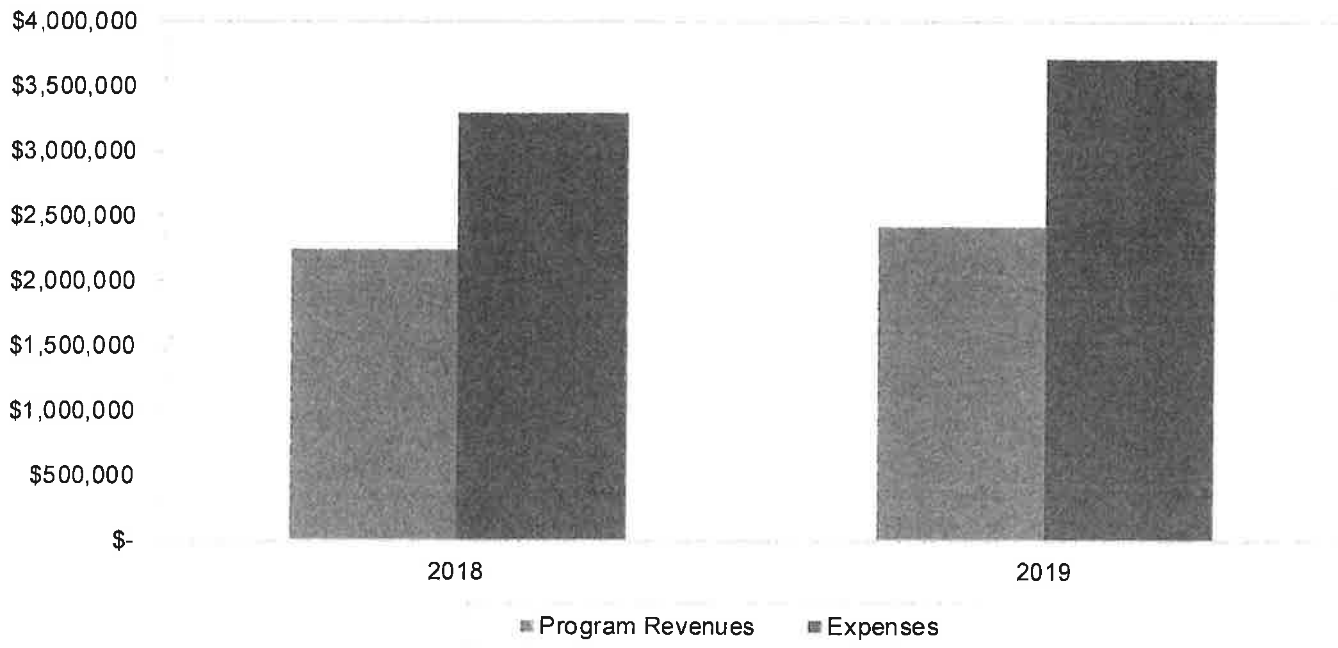
*Note - Restated beginning balance due to compensated absences prior period restatement (Note 6)

- Total governmental revenues increased $155,206 from 2018. Operating grants and contributions increased $167,761 during the year. The increase is mainly due to an increase contributions from member Counties.

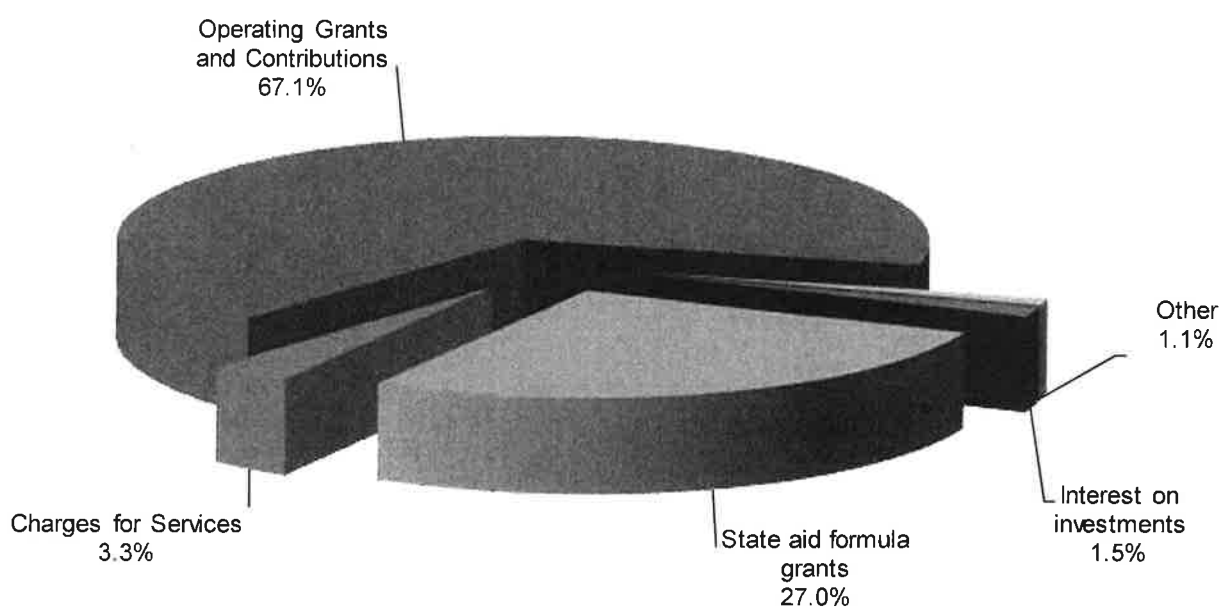
- Culture and recreation expenditures increased a total of $414,925 from 2018. The increase can mainly be attributed to higher expenses related to the Library's pension expense.

The following graph depicts culture and recreation activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of $2,303,490, an increase of $50,268 in comparison with the prior year. The General Fund alone had an excess of expenditures over revenues of $24,617 largely due capital related purchases in line with budget. The total fund balances are either 1) restricted for the Library and Legacy grant ($343,950) or 2) assigned for future capital ($148,252) or 3) unassigned ($1,811,288) for general purpose.

The General fund is the chief operating fund of the Library. At the end of the current year, the fund balance of the General fund was $1,959,540.

General Fund Budgetary Highlights

The Library's General fund budget was not amended during the year. Total revenue was over budget by $33,549 due to higher than expected interest on investments. Total expenditures were under budget by of $91,834 due to decreased personal services as compared to expectations.

Capital Assets

The Library's investment in capital assets for its governmental activities as of December 31, 2019 amounts to $117,784 (net of accumulated depreciation). This investment in capital assets includes furniture and equipment. Two new servers were purchased in 2019.

Additional information on the Library's capital assets can be found in Note 3B on page 39 of this report.

Economic Factors and Next Year's Budgets and Rates

The Library is highly dependent on the surrounding counties, as well as state and federal funding. Without this continued assistance the Library would be unable to continue.

These factors were considered in preparing the Library's budget for the 2020 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information contact the Business Office, East Central Regional Library, 111 Dellwood Street North, Cambridge, Minnesota, 55008.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

East Central Regional Library
Cambridge, Minnesota
Statement of Net Position
December 31, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	$ 2,440,469
Accounts receivable	2,417
Due from other governments	349,865
Capital assets	
Depreciable capital assets (net of accumulated depreciation)	117,784
Total Assets	2,910,535
Deferred Outflows of Resources	
Deferred pension resources	137,034
Liabilities	
Accounts payable	35,127
Accrued salaries payable	15,573
Unearned revenue	438,561
Noncurrent liabilities	
Compensated absences - due within one year	87,376
Net pension liability	1,249,503
Total Liabilities	1,826,140
Deferred Inflows of Resources	
Deferred pension resources	352,840
Net Position	
Investment in capital assets	117,784
Restricted for library	343,950
Unrestricted	406,855
Total Net Position	$ 868,589

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

East Central Regional Library
Cambridge, Minnesota
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Culture and Recreation	$ 3,710,006	$ 113,418	$ 2,308,588	$ -	$ (1,288,000)
General Revenues					
State aid formula grants					930,585
Miscellaneous					36,817
Interest on investments					52,432
Total General Revenues					1,019,834
Change in Net Position					(268,166)
Net Position, January 1 - as Restated (Note 6)					1,136,755
Net Position, December 31					$ 868,589

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

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FUND FINANCIAL STATEMENTS

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

East Central Regional Library
Cambridge, Minnesota
Balance Sheet
Governmental Funds
December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 2,095,643	$ 344,826	$ 2,440,469
Accounts receivable	2,417	-	2,417
Due from other governments	349,865	-	349,865
Total Assets	$ 2,447,925	$ 344,826	$ 2,792,751
Liabilities			
Accounts payable	$ 34,251	$ 876	$ 35,127
Accrued salaries payable	15,573	-	15,573
Unearned revenue	438,561	-	438,561
Total Liabilities	488,385	876	489,261
Fund Balances			
Restricted for			
Library	-	213,910	213,910
Legacy grant	-	130,040	130,040
Assigned for			
Automation	28,096	-	28,096
Telecommunication	16,806	-	16,806
Service to Growth Areas	10,000	-	10,000
Capital	15,688	-	15,688
Outreach	4,487	-	4,487
Vehicle	73,175	-	73,175
Unassigned	1,811,288	-	1,811,288
Total Fund Balances	1,959,540	343,950	2,303,490
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,447,925	$ 344,826	$ 2,792,751

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

East Central Regional Library
Cambridge, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2019

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

Total Fund Balances - Governmental Funds	$ 2,303,490
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	749,733
Less: accumulated depreciation	(631,949)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences	(87,376)
Pension liability	(1,249,503)
Governmental funds do not report long-term amounts related to pensions	
Deferred outflows of pension resources	137,034
Deferred inflows of pension resources	(352,840)
Total Net Position - Governmental Activities	$ 868,589

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

East Central Regional Library
Cambridge, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	$ 3,063,252	$ 117,999	$ 3,181,251
Charges for services	113,418	-	113,418
Interest on investments	51,697	735	52,432
Miscellaneous	28,935	62,896	91,831
Total Revenues	3,257,302	181,630	3,438,932
Expenditures			
Current			
Culture and Recreation			
Personal services	2,346,994	20,985	2,367,979
Library materials	478,003	3,922	481,925
Library programs	-	51,142	51,142
Office equipment and supplies	106,201	-	106,201
Telecommunication	65,150	-	65,150
Software	45,526	-	45,526
Vehicles	12,617	-	12,617
Other services and charges	90,675	30,696	121,371
Capital outlay			
Culture and Recreation	136,753	-	136,753
Total Expenditures	3,281,919	106,745	3,388,664
Net Change in Fund Balances	(24,617)	74,885	50,268
Fund Balances, January 1	1,984,157	269,065	2,253,222
Fund Balances, December 31	$ 1,959,540	$ 343,950	$ 2,303,490

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

East Central Regional Library
Cambridge, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2019

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

Total Net Change in Fund Balances - Governmental Funds	$	50,268
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		55,949
Depreciation expense		(64,488)
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.		
Compensated absences		7,932
Long-term pension activity is not reported in governmental funds		
Pension revenue		2,908
Pension expense		(320,735)
Change in Net Position - Governmental Activities	$	(268,166)

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

East Central Regional Library

Cambridge, Minnesota

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2019

(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Intergovernmental					
County apportions	$ 2,049,198	$ 2,049,198	$ 2,049,198	$ -	$ 1,933,856
City appropriations	70,646	70,646	78,665	8,019	73,472
State					
PERA aid	-	-	4,804	4,804	4,804
Other	946,408	946,408	930,585	(15,823)	948,273
Total intergovernmental	3,066,252	3,066,252	3,063,252	(3,000)	2,960,405
Charges for services	112,500	112,500	113,418	918	115,980
Interest on investments	20,000	20,000	51,697	31,697	43,192
Miscellaneous	25,001	25,001	28,935	3,934	28,355
Total Revenues	3,223,753	3,223,753	3,257,302	33,549	3,147,932
Expenditures					
Current					
Culture and Recreation					
Library operations					
Personal services	2,450,134	2,450,134	2,346,994	103,140	2,194,697
Library materials	467,927	467,927	478,003	(10,076)	455,032
Office equipment and supplies	128,600	128,600	106,201	22,399	107,049
Telecommunication	65,000	65,000	65,150	(150)	81,834
Software	49,000	49,000	45,526	3,474	44,200
Vehicles	16,000	16,000	12,617	3,383	13,549
Other services and charges	46,000	46,000	90,675	(44,675)	129,218
Capital outlay					
Culture and recreation	151,092	151,092	136,753	14,339	116,091
Total Expenditures	3,373,753	3,373,753	3,281,919	91,834	3,141,670
Net Change in Fund Balances	(150,000)	(150,000)	(24,617)	125,383	6,262
Fund Balances, January 1	1,984,157	1,984,157	1,984,157	-	1,977,895
Fund Balances, December 31	$ 1,834,157	$ 1,834,157	$ 1,959,540	$ 125,383	$ 1,984,157

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The East Central Regional Library (the Library) operates a library headquartered in Cambridge, Minnesota and several branch libraries in the surrounding six-county area in facilities provided by the County or City. Accordingly, the buildings major improvements, and in many situations, cost of the utilities of the branch offices is not included in these statements. The Board of Trustees (the Board) is composed of representatives from each member city, consisting of nineteen members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Library's activities. The Library has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Library has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library. Interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for nonmajor governmental funds. The major individual governmental fund is reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide 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. 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Fines, charges for services, grants, interest and other items associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants and donations. On an accrual basis, revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unearned revenue in the fund financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Library reports the following major governmental fund:

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

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position / Fund Balance

Deposits and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Library may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Library has not formally adopted an investment policy. The Library has no fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Library's pooled investments are listed in detail on page 39.

Note 1: Summary of Significant Accounting Policies (Continued)

Due from Other Governments

Amounts due from other governments include amounts due from the State of Minnesota for basic Library support.

Capital Assets

Capital assets, which include vehicles and equipment, are reported in the government-wide financial statements. The Library has no formal capital asset policy. Capital assets are defined by the Library as assets with an initial, individual cost of more than $5,000 (amount not rounded) 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Useful Lives in Years
Land Improvements	20
Buidlings and Building Improvements	25 - 50
Machinery and Equipment	5 - 30

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the Library's policy to permit employees who work over to accumulate a limited amount of earned but unused vacation. Employees are allowed to carry over no more than one year's worth of PTO to an any new calendar year. According to the policy, employees will be paid out 100 percent of unused PTO upon termination. The policy also includes ability to accrue extended illness benefits allowable to be used starting on the fourth day of an illness. Employees are not paid out extended illness benefits at termination. All compensated absences are accrued when incurred in the government-wide financial statements. In governmental fund types, the costs of these benefits are recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences payable.

Pensions

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

The total pension expense for the year was negative ($14,683) for the General Employee Retirement plan.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Library has one item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the Library's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Library has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Manager.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Library considers restricted amounts to be spent first when both restricted and unassigned fund balance is available. Additionally, the Library would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The Library does not have a formally adopted a fund balance policy for the General fund.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The Library does not use encumbrance accounting. There were no budget amendments in 2019.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Library's deposits and investments may not be returned or the Library will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Commission, the Library maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Library deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At year end, the Library's carrying amount of deposits was $430,971 and the bank balance was $511,126. Of the bank balance, $444,360 was covered by Federal depository insurance, while the remaining balance was uncollateralized.

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2019, the Library had the following investments that are insured or registered, or securities held by the Library's agent in the Library's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
MAGIC (Minnesota Association of Governments Investing for Counties) Fund	N/A	less than 1 year	$ 2,008,923

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

A reconciliation of cash and investments as shown on the statement of net position for the Library follows:

Carrying Amount of Deposits	$ 430,971
Investments	2,008,923
Cash on Hand	575
Total	$ 2,440,469

B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, being Depreciated				
Machinery and equipment	$ 693,784	$ 55,949	$ -	$ 749,733
Less Accumulated Depreciation for Machinery and equipment	(567,461)	(64,488)	-	(631,949)
Governmental Activities Capital Assets, Net	$ 126,323	$ (8,539)	$ -	$ 117,784

Depreciation expense of $64,488 was charged to the culture and recreation department of the Governmental activities.

Note 3: Detailed Notes on All Funds (Continued)

C. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance (as Restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated Absences Payable	$ 95,308	$ 119,269	$ (127,201)	$ 87,376	$ 87,376

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the Library, are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

GERP Benefits

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

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Note 4: Defined Pension Plans - Statewide (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the Library was required to contribute 7.50 percent for Coordinated Plan members. The Library's contributions to the General Employees Fund for the year ending December 31, 2019, 2018 and 2017 were $122,384, $118,829, and $117,868, respectively. The Library's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the Library reported a liability of $1,249,503 for its proportionate share of the General Employee Fund's net pension liability. The Library's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Library totaled $38,832. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Library's proportion was 0.0226 percent which was a decrease in the percentage measured as of June 30, 2018 totaling (0.0010) percent.

Library's Proportionate Share of the Net Pension Liability	$ 1,249,503
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Library	38,832
Total	$ 1,288,335

For the year ended December 31, 2019, the Library recognized negative pension expense of $17,591 for its proportionate share of General Employees Plan's pension expense. In addition, the Library recognized an additional $2,908 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

Note 4: Defined Pension Plans - Statewide (Continued)

At December 31, 2019, the Library reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	$ 51,402	$ 1,961
Changes in Actuarial Assumptions	7,142	113,121
Net Difference between Projected and Actual Earnings on Plan Investments	-	146,003
Changes in Proportion	16,768	91,755
Contributions Paid to PERA Subsequent to the Measurement Date	61,722	-
Total	$ 137,034	$ 352,840

The $61,722 reported as deferred outflows of resources related to pensions resulting from the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	$ (89,678)
2021	(146,765)
2022	(43,098)
2023	2,013

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

Note 4: Defined Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	100.00 %	

F. Discount Rate

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

Note 4: Defined Pension Plans - Statewide (Continued)

G. Pension Liability Sensitivity

The following presents the Library's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	$ 2,054,116	$ 1,249,503	$ 585,135

H. Pension Plan Fiduciary Net Position

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

Note 5: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Library is unable to determine if it will have a material impact to its operations.

Note 6: Prior Period Adjustment

The reported prior period adjustment illustrated below relates to the recognition of compensated absences in the governmental activities. The Library has outstanding liability related to compensated absences that exists and therefore needs to be recorded. The adjustment has been recorded as a prior period adjustment in 2019.

Fund	Net Position January 1, 2019 as Previously Reported	Prior Period Restatement	Net Position January 1, 2019 as Restated
Governmental Activities	$ 1,232,063	$ (95,308)	$ 1,136,755

REQUIRED SUPPLEMENTARY INFORMATION

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

East Central Regional Library
Cambridge, Minnesota
Required Supplementary Information
December 31, 2019

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	Library's Proportion of the Net Pension Liability	Library's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Library (b)	Total (a+b)	Library's Covered Payroll (c)	Library's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0226 %	$ 1,249,503	$ 38,832	$1,288,335	$ 1,601,020	78.0 %	80.2 %
06/30/18	0.0236	1,309,231	42,991	1,352,222	1,577,980	83.0	79.5
06/30/17	0.0250	1,595,984	20,056	1,616,040	1,550,500	102.9	75.9
06/30/16	0.0239	1,940,561	25,332	1,965,893	1,479,013	131.2	68.9
06/30/15	0.0271	1,273,022	-	1,273,022	714,300	178.2	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Library's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	$ 122,384	$ 122,384	$ -	$ 1,631,787	7.5 %
12/31/18	118,829	118,829	-	1,584,328	7.5
12/31/17	117,868	117,868	-	1,571,514	7.5
12/31/16	114,707	114,707	-	1,529,360	7.5
12/31/15	107,145	107,145	-	1,428,600	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in plan provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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INDIVIDUAL FUND SCHEDULES

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

East Central Regional Library
Cambridge, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue		Total
	201 Special Revenue	**205** Legacy Grant	Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ 213,910	$ 130,916	$ 344,826
Liabilities			
Accounts payable	$ -	$ 876	$ 876
Fund Balances			
Restricted	213,910	130,040	343,950
Total Liabilities and Fund Balances	$ 213,910	$ 130,916	$ 344,826

East Central Regional Library
Cambridge, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	Special Revenue		Total
	201 Special Revenue	**205** Legacy Grant	Nonmajor Governmental Funds
Revenues			
Intergovernmental	$ 9,500	$ 108,499	$ 117,999
Interest on investments	735	-	735
Miscellaneous			
Donations and contributions	62,726	-	62,726
Refunds and reimbursements	170	-	170
Total Revenues	73,131	108,499	181,630
Expenditures			
Current			
Culture and Recreation			
Library administration			
Personal services	-	20,985	20,985
Library programs		51,142	51,142
Office equipment and supplies	-	3,922	3,922
Other services and charges	20,017	10,679	30,696
Total Expenditures	20,017	86,728	106,745
Net Change in Fund Balances	53,114	21,771	74,885
Fund Balances, January 1	160,796	108,269	269,065
Fund Balances, December 31	$ 213,910	$ 130,040	$ 343,950

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OTHER REQUIRED REPORTS

EAST CENTRAL REGIONAL LIBRARY
CAMBRIDGE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Trustees
East Central Regional Library
Cambridge, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the remaining fund information of the East Central Regional Library, Cambridge, Minnesota (the Library), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated July 10, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Library failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as items 2019-001 and 2019-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Library's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The Library's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Library's responses and, accordingly, express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 10, 2020

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ABDO
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MEYERS LLP
Certified Public Accountants & Consultants

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

Board of Trustees
East Central Regional Library
Cambridge, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Central Regional Library, Cambridge, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-005 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-003 and 2019-004 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 two instances of noncompliance noted as items 2019-001 and 2019-002 that are required to be reported under *Government Auditing Standards*.

The Library's Responses to the Findings

The Library's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Library's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
July 10, 2020

East Central Regional Library
Cambridge, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2019

Finding	Description
2019-001	**Insufficient Collateral Coverage**
Condition:	Auditing of legal compliance requires a review of the Library's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
Criteria:	In accordance with Minnesota Statute, section 118A.03, the Library is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
Cause:	The Library had $66,766 of deposits uncollateralized on December 31, 2019, which calculates to the Library being $73,442 under the required amount. The Minnesota Statute requires deposits over FDIC coverage to be collateralized at 110%. In the past, the Library's cash has not exceeded the amount covered by Federal Depository Insurance.
Effect:	At year end, the Library did not have sufficient collateral pledged and therefore was not in compliance with state statute.
Recommendation:	We recommend that the Library reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the Library complies with the applicable statue.

Management Response:

The Finance Manager will take the appropriate actions with the bank to ensure that Library's deposits are sufficiently covered by collateral throughout the entire year.

Finding	Description
2019-002	**Electronic Funds Transfer**
Condition:	The Library has not enacted a plan as required under Minnesota Statute § 471.38, subd. 3a for electronic fund transfers that contains policy controls regarding annual delegation of authority, a certified copy of the delegation to be kept on file at the disbursing bank, the identity of the initiator of each transaction, approval prior to each transfer, written confirmation within one day of each transaction, and a list of transactions to be submitted to the board at the meeting following each transfer.
Criteria:	Minnesota Statute § 471.38, subd. 3a requires a plan to be in place containing the information in the bullets below.
Cause:	The Library lacks a policy containing information as required by Minnesota Statute § 471.38, subd. 3a.
Effect:	The Library is not in compliance with Minnesota Statutes.
Recommendation:	We recommend that the Library establish internal controls to ensure compliance with Minnesota Statutes regarding electronic fund transfers. To comply with the state statute, the following controls should be in place:

- the governing body shall annually delegate the authority to make electronic fund transfers to a designated member of the finance department;
- the disbursing bank shall keep on file a certified copy of the delegation of authority;
- the initiator of each electronic transfer shall be identified;
- The initiator shall document the request and obtain an approval for each transfer from the designated member of the finance department before initiating the transfer;
- written confirmation of each transaction shall be made no later than one business day after the transaction;
- a list of all transactions made by electronic funds transfers shall be submitted to the Library's board at the next regular meeting after the transaction.

Management Response:

Management agrees and will establish a policy requiring the previously described controls.

Finding	Description
2019-003	**Preparation of Financial Statements**
Condition:	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board of Trustees as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
Criteria:	Internal controls should be in place to provide reasonable assurance over financial reporting.
Cause:	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
Effect:	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
Recommendation:	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the Library is reviewing the financial statements we recommend that the Library agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the Library's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Finding	Description
2019-004	**Segregation of Duties**
Condition:	During our audit we reviewed procedures over cash disbursements, payroll, financial reporting, and capital assets and found the Library to have limited segregation of duties over those transaction cycles.
Criteria:	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
Cause:	As a result of the limited number of staff, in the disbursement cycle, the Finance Manager has access to checks, ability to posts to the general ledger, and prepares bank reconciliations. In the payroll cycle, the Finance Manager has control over the checks, sets up employee records, posts to the general ledger. In the financial reporting and capital asset transaction cycles, the Finance Manager performs all of the duties.
Effect:	The existence of this limited segregation of duties increases the risk of fraud.
Recommendation:	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the Library evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the Board of Trustees is aware of this condition and monitor all financial information.

Management Response:

Management recognizes that it is not economically feasible to correct this finding, however, is aware of the deficiency and is relying on oversight by management and the Board of Trustees to monitor this deficiency.

2019-005	**Material Audit Adjustment**
Condition:	During our audit, a material adjustment was needed to correct the current and prior year-end compensated absences balance.
Criteria:	Such adjustments were needed to correct current and prior year end balances. In prior years compensated absences had no balance that was recorded. An entry was required to correct the prior years ending balance and record the current year activity.
Cause:	Management had not accounted for compensated absences on the financial statements.
Effect:	This indicates that misstatements may occur and not be detected by the Library's system of internal control.
Recommendation:	We recommend management review the related journal entries, obtain an understanding of why the entries were necessary and modify current procedure to ensure that future corrections are not needed.

Management Response:

The Finance Manager will review each journal entry in an effort to better understand the reason the modification as necessary in an effort to limit future corrections.

Aitkin County Board of Commissioners
Board Meeting Attendance Record
Date: August 25, 2020

Name	Aitkin County Citizen	Aitkin County Employee	Company Representative – please list.
[illegible] Sutton		✓	
John Welle		✓	
Cynthia Bennett		✓	
Carli Goble		✓	
Jennifer Eisenbart	✓		Aitkin Age
Jim Bright		✓	
Jessi Schultz		✓	
Rich Courtemanche		✓	
Kathleen Ryan		✓	