State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Hubbard County
Park Rapids, Minnesota

Year Ended December 31, 2021

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota's local public pension funds; and

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

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

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Hubbard County
Park Rapids, Minnesota

Year Ended December 31, 2021

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

TABLE OF CONTENTS

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	19
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	24
Proprietary Fund		
Heritage Community Enterprise Fund		
Statement of Fund Net Position	7	25
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	27
Statement of Cash Flows	9	28
Fiduciary Funds		
Statement of Fiduciary Net Position	10	30
Statement of Changes in Fiduciary Net Position	11	31
Notes to the Financial Statements		32

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	109
Road and Bridge Special Revenue Fund	A-2	112
Social Services Special Revenue Fund	A-3	113
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-4	114
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	115
Schedule of Contributions	A-6	116
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-7	117
Schedule of Contributions	A-8	118
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-9	119
Schedule of Contributions	A-10	120
Notes to the Required Supplementary Information		121
Supplementary Information		
Nonmajor Governmental Funds		136
Combining Balance Sheet	B-1	137
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	138
Budgetary Comparison Schedules		
Land Management Special Revenue Fund	B-3	139
Solid Waste Special Revenue Fund	B-4	140
Environmental Trust Permanent Fund	B-5	141
Fiduciary Funds – Custodial Funds		142
Combining Statement of Fiduciary Net Position	C-1	143
Combining Statement of Changes in Fiduciary Net Position	C-2	145
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	147
Schedule of Expenditures of Federal Awards	D-2	149
Notes to the Schedule of Expenditures of Federal Awards		151

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

TABLE OF CONTENTS
(Continued)

	Exhibit	Page
Management and Compliance Section		
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*		153
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		156
Schedule of Findings and Questioned Costs		160
Corrective Action Plan		167
Summary Schedule of Prior Audit Findings		170

INTRODUCTORY SECTION

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2021

Office	Name	Term Expires
Commissioners		
1st District	David De La Hunt	January 2023
2nd District	Charlene Christenson	January 2025
3rd District	Tom Krueger	January 2023
4th District	Daniel Stacey	January 2025
5th District	Ted Van Kempen	January 2023
Officers		
Elected		
Attorney	Jonathan Frieden	January 2023
Sheriff	Cory Aukes	January 2023
Appointed		
Administrator	Jeff Cadwell	Indefinite
Assessor	Jamie Freeman	Indefinite
Auditor/Treasurer	Kay Rave	Indefinite
Environmental Services Director	Eric Buitenwerf	Indefinite
Facilities Maintenance Manager	Bobby Wilkins	Indefinite
Highway Engineer	Jed Nordin	Indefinite
Human Resources Director	Gina Teems	Indefinite
Information Technology Director	Robb Warne	Indefinite
Land Commissioner	Mark Lohmeier	Indefinite
Recorder	Lauren Anderson	Indefinite
Social Services Director	Brian Ophus	Indefinite
Solid Waste Administrator	Josh Holte	Indefinite
Veteran Services Officer	Jerrold Bjerke	Indefinite

FINANCIAL SECTION

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2021, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, as of December 31, 2021, including the Heritage Community Enterprise Fund as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, which reflects 23 percent and 98 percent, respectively, of the assets and revenues of both the Heritage Community Enterprise Fund, a major fund, and the business-type activities, as of September 30, 2021, and the respective changes in financial positions and cash flows thereof for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Heritage Manor, and Heritage Cottages, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the Hubbard County Housing and Redevelopment Authority (HRA), which represents the amounts shown as the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hubbard County HRA, is based solely on the report of the other auditors.

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Basis for Opinions
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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter Regarding Going Concern
The accompanying financial statements have been prepared assuming that the Heritage Community Enterprise Fund will continue as a going concern. As discussed in Note 4.I to the financial statements, the Heritage Community has experienced a decrease in cash, an increase in payables, and occupancy issues and has stated that substantial doubt exists about the Heritage Community's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plan regarding these matters also are described in Note 4.I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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

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

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hubbard County's basic financial statements. The combining statements for the nonmajor governmental funds; Budgetary Comparison Schedules for the nonmajor governmental funds; combining statements for fiduciary funds; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditor, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

The management of Hubbard County offers readers of the County's financial statements this narrative overview and analysis of the financial activities of Hubbard County for the fiscal year ended December 31, 2021. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements and the notes to the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is $113,430,525, of which $88,605,665 is the net investment in capital assets, $11,597,871 is restricted for specific purposes, and $13,226,989 is unrestricted. The total net position of governmental activities increased by $5,337,092 in 2021.

The total net position of business-type activities is ($2,696,404), of which ($318,013) is the net investment in capital assets, $1,115,301 is restricted for specific purposes, and ($3,493,692) is unrestricted. The total net position of business-type activities decreased by $66,603 for the year ended September 30, 2021.

At the close of 2021, the County's governmental funds reported combined ending fund balances of $31,883,106, a decrease of $3,212,052 from the prior year. Of the total fund balance amount, $780,966 is nonspendable, $8,844,794 is legally or contractually restricted, $10,578,387 is committed, $9,292,755 is assigned for specific purposes, and $2,386,204 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

- Business-type activities – The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Heritage Community.

- Component units – The County includes a separate legal entity in its report. The Hubbard County Housing and Redevelopment Authority (HRA) is reported in a separate column. Although legally separate, this "component unit" is important because the County appoints a voting majority of the HRA Board, and the County can impose its will on the HRA.

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

Fund Financial Statements

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

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

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

The County reports four governmental fund types: General, Special Revenue, Debt Service, and Permanent. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Road and Bridge Special Revenue Fund, and the Social Services Special Revenue Fund, all of which are considered to be major funds. Data from the Land Management Special Revenue Fund, the Solid Waste Special Revenue Fund, the Building Bonds Debt Service Fund, and the Environmental Trust Permanent Fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in combining statements after the notes to the financial statements.

Hubbard County adopts annual budgets for its governmental funds, with the exception of the Building Bonds Debt Service Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds: Hubbard County maintains one enterprise fund. The Heritage Community Enterprise Fund accounts for the combined activities of the County's Heritage Living Center, Heritage Manor, and Heritage Cottages facilities, which provide long-term health care, adult day care, memory care, and assisted living senior housing services for the elderly. Financing is provided by user service charges. Proprietary funds provide the same type of information as the government-wide financial statements and are included in the Statement of Net Position and the Statement of Activities as business-type activities.

Fiduciary Funds: Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, or other governments. Hubbard County's fiduciary funds consist of one private-purpose trust fund and several custodial funds. The fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides combining statements, budgetary comparison schedules, a schedule of intergovernmental revenue, a schedule of expenditures of federal awards, and related notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $110,734,121 at the close of 2021. The largest portion of the County's net position (approximately 80 percent) reflects its net investment in capital assets (i.e., land, permanent right-of-way, construction in progress, infrastructure, buildings and improvements, land improvements, machinery and equipment, and software). It should be noted that this amount is not available for future spending. Approximately eleven percent of the County's net position is restricted and nine percent of the County's net position is unrestricted. The unrestricted net position amount of $9,733,297 as of December 31, 2021, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets and deferred outflows of resources increased by $5,548,940 from the prior year, and total liabilities and deferred inflows of resources increased by $278,451 from the prior year, primarily due to increases in capital assets, deferred outflows and inflows of resources related to pensions, and unearned revenue, and decreases in cash and pooled investments, long-term liabilities due in more than one year, and net pension liability in the current year. This resulted in an increase in net position of $5,270,489.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	$ 38,625,470	$ 39,341,066	$ 10,274,010	$ 11,438,111	$ 48,899,480	$ 50,779,177
Capital assets	93,631,410	92,411,287	1,886,332	2,051,848	95,517,742	94,463,135
Total Assets	$ 132,256,880	$ 131,752,353	$ 12,160,342	$ 13,489,959	$ 144,417,222	$ 145,242,312
Deferred outflows of resources	$ 7,355,323	$ 2,064,762	$ 1,270,467	$ 186,998	$ 8,625,790	$ 2,251,760
Liabilities						
Long-term liabilities	$ 13,883,874	$ 21,882,296	$ 13,649,182	$ 14,998,374	$ 27,533,056	$ 36,880,670
Other liabilities	3,289,823	1,752,484	574,467	1,122,222	3,864,290	2,874,706
Total Liabilities	$ 17,173,697	$ 23,634,780	$ 14,223,649	$ 16,120,596	$ 31,397,346	$ 39,755,376
Deferred inflows of resources	$ 9,007,981	$ 2,088,902	$ 1,903,564	$ 186,162	$ 10,911,545	$ 2,275,064
Net position						
Net investment in capital assets	$ 88,605,665	$ 86,609,035	$ (318,013)	$ (444,295)	$ 88,287,652	$ 86,164,740
Restricted	11,597,871	10,230,150	1,115,301	1,119,710	12,713,172	11,349,860
Unrestricted	13,226,989	11,254,248	(3,493,692)	(3,305,216)	9,733,297	7,949,032
Total Net Position	$ 113,430,525	$ 108,093,433	$ (2,696,404)	$ (2,629,801)	$ 110,734,121	$ 105,463,632

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 9,279,383	$ 9,225,003	$ 6,282,660	$ 8,313,454	$ 15,562,043	$ 17,538,457
Operating grants and contributions	13,986,669	12,389,254	1,180,512	304,534	15,167,181	12,693,788
Capital grants and contributions	529,902	306,800	-	-	529,902	306,800
General revenues						
Property taxes	15,428,822	15,533,015	-	-	15,428,822	15,533,015
Transportation sales tax	1,925,243	1,468,994	-	-	1,925,243	1,468,994
Mortgage registry and deed tax	44,422	40,316	-	-	44,422	40,316
Grants and contributions not restricted to specific programs	1,115,341	3,879,511	-	-	1,115,341	3,879,511
Payments in lieu of tax	912,586	897,545	-	-	912,586	897,545
Investment earnings	173,831	475,509	138,139	141,740	311,970	617,249
Miscellaneous	333,773	269,859	-	-	333,773	269,859
Total Revenues	$ 43,729,972	$ 44,485,806	$ 7,601,311	$ 8,759,728	$ 51,331,283	$ 53,245,534
Expenses						
General government	$ 5,974,745	$ 7,723,344	$ -	$ -	$ 5,974,745	$ 7,723,344
Public safety	7,375,206	6,578,111	-	-	7,375,206	6,578,111
Highways and streets	8,258,103	7,313,236	-	-	8,258,103	7,313,236
Sanitation	3,959,997	3,501,203	-	-	3,959,997	3,501,203
Human services	9,337,915	9,339,899	-	-	9,337,915	9,339,899
Health	55,745	67,710	-	-	55,745	67,710
Culture and recreation	617,545	624,411	-	-	617,545	624,411
Conservation of natural resources	2,235,452	2,032,254	-	-	2,235,452	2,032,254
Economic development	496,184	114,000	-	-	496,184	114,000
Interest	81,988	193,882	-	-	81,988	193,882
Heritage Community	-	-	7,667,914	9,238,465	7,667,914	9,238,465
Total Expenses	$ 38,392,880	$ 37,488,050	$ 7,667,914	$ 9,238,465	$ 46,060,794	$ 46,726,515
Changes in Net Position	$ 5,337,092	$ 6,997,756	$ (66,603)	$ (478,737)	$ 5,270,489	$ 6,519,019
Net Position – January 1	$ 108,093,433	$ 101,095,677	$ (2,629,801)	$ (2,151,064)	$ 105,463,632	$ 98,944,613
Net Position – December 31	$ 113,430,525	$ 108,093,433	$ (2,696,404)	$ (2,629,801)	$ 110,734,121	$ 105,463,632

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

At the end of 2021, the County's governmental funds reported combined ending fund balances of $31,883,106. Of this amount, approximately two percent constitutes nonspendable fund balance, 28 percent constitutes legally or contractually restricted fund balance, 33 percent constitutes committed fund balance, 29 percent constitutes specifically assigned fund balance and eight percent constitutes unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $10,380,138. Unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was $7,527,796. As a measure of the General Fund's liquidity, it is useful to compare the unrestricted fund balance and total fund balance to total fund expenditures for 2021. Unrestricted fund balance represents 45 percent of total General Fund expenditures, while total fund balance represents 62 percent of that same amount.

In 2021, the fund balance amount in the General Fund increased by $437,329, due to more revenues than anticipated in 2021.

The fund balance of the Road and Bridge Special Revenue Fund increased by $1,245,985 in 2021 due to the delayed maintenance projects.

The fund balance of the Social Services Special Revenue Fund decreased $479,229 from the prior year due to the budgeted use of fund balance.

Proprietary Fund

The Heritage Community Enterprise Fund operating loss in 2021 was $941,915.

Total resident services and ancillary revenues decreased 24.4 percent, from $8,313,874 in fiscal year 2020 to $6,287,750 in fiscal year 2021. The decreased revenues were a result of decreased fees in 2021 due to the Covid-19 pandemic. Resident service expenses decreased 17.7 percent from $8,789,733 in 2020 to $7,229,665 in 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by $1,881,201 with the largest positive variances in intergovernmental and miscellaneous revenues. Overall final budgeted expenditures were less than actual expenditures by $1,553,365.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2021, and business-type activities as of September 30, 2021, amounted to $95,517,742 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 1.1 percent.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	$ 885,724	$ 885,724	$ 117,299	$ 117,299	$ 1,003,023	$ 1,003,023
Permanent right-of-way	3,678,309	3,678,309	-	-	3,678,309	3,678,309
Construction in progress	1,530,483	5,367,846	-	-	1,530,483	5,367,846
Infrastructure	68,729,485	62,491,528	-	-	68,729,485	62,491,528
Buildings and improvements	14,108,874	14,938,469	1,675,678	1,842,805	15,784,552	16,781,274
Land improvements	228,669	187,950	17,136	20,467	245,805	208,417
Machinery and equipment	4,340,909	4,742,305	76,219	71,277	4,417,128	4,813,582
Software	128,957	119,156	-	-	128,957	119,156
Total Capital Assets	$ 93,631,410	$ 92,411,287	$ 1,886,332	$ 2,051,848	$ 95,517,742	$ 94,463,135

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $15,954,166, which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
G.O. Bonds, net of premium	$ -	$ 2,486,394	$ 2,204,345	$ 2,496,143	$ 2,204,345	$ 4,982,537
G.O. Refunding Bonds, net of premium	4,576,245	7,512,553	-	-	4,576,245	7,512,553
G.O. Nursing Home Revenue Bonds, net of discount	-	-	9,173,576	9,287,941	9,173,576	9,287,941
Total Long-Term Debt	$ 4,576,245	$ 9,998,947	$ 11,377,921	$ 11,784,084	$ 15,954,166	$ 21,783,031

The County's net decrease in debt of $5,828,865 (26.8 percent) during the fiscal year was due to the defeasance of the G.O. Correctional Facility Refunding Bonds, Series 2012, and the G.O. Capital Improvement Plan Bonds, Series 2013 and scheduled debt service payments.

Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2021, overall debt of the County is below the three percent debt limit.

Hubbard County's bond rating is "Aa3" from Moody's.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. Revenue from intergovernmental sources, which includes federal and state revenues, totaled $15,369,834 in 2021. This amounts to 35.8 percent of the total governmental fund revenue received in 2021. This compares to intergovernmental revenues in 2020 of $17,734,693, or 39.9 percent, of the total governmental fund revenue received.

While Hubbard County is progressive in their technology and equipment needs, they also maximize the use of all equipment to assure the taxpayers they are not buying new equipment needlessly. The Commissioners support the department managers in their search for ways to provide better services to the taxpayers at a lesser expense by using technology rather than increasing staff.

The Hubbard County Board of Commissioners, elected officials, and their department managers take very seriously the spending of taxpayer dollars. The departments have reduced their spending as much as possible while still providing the mandatory services to the taxpayers.

The average 2021 unemployment rate for Hubbard County was 4.7 percent. This is higher than the statewide average rate of 3.4 percent and lower than the national average rate of 6.0 percent.

Hubbard County's population at June 1, 2022, was 21,909, an increase of 565 since 2020 (the last statewide census showing Hubbard County's population of 21,344).

On December 21, 2021, Hubbard County set its 2022 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Hubbard County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hubbard County Auditor/Treasurer, Hubbard County Courthouse, 301 Court Avenue, Park Rapids, Minnesota 56470.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2021
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Assets				
Cash and pooled investments	$ 31,991,939	$ 90,229	$ 32,082,168	$ 99,420
Taxes receivable – delinquent	355,084	-	355,084	3,361
Accounts receivable – net	1,481,629	421,516	1,903,145	47,711
Accrued interest receivable	-	-	-	-
Contracts receivable	775,247	-	775,247	654,347
Due from other governments	2,344,093	-	2,344,093	-
Due from related parties	-	181,082	181,082	-
Internal balances	746,360	(772,268)	(25,908)	-
Prepaid items	-	115,694	115,694	6,575
Inventories	313,686	-	313,686	-
Leveraged loan receivable	-	10,091,000	10,091,000	-
Restricted assets				
Cash and pooled investments				
Resident trust funds	-	17,820	17,820	-
Board-designated – bond fund	-	107,848	107,848	-
Board-designated – building fund	-	6,903	6,903	-
Minnesota Urban and Rural Homesteading	-	-	-	319,998
Tenant security deposits	-	14,186	14,186	57,739
Loan proceeds – construction fund	-	-	-	139
Investment	467,280	-	467,280	-
Capital assets				
Non-depreciable	6,094,516	117,299	6,211,815	537,040
Depreciable – net of accumulated depreciation	87,536,894	1,769,033	89,305,927	4,628,420
Net pension asset	150,152	-	150,152	-
Total Assets	**$ 132,256,880**	**$ 12,160,342**	**$ 144,417,222**	**$ 6,354,750**
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	$ 92,306	$ 4,271	$ 96,577	$ -
Deferred pension outflows	7,263,017	1,266,196	8,529,213	-
Total Deferred Outflows of Resources	**$ 7,355,323**	**$ 1,270,467**	**$ 8,625,790**	**$ -**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2021
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Liabilities				
Accounts payable	$ 862,017	$ 194,541	$ 1,056,558	$ 21,530
Salaries payable	660,380	61,914	722,294	2,520
Due to related parties	-	63,906	63,906	-
Contracts payable	131,203	-	131,203	-
Due to other governments	415,903	-	415,903	3,292
Deposits	-	-	-	57,739
Accrued interest payable	67,750	4,550	72,300	-
Unearned revenue	1,152,570	221,895	1,374,465	-
Current liabilities payable from restricted assets	-	27,661	27,661	-
Long-term liabilities				
Due within one year	1,668,668	689,223	2,357,891	127,151
Due in more than one year	4,936,260	10,890,012	15,826,272	3,881,260
Other postemployment benefits liability	958,806	109,385	1,068,191	-
Net pension liability	6,320,140	1,960,562	8,280,702	-
Total Liabilities	**$ 17,173,697**	**$ 14,223,649**	**$ 31,397,346**	**$ 4,093,492**
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	$ 176,079	$ 25,842	$ 201,921	$ -
Deferred pension inflows	8,831,902	1,877,722	10,709,624	-
Total Deferred Inflows of Resources	**$ 9,007,981**	**$ 1,903,564**	**$ 10,911,545**	**$ -**
Net Position				
Net investment in capital assets	$ 88,605,665	$ (318,013)	$ 88,287,652	$ 1,157,049
Restricted for				
General government	984,169	-	984,169	-
Public safety	754,871	-	754,871	-
Highways and streets	3,905,307	-	3,905,307	-
Human services	326,394	-	326,394	-
Culture and recreation	421,329	-	421,329	-
Conservation of natural resources	2,359,925	-	2,359,925	-
Capital projects	-	1,007,453	1,007,453	-
Debt service	1,361,252	107,848	1,469,100	-
Opioid remediation activities	1,017,344	-	1,017,344	-
Permanent fund principal	467,280	-	467,280	-
Minnesota Urban and Rural Homesteading	-	-	-	750,914
Unrestricted	13,226,989	(3,493,692)	9,733,297	353,295
Total Net Position	**$ 113,430,525**	**$ (2,696,404)**	**$ 110,734,121**	**$ 2,261,258**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
INCLUDING THE BUSINESS-TYPE INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 5,974,745	$ 917,591	$ 747,779
Public safety	7,375,206	907,518	456,367
Highways and streets	8,258,103	806,998	5,335,172
Sanitation	3,959,997	3,812,644	179,622
Human services	9,337,915	1,197,012	6,160,332
Health	55,745	-	-
Culture and recreation	617,545	-	-
Conservation of natural resources	2,235,452	1,637,620	683,213
Economic development	496,184	-	424,184
Interest	81,988	-	-
Total governmental activities	**$ 38,392,880**	**$ 9,279,383**	**$ 13,986,669**
Business-type activities			
Heritage Community	7,667,914	6,282,660	1,180,512
Total Primary Government	**$ 46,060,794**	**$ 15,562,043**	**$ 15,167,181**
Component unit			
Hubbard County Housing and Redevelopment Authority	**$ 781,377**	**$ 665,721**	**$ - **
General Revenues			
Property taxes			
Transportation sales tax			
Mortgage registry and deed tax			
Grants and contributions not restricted to specific programs			
Payments in lieu of tax			
Investment earnings			
Miscellaneous			
Total general revenues			
Change in net position			
Net Position – Beginning			
Net Position – Ending			

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Hubbard County Housing and Redevelopment Authority
	Governmental Activities	Business-Type Activities	Total	
$ -	$ (4,309,375)	$ -	$ (4,309,375)	
-	(6,011,321)	-	(6,011,321)	
529,902	(1,586,031)	-	(1,586,031)	
-	32,269	-	32,269	
-	(1,980,571)	-	(1,980,571)	
-	(55,745)	-	(55,745)	
-	(617,545)	-	(617,545)	
-	85,381	-	85,381	
-	(72,000)	-	(72,000)	
-	(81,988)	-	(81,988)	
$ 529,902	**$ (14,596,926)**	**$ -**	**$ (14,596,926)**	
-	-	(204,742)	(204,742)	
$ 529,902	**$ (14,596,926)**	**$ (204,742)**	**$ (14,801,668)**	
$ -				**$ (115,656)**
	$ 15,428,822	$ -	$ 15,428,822	$ 119,730
	1,925,243	-	1,925,243	-
	44,422	-	44,422	-
	1,115,341	-	1,115,341	-
	912,586	-	912,586	-
	173,831	138,139	311,970	1,567
	333,773	-	333,773	31,176
	$ 19,934,018	**$ 138,139**	**$ 20,072,157**	**$ 152,473**
	$ 5,337,092	**$ (66,603)**	**$ 5,270,489**	**$ 36,817**
	108,093,433	**(2,629,801)**	**105,463,632**	**2,224,441**
	$ 113,430,525	**$ (2,696,404)**	**$ 110,734,121**	**$ 2,261,258**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge	Social Services	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	$ 11,097,882	$ 10,346,026	$ 4,852,794	$ 5,695,237	$ 31,991,939
Investment	-	-	-	467,280	467,280
Taxes receivable – delinquent	202,584	72,175	59,064	21,261	355,084
Accounts receivable – net	205,302	52,022	1,061,934	162,371	1,481,629
Contracts receivable	-	-	-	775,247	775,247
Due from other funds	1,131,989	8,635	-	15	1,140,639
Due from other governments	207,263	1,263,460	865,201	8,169	2,344,093
Advance to other funds	-	-	-	9,208	9,208
Inventories	-	313,686	-	-	313,686
Total Assets	**$ 12,845,020**	**$ 12,056,004**	**$ 6,838,993**	**$ 7,138,788**	**$ 38,878,805**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 506,494	$ 133,276	$ 184,634	$ 37,613	$ 862,017
Salaries payable	366,917	73,834	158,086	61,543	660,380
Contracts payable	-	131,203	-	-	131,203
Due to other funds	1,554	2,765	8,975	380,985	394,279
Due to other governments	81,584	141,816	86,169	106,334	415,903
Unearned revenue	1,152,570	-	-	-	1,152,570
Advance from other funds	-	-	-	9,208	9,208
Total Liabilities	**$ 2,109,119**	**$ 482,894**	**$ 437,864**	**$ 595,683**	**$ 3,625,560**
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	$ 202,584	$ 72,175	$ 59,064	$ 21,261	$ 355,084
Charges for services	148,681	-	-	127,423	276,104
County state-aid highway allotments	-	897,677	-	-	897,677
Land and timber sales	-	-	-	540,398	540,398
Grants	-	-	279,034	-	279,034
Miscellaneous revenue	4,498	-	1,017,344	-	1,021,842
Total Deferred Inflows of Resources	**$ 355,763**	**$ 969,852**	**$ 1,355,442**	**$ 689,082**	**$ 3,370,139**

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge	Social Services	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable	$ -	$ 313,686	$ -	$ 467,280	$ 780,966
Restricted	2,852,342	3,088,476	326,394	2,577,582	8,844,794
Committed	5,141,592	4,961,945	280,155	194,695	10,578,387
Assigned	-	2,239,151	4,439,138	2,614,466	9,292,755
Unassigned	2,386,204	-	-	-	2,386,204
Total Fund Balances	**$ 10,380,138**	**$ 10,603,258**	**$ 5,045,687**	**$ 5,854,023**	**$ 31,883,106**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 12,845,020**	**$ 12,056,004**	**$ 6,838,993**	**$ 7,138,788**	**$ 38,878,805**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Fund balance – total governmental funds (Exhibit 3)		**$ 31,883,106**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		93,631,410
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.		150,152
Deferred outflows of resources resulting from other postemployment benefits are not available resources and, therefore, are not reported in governmental funds.		92,306
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		7,263,017
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		3,370,139
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	$ (4,065,000)	
Unamortized premiums on bonds	(511,245)	
Capital leases	(449,501)	
Compensated absences	(1,579,182)	
Other postemployment benefits liability	(958,806)	
Net pension liability	(6,320,140)	
Accrued interest payable	(67,750)	(13,951,624)
Deferred inflows of resources resulting from other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(176,079)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(8,831,902)
Net Position of Governmental Activities (Exhibit 1)		**$ 113,430,525**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Road and Bridge	Social Services	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 9,157,265	$ 4,974,501	$ 2,303,997	$ 892,928	$ 17,328,691
Licenses and permits	241,731	-	-	1,050	242,781
Intergovernmental	4,603,226	5,868,568	4,574,782	323,258	15,369,834
Charges for services	1,304,611	849,105	631,825	3,772,918	6,558,459
Fines and forfeitures	68,347	-	-	-	68,347
Investment earnings	356,796	14,643	214	7,766	379,419
Gifts and contributions	194,642	-	-	-	194,642
Land and timber sales	-	-	-	1,364,601	1,364,601
Miscellaneous	721,484	41,766	567,555	80,516	1,411,321
Total Revenues	**$ 16,648,102**	**$ 11,748,583**	**$ 8,078,373**	**$ 6,443,037**	**$ 42,918,095**
Expenditures					
Current					
General government	$ 5,762,234	$ -	$ -	$ -	$ 5,762,234
Public safety	7,706,638	-	-	-	7,706,638
Highways and streets	-	10,169,710	-	-	10,169,710
Sanitation	-	-	-	3,939,694	3,939,694
Human services	808,081	-	8,557,602	-	9,365,683
Public health	55,745	-	-	-	55,745
Culture and recreation	588,437	-	-	-	588,437
Conservation of natural resources	1,167,227	-	-	1,132,806	2,300,033
Economic development	496,184	-	-	-	496,184
Intergovernmental					
Highways and streets	-	376,613	-	-	376,613
Debt service					
Principal	98,737	18,024	-	747,406	864,167
Interest	17,830	4,851	-	165,492	188,173
Total Expenditures	**$ 16,701,113**	**$ 10,569,198**	**$ 8,557,602**	**$ 5,985,398**	**$ 41,813,311**
Excess of Revenues Over (Under) Expenditures	**$ (53,011)**	**$ 1,179,385**	**$ (479,229)**	**$ 457,639**	**$ 1,104,784**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Road and Bridge	Social Services	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Transfers in	$ 375,889	$ -	$ -	$ 17,423	$ 393,312
Transfers out	(17,423)	-	-	(375,889)	(393,312)
Capital leases	131,874	23,800	-	49,690	205,364
Debt service - principal	-	-	-	(4,565,000)	(4,565,000)
Total Other Financing Sources (Uses)	**$ 490,340**	**$ 23,800**	**$ -**	**$ (4,873,776)**	**$ (4,359,636)**
Net Change in Fund Balance	**$ 437,329**	**$ 1,203,185**	**$ (479,229)**	**$ (4,416,137)**	**$ (3,254,852)**
Fund Balance – January 1	**9,942,809**	**9,357,273**	**5,524,916**	**10,270,160**	**35,095,158**
Increase (decrease) in inventories	**-**	**42,800**	-	-	**42,800**
Fund Balance – December 31	**$ 10,380,138**	**$ 10,603,258**	**$ 5,045,687**	**$ 5,854,023**	**$ 31,883,106**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balance – total governmental funds (Exhibit 5)		**$ (3,254,852)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue – December 31	$ 3,370,139	
Unavailable revenue – January 1	(2,549,656)	820,483
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 5,086,099	
Net book value of assets disposed	(22,028)	
Current year depreciation	(3,843,948)	1,220,123
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new long term liabilities - capital leases	$ (205,364)	
Principal repayments	5,429,168	
Amortization of premiums on bonds	117,702	5,341,506
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in inventories	$ 42,800	
Change in net pension asset	150,152	
Change in deferred other postemployment benefits outflows	(13,715)	
Change in deferred pension outflows	5,304,276	
Change in accrued interest payable	(11,518)	
Change in compensated absences	(35,930)	
Change in other postemployment benefits liability	50,930	
Change in net pension liability	2,641,916	
Change in deferred other postemployment benefits inflows	(100,639)	
Change in deferred pension inflows	(6,818,440)	1,209,832
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 5,337,092**

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

PROPRIETARY FUND

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
SEPTEMBER 30, 2021

Assets		
Current assets		
Cash and pooled investments	$	90,229
Accounts receivable – net of allowance for uncollectible accounts of $10,939		421,516
Due from related parties		181,082
Prepaid items and other		115,694
Total current assets	**$**	**808,521**
Restricted assets		
Cash and pooled investments		
Resident trust funds	$	17,820
Board-designated – bond fund		107,848
Board-designated – building fund		6,903
Tenant security deposits		14,186
Total restricted assets	**$**	**146,757**
Noncurrent assets		
Leveraged loan receivable	$	10,091,000
Capital assets		
Non-depreciable		117,299
Depreciable – net of accumulated depreciation		1,769,033
Total noncurrent assets	**$**	**11,977,332**
Total Assets	**$**	**12,932,610**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	4,271
Deferred pension outflows		1,266,196
Total Deferred Outflows of Resources	**$**	**1,270,467**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
SEPTEMBER 30, 2021

Liabilities		
Current liabilities		
Accounts payable	$	194,541
Salaries payable		61,914
Compensated absences payable		129,223
Due to related parties		63,906
Due to other funds		772,268
Accrued interest payable		4,550
Unearned revenue		221,895
General obligation bonds payable		560,000
Other postemployment benefits liability		6,067
Total current liabilities	**$**	**2,014,364**
Current liabilities payable from restricted assets		
Tenant security deposits payable	$	9,841
Resident trust funds payable		17,820
Total current liabilities payable from restricted assets	**$**	**27,661**
Noncurrent liabilities		
Compensated absences payable	$	72,091
General obligation bonds payable		10,817,921
Other postemployment benefits liability		103,318
Net pension liability		1,960,562
Total noncurrent liabilities	**$**	**12,953,892**
Total Liabilities	**$**	**14,995,917**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	25,842
Deferred pension inflows		1,877,722
Total Deferred Inflows of Resources	**$**	**1,903,564**
Net Position		
Net investment in capital assets	$	(318,013)
Restricted for capital projects		1,007,453
Restricted for debt service		107,848
Unrestricted		(3,493,692)
Total Net Position	**$**	**(2,696,404)**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Operating Revenues		
Charges for services	$	4,966,286
Rental income		1,112,408
Intergovernmental		5,090
Miscellaneous		203,966
Total Operating Revenues	**$**	**6,287,750**
Operating Expenses		
Nursing services	$	2,737,580
Administration and fiscal services		1,124,543
Other care related		524,831
Dietary services		582,761
Laundry		160,405
Housekeeping services		154,998
Plant operations		577,600
Employee benefits		1,165,377
Depreciation and amortization		201,570
Total Operating Expenses	**$**	**7,229,665**
Operating Income (Loss)	**$**	**(941,915)**
Nonoperating Revenues (Expenses)		
Investment earnings	$	138,139
Interest expense		(438,249)
Noncapital grant revenue		1,175,422
Total Nonoperating Revenues (Expenses)	**$**	**875,312**
Change in net position	**$**	**(66,603)**
Net Position – October 1		**(2,629,801)**
Net Position – September 30	**$**	**(2,696,404)**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from residents, programs, counties, and other revenue	$	6,436,446
Payments to employees		(4,990,293)
Payments to suppliers		(2,110,648)
Net cash provided by (used in) operating activities	**$**	**(664,495)**
Cash Flows from Noncapital Financing Activities		
Noncapital grants	**$**	**1,175,422**
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	$	(405,000)
Interest paid on long-term debt		(460,712)
Purchase of capital assets		(36,054)
Net cash provided by (used in) capital and related financing activities	**$**	**(901,766)**
Cash Flows from Investing Activities		
Investment earnings received	$	138,139
Deposits to bond fund and reinvested interest		83,291
Net cash provided by (used in) investing activities	**$**	**221,430**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(169,409)**
Cash and Cash Equivalents – October 1		**259,638**
Cash and Cash Equivalents – September 30	**$**	**90,229**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(941,915)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	201,570
(Increase) decrease in accounts receivable		138,502
(Increase) decrease in due from related parties		140,102
(Increase) decrease in prepaid items		37,462
(Increase) decrease in deferred outflows of resources		(1,083,469)
Increase (decrease) in accounts payable		(58,754)
Increase (decrease) in salaries payable		(303,577)
Increase (decrease) in due to other funds		603,423
Increase (decrease) in due to related parties		(262,137)
Increase (decrease) in tenant security deposits payable		(3,461)
Increase (decrease) in unearned revenue		13,655
Increase (decrease) in deferred inflows of resources		1,717,402
Increase (decrease) in net pension liability		(863,298)
Total adjustments	**$**	**277,420**
Net Cash Provided by (Used in) Operating Activities	**$**	**(664,495)**

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

FIDUCIARY FUNDS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 17,488	$ 1,079,151
Due from other governments	-	68,135
Taxes and special assessments receivable for other governments	-	811,635
Accounts receivable	-	9,959
Contracts receivable	-	140,450
Total Assets	**$ 17,488**	**$ 2,109,330**
Liabilities		
Due to other governments	**$ -**	**$ 838,717**
Deferred Inflows of Resources		
Prepaid taxes	**$ -**	**$ 184,231**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 17,488**	**$ 1,086,382**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions from individuals	$ 273,102	$ 381,515
Interest earnings	-	226
Property tax collections for other governments	-	19,085,864
Fees collected for state	-	5,174,220
Payments from state	-	115,426
Payments from other entities	-	281,483
Total Additions	**$ 273,102**	**$ 25,038,734**
Deductions		
Beneficiary payments to individuals	$ 291,366	$ -
Payments of property tax to other governments	-	19,148,415
Payments to state	-	4,977,189
Payments to other individuals/entities	-	1,145,519
Total Deductions	**$ 291,366**	**$ 25,271,123**
Change in Net Position	**$ (18,264)**	**$ (232,389)**
Net Position – January 1	**35,752**	**1,318,771**
Net Position – December 31	**$ 17,488**	**$ 1,086,382**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Hubbard County was established February 26, 1883, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board but has no vote.

Blended Component Unit

A Joint Governmental Cooperative Fuel Facility was organized in 1997 under the authority of Minn. Stat. § 471.59. The Facility is operated, supervised, and controlled by the County. The governing body of the Facility is a Joint Powers Board, which consists of five members. Two of the members are appointed by the Hubbard County Board of Commissioners, two are appointed by the Park Rapids School Board, and the other member is appointed by the Park Rapids City Council. The County Highway Department is serving as the fiscal agent of the Joint Powers Board.

Although the Facility is legally separate from the County, it is reported as part of the County since it provides service almost entirely to the County. Title to the land, equipment, and structures of the Facility are in the name of the County. The activity of the Facility is recorded in the Road and Bridge Fund of the County. Separate financial statements are not prepared for the Facility.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

The following component unit of Hubbard County qualifies for inclusion in the financial reporting entity as a discretely presented component unit:

Component Unit	Component Unit to be Included in Reporting Entity Because	Separate Financial Statements
Hubbard County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County Board appoints a voting majority of the HRA Board and can impose its will on the HRA.	Separate financial statements can be obtained at: Hubbard County Housing and Redevelopment Authority 312 East 3rd Street Park Rapids, Minnesota 56470

When included as part of the financial reporting entity, GAAP require financial data for discretely presented component units to be presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the reporting entity.

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations, which are described in Note 4.E and Note 4.F, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns present all assets, liabilities, deferred inflows and outflows of resources, and net position on a full accrual accounting basis with an economic resource focus. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Social Services Special Revenue Fund accounts for restricted revenues from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.

The County reports the following major enterprise fund:

The Heritage Community Enterprise Fund accounts for the combined activities of the County's Heritage Living Center, Heritage Manor, and Heritage Cottages facilities, which provide long-term health care, adult day care, memory care, and assisted living senior housing services for the elderly. Financing is provided by user service charges.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) legally restricted to expenditures for specified purposes.

The Building Bonds Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs.

The Environmental Trust Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for environmental purposes.

The Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that the County is holding on behalf of individuals receiving social welfare assistance.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Custodial funds are safekeeping in nature. These funds account for monies the County holds for others in a fiduciary capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full 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.

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. Hubbard County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Summary of Significant Accounting Policies (Continued)

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

      1. Cash and Cash Equivalents

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

      2. Deposits and Investments

         The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investing activities. Pooled and fund investments, if any, are reported at their fair value at December 31, 2021. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were $355,884.

         Hubbard County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

      3. Receivables and Payables

         Activities between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances from/to other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

Accounts receivable is shown net of an allowance for uncollectible balances. No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

4. Leveraged Loan Receivable

On December 31, 2014, Hubbard County entered into agreements whereby $10,091,000 of the proceeds from issuance of G.O. Nursing Home Revenue Bonds were applied to capital costs of the County's nursing home replacement project, on the premises of the Heritage Community, through a leveraged loan to Twain Investment Fund 65, and related transactions, all for the purpose of obtaining New Market Tax Credit Funding from U.S. Bancorp Community Development Corporation, to complete the funding for the project. This loan will be repaid through annual payments on each December 31 during the life of the leveraged loan. Principal payments are scheduled to start in 2023.

5. Inventories and Prepaid Items

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

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

1. Summary of Significant Accounting Policies

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

6. Restricted Assets

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

7. Capital Assets

Capital assets, which include land; permanent right-of-way; construction in progress; infrastructure (e.g., roads, bridges, and similar items); buildings and improvements; land improvements; machinery and equipment; and software, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the Heritage Community Enterprise Fund. Capital assets are defined by the County's governmental activities as assets with initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $5,000, except all land, which is capitalized regardless of cost. Capital assets are defined by the Heritage Community Enterprise Fund as assets with initial useful lives extending beyond two years and a dollar amount for capitalization per asset of $2,000, except all land, which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

Assets	Years
Infrastructure	15 - 70
Buildings and improvements	25 - 40
Land improvements	25 - 30
Machinery and equipment	3 - 15
Software	3 - 15

All capital assets, other than land and construction in progress, of business-type activities are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 - 25
Land improvements	5 - 15
Machinery and equipment	5 - 20

8. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated Paid Time Off (PTO), vacation, and sick leave balances. The liability is calculated using the vesting method, in which leave amounts for all employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on the employee's hourly wage and employee accrual rates, which varies based on years of service. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability is liquidated by funds that have personal services expenditures.

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows of resources. The governmental funds report unavailable revenue from delinquent taxes receivable, grant receivables, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Pension Plans

For purposes of measuring the net pension asset, net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (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

1. Summary of Significant Accounting Policies

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

10. Pension Plans (Continued)

employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated by funds that have personal services expenditures.

11. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources when issued. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Acquisitions under capital leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

12. Net Position and Fund Balance

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

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

1. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

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

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

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

Nonspendable – amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board (which is the highest level of decision-making authority). To remove the constraint on specified use of committed resources, the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Auditor/Treasurer who has been delegated that authority by County Board resolution.

1. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by tax levies within five years.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution, as deemed necessary, that can only be expended for a natural disaster, human catastrophe, or other unforeseen emergencies, such as a lengthy court trial, as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County did not identify an amount for stabilization as of December 31, 2021.

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

1. Summary of Significant Accounting Policies

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

13. Net Resident Service Revenues

The Heritage Community's Heritage Living Center net resident service revenues include room charges and ancillary services to residents and are recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payers.

Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and subsequent settlements are recorded in revenues in the year of settlement. Following is a reconciliation of gross resident service revenues to net resident service revenues:

	Amount
Gross resident service revenues	$ 6,358,403
Adjustments and allowances	(1,384,473)
Provisions for uncollectible accounts	(7,644)
Net Resident Service Revenues	$ 4,966,286

14. Third-Party Reimbursement Agreements

Medicaid

The Heritage Community's Heritage Living Center participates in the Medicaid program, which is administered by the Minnesota Department of Human Services (DHS). Medicaid and private-paying residents are classified into one of 48 Resource Utilization Groups (RUG) for purposes of establishing payment rates.

1. Summary of Significant Accounting Policies

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

14. Third-Party Reimbursement Agreements

Medicaid (Continued)

Nursing facilities are paid under the Value Based Nursing Facility Reimbursement (VBR) system. Under the VBR system, care-related costs are reimbursed at actual cost subject to certain limitations. Other operating costs are reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, are reimbursed at an external fixed payment rate and will be cost based with no limitations. Reimbursement for historic property-related costs is a separate component of the rate that has been frozen since 2010. Additional reimbursement for new property-related costs is possible under certain conditions.

The VBR system includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities are also protected from significant decreases in rates in a single year due to changes in care-related costs.

Medicare

The Heritage Community's Heritage Living Center participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Heritage Living Center is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor, however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

1. Summary of Significant Accounting Policies

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

      14. Third-Party Reimbursement Agreements

      Medicare (Continued)

      Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

      15. Occupancy Percentages

      During the year ended September 30, 2021, the Heritage Community's Heritage Living Center's occupancy percentages and the percentages of resident days covered under the Medicaid and Medicare programs were as follows:

	Percentage
Total occupancy	56.4%
Medicaid	63.4
Medicare	11.0

      16. Use of Estimates

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

1. Summary of Significant Accounting Policies

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

      17. Unearned Revenue

          Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

      18. Land Management

          The County manages approximately 138,000 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute. Outstanding land leases and timber sales at year-end are recorded as contracts receivable.

2. Stewardship, Compliance, and Accountability

   Deficits in Equity Accounts

   The Heritage Community Enterprise Fund had a deficit net position of $2,696,404 as of September 30, 2021. This deficit will be eliminated with future revenues and transfers if necessary.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements as of December 31, 2021, are reported as follows:

Governmental funds	
Cash and pooled investments	$ 31,991,939
Restricted assets	
Investments	467,280
Proprietary funds	
Cash and pooled investments	90,229
Restricted assets	
Cash and pooled investments	
Resident trust funds	17,820
Tenant security deposits	14,186
Board-designated – bond fund	107,848
Board-designated – building fund	6,903
Fiduciary funds	
Cash and pooled investments	1,096,639
Total Cash and Pooled Investments	$ 33,792,844

Deposits	$ 31,794,715
Invested in MAGIC Portfolio	1,245,369
Invested in MAGIC Term	750,000
Petty cash and change funds	2,760
Total Deposits and Cash on Hand	$ 33,792,844

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2021, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is meant to minimize interest rate risk by structuring investments so that securities mature to meet cash requirements of ongoing operations and investing operating funds primarily in shorter-term securities and limiting the average maturity in accordance with the County's cash requirements.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2021, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County's investment policy is to minimize this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At December 31, 2021, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2021, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Investment pool			
MAGIC Portfolio	N/A	N/A	$ 1,245,369
MAGIC Term	N/A	N/A	750,000
Deposits			31,794,715
Petty cash and change funds			2,760
Total Cash and Investments			$ 33,792,844

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

2. Receivables

Receivables as of December 31, 2021, for the County's governmental activities and as of September 30, 2021, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	$ 355,084	$ -	$ 355,084	$ -
Accounts receivable	2,778,889	(1,297,260)	1,481,629	1,017,344
Due from other governments	2,344,093	-	2,344,093	-
Contracts receivable	775,247	-	775,247	-
Total Governmental Activities	$ 6,253,313	$ (1,297,260)	$ 4,956,053	$ 1,017,344
Business-Type Activities				
Accounts receivable	$ 432,455	$ (10,939)	$ 421,516	$ -
Due from related parties	181,082	-	181,082	-
Leveraged loan receivable	10,091,000	-	10,091,000	10,091,000
Total Business-Type Activities	$ 10,704,537	$ (10,939)	$ 10,693,598	$ 10,091,000

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2021, and for the business-type activities for the year ended September 30, 2021, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	$ 885,724	$ -	$ -	$ 885,724
Permanent right-of-way	3,678,309	-	-	3,678,309
Construction in progress	5,367,846	5,233,679	9,071,042	1,530,483
Total capital assets not depreciated	$ 9,931,879	$ 5,233,679	$ 9,071,042	$ 6,094,516
Capital assets depreciated				
Infrastructure	$ 88,614,119	$ 8,109,369	$ -	$ 96,723,488
Buildings and improvements	26,365,574	-	-	26,365,574
Land improvements	722,972	62,560	-	785,532
Machinery and equipment	13,018,638	695,866	358,357	13,356,147
Software	153,284	55,667	32,000	176,951
Total capital assets depreciated	$ 128,874,587	$ 8,923,462	$ 390,357	$ 137,407,692
Less: accumulated depreciation for				
Infrastructure	$ 26,122,591	$ 1,871,412	$ -	$ 27,994,003
Buildings and improvements	11,427,105	829,595	-	12,256,700
Land improvements	535,022	21,841	-	556,863
Machinery and equipment	8,276,333	1,088,194	349,289	9,015,238
Software	34,128	32,906	19,040	47,994
Total accumulated depreciation	$ 46,395,179	$ 3,843,948	$ 368,329	$ 49,870,798
Total capital assets depreciated, net	$ 82,479,408	$ 5,079,514	$ 22,028	$ 87,536,894
Governmental Activities Capital Assets, Net	$ 92,411,287	$ 10,313,193	$ 9,093,070	$ 93,631,410

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	$ 117,299	$ -	$ -	$ 117,299
Capital assets depreciated				
Buildings and improvements	$ 5,229,194	$ 9,903	$ -	$ 5,239,097
Land improvements	194,300	-	-	194,300
Machinery and equipment	647,612	26,151	-	673,763
Total capital assets depreciated	$ 6,071,106	$ 36,054	$ -	$ 6,107,160
Less: accumulated depreciation for				
Buildings and improvements	$ 3,386,389	$ 177,030	$ -	$ 3,563,419
Land improvements	173,833	3,331	-	177,164
Machinery and equipment	576,335	21,209	-	597,544
Total accumulated depreciation	$ 4,136,557	$ 201,570	$ -	$ 4,338,127
Total capital assets depreciated, net	$ 1,934,549	$ (165,516)	$ -	$ 1,769,033
Business-Type Activities Capital Assets, Net	$ 2,051,848	$ (165,516)	$ -	$ 1,886,332

Depreciation Expense

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

Governmental Activities	
General government	$ 388,841
Public safety	694,490
Highways and streets, including depreciation of infrastructure assets	2,273,026
Sanitation	337,965
Human services	73,742
Culture and recreation	31,173
Conservation of natural resources	44,711
Total Depreciation Expense – Governmental Activities	$ 3,843,948
Business-Type Activities	
Heritage Community	$ 201,570

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Land Management Special Revenue Fund	$ 376,995	Forfeited tax sale reimbursement
	Road and Bridge Special Revenue Fund	2,750	Charges for services
	Social Services Special Revenue Fund	5,884	Reimbursement
	Heritage Community Enterprise Fund	746,360	Reimbursement
Total Due to General Fund		$ 1,131,989	
Road and Bridge Special Revenue Fund	General Fund	$ 1,554	Charges for services
	Social Services Special Revenue Fund	3,091	Charges for services
	Solid Waste Special Revenue Fund	3,561	Charges for services
	Land Management Special Revenue Fund	429	Charges for services
Total Due to Road and Bridge Special Revenue Fund		$ 8,635	
Solid Waste Special Revenue Fund	Road and Bridge Special Revenue Fund	$ 15	Charges for services
Total Due From Other Funds		$ 1,140,639	
Due from the Heritage Community Enterprise Fund to the General Fund as of September 30, 2021, paid as of December 31, 2021		25,908	Property taxes
Total Due To Other Funds		$ 1,166,547	

The interfund receivables and payables are expected to be paid within one year of December 31, 2021.

2. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
Land Management Special Revenue Fund	Environmental Trust Permanent Fund	$ 9,208

The advance to the Environmental Trust Permanent Fund is to provide financing for conservation activities. This balance will be paid from future earnings on the fund investment.

3. Detailed Notes on All Funds

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

3. Interfund Transfers

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

	Interfund Transfer In	Interfund Transfer Out
General Fund	$ 375,889[1]	$ 17,423[2]
Land Management Special Revenue Fund	-	375,889[1]
Solid Waste Special Revenue Fund	17,423[2]	-
Total	$ 393,312	$ 393,312

Transfers were for:
[1]Land management sale proceeds
[2]Matching grant funds

C. Liabilities

1. Operating Leases

On December 31, 2014, Hubbard County entered into an operating lease for leased property to facilitate the construction and reconstruction project of the Heritage Community with Heritage Center, LLC. The term of the lease expires on December 31, 2049, with the option to extend or terminate at alternative dates as described in the lease documents. The future lease payments to be made by the County as of September 30, 2021, are as follows:

Year Ending September 30	Lease Payment
2022	$ 172,000
2023	628,000
2024	628,000
2025	628,000
2026	628,000
2027 - 2031	3,156,000
2032 - 2036	3,184,000
2037 - 2041	3,210,000
2042 - 2046	3,243,000
2047 - 2050	2,600,000
Total	$ 18,077,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Governmental Activities

General Obligation Bonds

Hubbard County General Obligation Refunding Bonds, Series 2020A, represent debt incurred to refund the General Obligation Correctional Facility Refunding Bonds, Series 2012, and the General Obligation Capital Improvement Plan Bonds, Series 2013, on February 1, 2021. These bonds, dated December 10, 2020, have an original issue amount of $4,065,000. They carry a net interest rate of 4.00 percent and are due in annual installments of $190,000 to $760,000 beginning February 1, 2022, through February 2031. As a result of the refunding, the County realized a substantial interest rate reduction, a gross savings of approximately $272,340 and a present value savings of approximately $263,631. The principal balance and bond premium due on these bonds are $4,065,000 and $511,245, respectively, as of December 31, 2021.

Capital Leases

The County has entered into lease agreements as a lessee for financing vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2021
Vehicles	2026	Monthly	$ 13,394	$ 573,971	$ 449,501

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Debt Service Requirements

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

Year Ended December 31	General Obligation Refunding Bonds, Series 2020A Principal	Interest
2022	$ 640,000	$ 149,800
2023	695,000	123,100
2024	725,000	94,700
2025	760,000	65,000
2026	190,000	46,000
2027 - 2031	1,055,000	109,100
Subtotal	$ 4,065,000	$ 587,700
Bond premium	511,245	-
Total	$ 4,576,245	$ 587,700

Year Ended December 31	Capital Leases
2022	$ 160,725
2023	160,725
2024	123,317
2025	40,578
2026	2,790
Total minimum lease payments	$ 488,135
Less: amount representing interest	(38,634)
Present Value of Minimum Lease Payments	$ 449,501

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Correctional Facility Refunding Bonds, Series 2012	$ 2,850,000	$ -	$ 2,850,000	$ -	$ -
Add: Bond premium	30,024	-	30,024	-	-
General Obligation Capital Improvement Plan Bonds, Series 2013	2,455,000	-	2,455,000	-	-
Add: Bond premium	31,394	-	31,394	-	-
General Obligation Refunding Bonds, Series 2020A	4,065,000	-	-	4,065,000	640,000
Add: Bond premium	567,529	-	56,284	511,245	-
Capital leases	368,305	205,364	124,168	449,501	140,800
Compensated absences	1,543,252	1,022,007	986,077	1,579,182	887,868
Governmental Activities Long-Term Liabilities	$ 11,910,504	$ 1,227,371	$ 6,532,947	$ 6,604,928	$ 1,668,668

The General Obligation Bonds are paid by the Building Bonds Debt Service Fund. Capital leases are paid by the General Fund and the Road and Bridge and Land Management Special Revenue Funds.

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Business-Type Activities

General Obligation Bonds

Hubbard County General Obligation Housing Revenue Refunding Bonds, Series 2014, $1,795,000 General Obligation Housing Revenue Refunding Bonds dated April 22, 2014, due in annual installments of $145,000 to $160,000, with interest from 2.0 percent to 3.0 percent through August 2027. The balance due on these bonds is $910,000 as of September 30, 2021.

Hubbard County General Obligation Nursing Home Revenue Bonds, Series 2014, represent debt incurred for the purpose of providing financing for the Heritage Capital Project, $10,145,000 General Obligation Nursing Home Revenue Bonds dated December 31, 2014, due in annual installments of $335,000 to $715,000, with interest from 1.5 percent to 4.5 percent through October 2039. The balance due on these bonds is $9,275,000 as of September 30, 2021.

Hubbard County General Obligation Housing Development Revenue Bonds, Series 2017, $1,460,000 General Obligation Housing Development Revenue Bonds dated November 15, 2017, due in annual installments of $80,000 to $115,000, with 3.0 percent interest through October 2034. These bonds were issued during fiscal year 2018 to defease the Series 2008 Bonds. The proceeds were put into an escrow account and then used to defease the Series 2008 Bonds on October 1, 2018. The balance due on these bonds is $1,240,000 as of September 30, 2021.

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Business-Type Activities (Continued)

Debt Service Requirements

Debt service requirements for business-type activities at September 30, 2021, are as follows:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2022	$ 560,000	$ 430,653
2023	595,000	414,783
2024	625,000	397,303
2025	660,000	378,553
2026	670,000	357,640
2027 - 2031	3,025,000	1,459,330
2032 - 2036	3,235,000	863,085
2037 - 2039	2,055,000	187,650
Total	$ 11,425,000	$ 4,488,997

Changes in Long-Term Liabilities

Long-term liability activity for the business-type activities for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 General Obligation Revenue Bonds	$ 1,045,000	$ -	$ 135,000	$ 910,000	$ 145,000
Add: Bond premium	32,446	-	4,748	27,698	-
2014 General Obligation Nursing Home Revenue Bonds	9,395,000	-	120,000	9,275,000	335,000
Less: Bond discounts	(107,059)	-	(5,635)	(101,424)	-
2017 General Obligation Revenue Bonds	1,390,000	-	150,000	1,240,000	80,000
Add: Bond premium	28,697	-	2,050	26,647	-
Compensated absences	290,054	-	88,740	201,314	129,223
Business-Type Activities Long-Term Liabilities	$ 12,074,138	$ -	$ 494,903	$ 11,579,235	$ 689,223

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2021, were as follows:

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Nonspendable for					
Inventories	$ -	$ 313,686	$ -	$ -	$ 313,686
Endowments	-	-	-	467,280	467,280
Total nonspendable	$ -	$ 313,686	$ -	$ 467,280	$ 780,966
Restricted for					
AIS prevention	$ 620,209	$ -	$ -	$ -	$ 620,209
Attorney forfeitures	55,432	-	-	-	55,432
Attorney pretrial diversion program	6,965	-	-	-	6,965
Conceal and carry permits	154,558	-	-	-	154,558
Drug education	22,089	-	-	-	22,089
DWI assessment	56,230	-	-	-	56,230
DWI forfeitures	25,370	-	-	-	25,370
Enhanced 911	256,435	-	-	-	256,435
Jail canteen	38,892	-	-	-	38,892
Law library	34,518	-	-	-	34,518
Missing heirs	826	-	-	-	826
Natural resources	71,764	-	-	8,991	80,755
Parks and recreation	421,329	-	-	-	421,329
Probation	37,376	-	-	-	37,376
Recorder's equipment	517,870	-	-	-	517,870
Recorder's technology	364,613	-	-	-	364,613
Regional library	3,945	-	-	-	3,945
Sheriff's contingent fund	11,503	-	-	-	11,503
K-9 unit	32,510	-	-	-	32,510
Sentence to serve	113,097	-	-	-	113,097
Sheriff operations	6,811	-	-	-	6,811
Transit tax projects	-	2,961,876	-	-	2,961,876
Fuel facility	-	126,600	-	-	126,600
Transit system	-	-	326,394	-	326,394
Forest development	-	-	-	976,102	976,102
Memorial forest	-	-	-	142,461	142,461
Debt service	-	-	-	1,450,028	1,450,028
Total restricted	$ 2,852,342	$ 3,088,476	$ 326,394	$ 2,577,582	$ 8,844,794
Committed for					
Building maintenance	$ 2,883,145	$ -	$ -	$ -	$ 2,883,145
Building replacement	-	805,000	-	-	805,000
Capital outlay	-	950,000	-	-	950,000
County cars	136,458	-	-	-	136,458
County road projects	-	2,900,000	-	-	2,900,000
Departmental designations	1,067,296	-	-	-	1,067,296
Emergency management	1,086	-	-	-	1,086
Employee benefits/severance	797,386	306,945	280,155	194,695	1,579,181
Employee flex plan	39,175	-	-	-	39,175
Employee group health	32,233	-	-	-	32,233
Extension publications	1,325	-	-	-	1,325
Investigations	48,984	-	-	-	48,984
SWAT team	24,563	-	-	-	24,563
Survey remonumentation	109,941	-	-	-	109,941
Total committed	$ 5,141,592	$ 4,961,945	$ 280,155	$ 194,695	$ 10,578,387

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Assigned to					
Highways and streets	$ -	$ 1,862,139	$ -	$ -	$ 1,862,139
Equipment purchases	-	377,012	-	-	377,012
Human services	-	-	4,439,138	-	4,439,138
Conservation of natural resources	-	-	-	694,550	694,550
Sanitation	-	-	-	1,919,916	1,919,916
Total assigned	$ -	$ 2,239,151	$ 4,439,138	$ 2,614,466	$ 9,292,755
Unassigned	$ 2,386,205	$ -	$ -	$ -	$ 2,386,204
Total Fund Balances	$ 10,380,138	$ 10,603,258	$ 5,045,687	$ 5,854,023	$ 31,883,106

E. Other Postemployment Benefits (OPEB)

Plan Description

Hubbard County administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

Hubbard County provides postemployment health care benefits for elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with that amount held by Hubbard County and used to provide insurance coverage as chosen by the leaving official. A prorated contribution is calculated for officials that served less than a four-year term. When an official's contribution is exhausted, the official has the choice to remain on the County health insurance plan as provided to all other retired and qualified terminated employees. The County finances the plan on a pay-as-you-go basis.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. A separate, audited GAAP-basis postemployment plan report is not issued.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the actuarial valuation dates, the following employees were covered by the benefit terms:

	Governmental Activities	Business-Type Activities	Total
Actuarial valuation date	January 1, 2021	October 1, 2019	
Inactive employees or beneficiaries currently receiving benefit payments	6	1	7
Active plan participants	197	55	252
Total	203	56	259

Total OPEB Liability

The governmental activities total OPEB liability of $958,806 was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date. The business-type activities total OPEB liability of $109,385 was measured as of October 1, 2020, and was determined by an actuarial valuation as of October 1, 2019. The OPEB liability is liquidated through funds that have personal services expenditures.

The total OPEB liability actuarial valuation in the fiscal year-ends December 31, 2021, and September 30, 2021, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Governmental Activities

Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (12.25 percent for public safety) to 3.00 percent for 27 or more years of service (3.25 percent for public safety)
Health care cost trend	6.50 percent, decreasing to 5.00 percent over 6 years and then to 4.00 percent over the next 48 years

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Business-Type Activities

Inflation	2.50 percent
Salary increases	11.25 percent for 1 year of service decreasing to 3.25 percent for 26 or more years of service
Health care cost trend	6.50 percent, decreasing to 5.00 percent over 6 years

For the governmental activities, the current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the business-type activities, the current year discount rate is 3.00 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

For the governmental activities, mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. For the business-type activities, mortality rates are based on Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

Changes in the Total OPEB Liability

Total OPEB Liability	Governmental Activities December 31, 2021	Business-Type Activities September 30, 2021	Total
Balance – Beginning of Year	$ 1,009,736	$ 100,376	$ 1,110,112
Changes for the year			
Service cost	$ 113,888	$ 9,109	$ 122,997
Interest	31,700	3,235	34,935
Differences between expected and actual experience	(105,732)	-	(105,732)
Changes of assumptions or other inputs	(29,285)	-	(29,285)
Benefit payments	(61,501)	(3,335)	(64,836)
Net change	$ (50,930)	$ 9,009	$ (41,921)
Balance – End of Year	$ 958,806	$ 109,385	$ 1,068,191

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Governmental Activities December 31, 2021		Business-Type Activities September 30, 2021	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 1,026,670	2.00%	$ 116,791
Current	2.00	958,806	3.00	109,385
1% Increase	3.00	894,882	4.00	102,335

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Governmental Activities December 31, 2020		Business-Type Activities September 30, 2020	
	Health Care Trend Rate	Total OPEB Liability	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 857,511	5.50% Decreasing to 4.00%	$ 97,766
Current	6.50% Decreasing to 5.00%	958,806	6.50% Decreasing to 5.00%	109,385
1% Increase	7.50% Decreasing to 6.00%	1,079,080	7.50% Decreasing to 6.00%	123,216

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Governmental Activities

For the year ended December 31, 2021, the governmental activities recognized OPEB expense of $118,763. The governmental activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Governmental Activities (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 37,763	$ 40,553
Difference between actual and expected results	-	135,526
Contributions made subsequent to the measurement date	54,543	-
Total	$ 92,306	$ 176,079

The $54,543 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	$ (26,825)
2023	(26,825)
2024	(26,825)
2025	(26,820)
2026	(11,738)
Thereafter	(19,283)

Business-Type Activities

For the year ended September 30, 2021, the business-type activities recognized OPEB expense of $3,729. The business-type activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Business-Type Activities (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 11,901
Difference between actual and expected results	-	13,941
Contributions made subsequent to the measurement date	4,271	-
Total	$ 4,271	$ 25,842

The $4,271 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended September 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	$ (8,615)
2023	(8,615)
2024	(8,612)

Total OPEB Expense

The total OPEB expense recognized by the County for the year ended December 31, 2021, was $122,492.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in Actuarial Methods and Assumptions

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

Governmental Activities

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The retirement and withdrawal rates for non-public safety employees were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 2.90 percent to 2.00 percent.

Business-Type Activities

- No changes occurred in 2021.

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Hubbard County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Correctional Plan), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Hubbard County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for 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 the Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan 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. For Police and Fire

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2020.

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80	17.70
Correctional Plan	5.83	8.75

The County's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	$	921,584
Police and Fire Plan		352,408
Correctional Plan		182,233

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The contributions are equal to the statutorily required contributions as set by state statute.

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of $7,140,615 for its proportionate share of the General Employees Plan's net pension liability of which $1,960,562 was the Heritage Community's portion as of September 30, 2021. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1672 percent. It was 0.1620 percent measured as of June 30, 2020. The County recognized pension expense of $152,266 for its proportionate share of the General Employees Plan's pension expense, of which ($119,200) was the Heritage Community's expense.

The County also recognized $17,592 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Governmental Activities	Business-Type Activities	Total
The County's proportionate share of the net pension liability	$ 5,180,053	$ 1,960,562	$ 7,140,615
State of Minnesota's proportionate share of the net pension liability associated with the County	158,183	59,856	218,039
Total	$ 5,338,236	$ 2,020,418	$ 7,358,654

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-Type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 28,991	$ 157,556	$ 12,045	$ 59,997	$ 41,036	$ 217,553
Changes in actuarial assumptions	3,162,833	107,219	1,197,076	43,370	4,359,909	150,589
Difference between projected and actual investment earnings	-	4,501,871	-	1,697,924	-	6,199,795
Changes in proportion	427,446	-	-	76,431	427,446	76,431
Contributions paid to PERA subsequent to the measurement date	368,844	-	57,075	-	425,919	-
Total	$ 3,988,114	$ 4,766,646	$ 1,266,196	$ 1,877,722	$ 5,254,310	$ 6,644,368

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The $425,919 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Governmental Activities Pension Expense Amount	Business-Type Activities Pension Expense Amount	Total Pension Expense Amount
2022	$ (41,343)	$ (116,626)	$ (157,969)
2023	71,268	(55,498)	15,770
2024	46,306	(33,365)	12,941
2025	(1,223,607)	(463,112)	(1,686,719)

Police and Fire Plan

At December 31, 2021, the County reported a liability of $1,140,087 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1477 percent. It was 0.1400 percent measured as of June 30, 2020. The County recognized pension expense of ($19,542) for its proportionate share of the Police and Fire Plan's pension expense.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1, 2020, and to pay $9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $9,332 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	$	1,140,087
State of Minnesota's proportionate share of the net pension liability associated with the County		51,252
Total	$	1,191,339

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $13,293 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 214,986	$ -
Changes in actuarial assumptions	1,675,630	569,906
Difference between projected and actual investment earnings	-	2,186,409
Changes in proportion	124,723	-
Contributions paid to PERA subsequent to the measurement date	203,463	-
Total	$ 2,218,802	$ 2,756,315

The $203,463 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (679,132)
2023	(118,533)
2024	(120,911)
2025	(206,144)
2026	383,744

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2021, the County reported an asset of $150,152 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.9140 percent. It was 0.8400 percent measured as of June 30, 2020. The County recognized pension expense of ($286,097) for its proportionate share of the Correctional Plan's pension expense.

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 80,743
Changes in actuarial assumptions	939,912	12,845
Difference between projected and actual investment earnings	-	1,214,337
Changes in proportion	16,195	1,016
Contributions paid to PERA subsequent to the measurement date	99,994	-
Total	$ 1,056,101	$ 1,308,941

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $99,994 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (43,380)
2023	(4,816)
2024	23,036
2025	(327,674)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was ($153,373).

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans a review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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:

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50	5.30
Fixed income	25.00	0.75
Private markets	25.00	5.90

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.

- Assumed percent married for active members was lowered from 85 percent to 75 percent.

- Minor changes to form of payment assumptions were applied.

h. Pension Liability Sensitivity

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Proportionate share of the General Employees Plan net pension liability			
Governmental activities	$ 10,564,665	$ 5,180,053	$ 761,651
Business-Type activities	3,997,676	1,960,562	288,209
Total General Employees Plan net pension liability	$ 14,562,341	$ 7,140,615	$ 1,049,860
Proportionate share of the Police and Fire Plan net pension liability	$ 3,619,585	$ 1,140,087	$ (892,486)
Proportionate share of the Correctional Plan net pension liability	$ 1,562,675	$ (150,152)	$ (1,509,462)

i. Pension Plan Fiduciary Net Position

Detailed information about the 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.

3. Detailed Notes on All Funds

F. Pension Plans (Continued)

2. Defined Contribution Plan

Five elected officials of Hubbard County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Hubbard County during the year ended December 31, 2021, were:

	Employee	Employer
Contribution amount	$ 6,559	$ 6,559
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

4. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

B. Management Agreement

The Heritage Community is managed by Ecumen. All three facilities are under an agreement which automatically renews for one year, unless 90 days' notice is given by either party. Heritage Living Center, Heritage Manor, and Heritage Cottages each incur a monthly fee of $16,667, $1,920, and $2,500, respectively. A new management agreement was entered into September 28, 2021, with the same renewal clause. However, the monthly fee increased for Heritage Living Center, Heritage Manor, and Heritage Cottages to $18,000, $2,500, and $3,000, respectively. Management fees amounted to approximately $242,583 for the year ended September 30, 2021.

Certain employees of Ecumen perform services for the Heritage Community. The Heritage Community had unpaid amounts pertaining to the above transactions presented as Due to Related Parties on the statements at September 30, 2021.

C. Heritage Community Building Project

During 2014 and 2015, Hubbard County entered into various agreements for the purpose of a construction and reconstruction project for the Heritage Community facilities. Hubbard County issued its G.O. Nursing Home Revenue Bonds in the aggregate amount of $10,145,000 and applied $10,091,000 of the proceeds to capital costs of the County's nursing home replacement project on the premises of the Heritage Community, through a leveraged loan to Twain Investment Fund 65 (Twain), and related transactions, all for the purpose of obtaining New Market Tax Credit Funding from U.S. Bancorp Community Development Corporation to complete the overall funding for the project. Twain also received gross proceeds of $4,159,000 from the sale of its New Market Tax Credits to U.S. Bancorp Community Development Corporation, and those proceeds, together with the proceeds of the leveraged loan, less certain fees, were provided by Twain to a subsidiary of Midwest Minnesota Community Development Corporation, which, in turn, loaned the funds to Heritage Center, LLC, for payment of capital costs of the project.

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

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover workers' compensation and property and casualty liabilities. To cover other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2018, the County entered into an agreement with PrimeHealth to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to PrimeHealth, who provides bookkeeping services to the entity, including the payment of claims.

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

E. Joint Ventures

Hubbard County Family Services Collaborative

The Hubbard County Family Services Collaborative was established in 1998 under the authority of Minn. Stat. §§ 124D.23 and 245.491. The Collaborative includes Hubbard County Social Services; Independent School District Numbers 306, 308, and 309; St. Joseph's Area Health Services; Mahube Community Head Start Program; Stellher Human Services, Inc.; Hubbard County Probation; and the Park Rapids, Akeley, Walker, Nevis Education Cooperative. The purpose of the Collaborative is to improve the social, emotional, educational, and economic outcomes for all Hubbard County children, adolescents, and their families by mitigating risk factors, enhancing protective factors, and creating an integrated service delivery system for children, adolescents, and their families with multiple and special needs.

Control of the Hubbard County Family Services Collaborative is vested in a governing board. The board consists of one representative from each of the nine members.

In the event of a withdrawal from the Hubbard County Family Services Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party shall remain liable for fiscal obligation incurred prior to the effective date of withdrawal, but shall incur no additional fiscal liability beyond the effective date of withdrawal. In the event of dissolution of the Hubbard County Family Services Collaborative, the net assets of the Collaborative at that time shall be divided among the member counties in the same proportion as their contributions paid.

Financing is provided by state grants and contributions from its members. Hubbard County, in an agent capacity, reports the cash transactions of the Hubbard County Family Services Collaborative as a custodial fund on the County's financial statements. During 2021, Hubbard County contributed $115,426 to the Collaborative.

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Kitchigami Regional Library (Continued)

appointed by each County Board, consisting of one County Commissioner and one lay person. Hubbard County appropriated $212,605 to the Library for the year ended December 31, 2021. Separate financial information can be obtained from the Kitchigami Regional Library, PO Box 84, Pine River, Minnesota 56474, or www.krls.org.

Mississippi Headwaters Board

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

Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Hubbard County provided $1,500 to this organization during 2021. Complete financial information can be obtained from the Mississippi Headwaters Board, Land Services Building, 322 Laurel Street, Brainerd, Minnesota 56401.

North Country Community Health Service

The North Country Community Health Service was formed in 1979 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Beltrami, Clearwater, Hubbard, and Lake of the Woods Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the Health Service is vested in the North Country Health Service Board of Health, which is composed of three members appointed by Beltrami County and two members appointed by each of the other member counties, as provided in the Health Service's bylaws.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

North Country Community Health Service (Continued)

In the event of dissolution of the North Country Community Health Service, the net assets of the Health Service at that time shall be divided among the member counties in the same proportion as their allocated share of subsidy funds as determined by the Minnesota Department of Health.

The Health Service has no long-term debt. Financing is provided by state and federal grants and appropriations from member counties. Clearwater County is the fiscal agent and reports the cash transactions of the Health Service appropriately on its financial statements.

Hubbard County did not contribute to the Health Service for the year ended December 31, 2021. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

Northwest Minnesota Regional Emergency Communication Board

The Northwest Minnesota Regional Emergency Communication Board (formerly known as the Northwest Minnesota Regional Radio Board) was formed in 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead; the Counties of: Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau; and the White Earth Reservation.

The purpose of the Northwest Minnesota Regional Emergency Communication Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwest Minnesota Regional Emergency Communication Board (Continued)

The Northwest Minnesota Regional Emergency Communication Board is composed of one Commissioner of each county appointed by their respective County Board, one City Council member from the City appointed by its City Council, and one representative appointed by the Tribal Council from each tribal party to the agreement, as provided in the Northwest Minnesota Regional Emergency Communication Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Emergency Communication Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city, county, or tribal entity that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Emergency Communication Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Hubbard County did not make any contributions during 2021. Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomen County withdrew from the NCDPSA in 2017. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which is composed of one County Commissioner appointed by each member County Board. In the event of dissolution, the net position of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Hubbard County did not contribute to the NCDPSA for the year ended December 31, 2021. Clearwater County is the fiscal agent and reports the cash transactions of the NCDPSA appropriately on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621.

Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center ("Center") was established by Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties in 1971 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, for the purpose of providing rehabilitation and other services to juveniles under the jurisdiction of the court system. The offices of the Center are located in Bemidji, with satellite homes at various locations.

Control of the Center is vested in the Northwestern Minnesota Juvenile Center Joint Powers Board, which is composed of at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each.

In the event of dissolution of the Center, the unexpended balance of monies and assets held by the Center will be divided among the member counties in the same proportion as their respective financial responsibilities.

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Adequate rates are charged so that the member counties do not experience any additional financial benefit or burden. Hubbard County made $233,464 in payments to the Center in 2021. Beltrami County is the fiscal agent and reports the cash transactions of the Center appropriately on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, PO Box 247, 1231 – 5th Street Northwest, Bemidji, Minnesota 56619.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Paul Bunyan Drug Task Force

The Paul Bunyan Drug Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Beltrami, Cass, Hubbard, and Koochiching Counties; the Bureau of Indian Affairs; the Leech Lake and White Earth Reservations; and the Cities of Bemidji, International Falls, and Park Rapids. The purpose of the Paul Bunyan Drug Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

Control of the Paul Bunyan Drug Task Force is established by a majority vote represented with one vote from each member of the organization. In the event of dissolution of the Task Force, the net assets shall be liquidated to the member organizations based on the percentage of population of all member counties and cities.

The Paul Bunyan Drug Task Force has no long-term debt. During 2021, Hubbard County contributed $3,500 to the Paul Bunyan Drug Task Force. Financing is provided by the proceeds from forfeitures and seizures pursuant to Minn. Stat. § 609.531. Beltrami County, in an agent capacity, reports the cash transactions of the Paul Bunyan Drug Task Force on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer, Beltrami County Administration Building, 701 Minnesota Avenue, Suite 220, Bemidji, Minnesota 56601.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

PrimeWest Health (Continued)

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Hubbard County did not contribute to PrimeWest Health during 2021. Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

F. Jointly-Governed Organizations

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three – Northwest Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Hubbard County's responsibility does not extend beyond making this appointment.

4. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

MAHUBE-OTWA Community Action Partnership

MAHUBE-OTWA Community Action Partnership is a non-profit human service agency serving Mahnomen, Hubbard, Becker, Otter Tail, and Wadena Counties in Northern Minnesota. MAHUBE-OTWA is governed by an 18-member Board, with three members that are residents from each of the counties in the agency's jurisdiction, plus three members are at-large from any of the five counties. The partnership serves low-income and elderly persons to provide services including Head Start programs, Family Development and Housing, Child Care Aware & Early Learning Scholarships, Child Passenger, Senior Programs, Energy Programs, and Family Health.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During 2021, Hubbard County expended $129,739 to the MCCC.

G. Segment Information

The County issued revenue bonds to finance the Heritage Living Center, Heritage Manor, and Heritage Cottages facilities. The activity is reported in the Heritage Community Enterprise Fund. Summary financial information for each facility is presented as follows. Heritage Living Center provides care to chronically ill or convalescent persons. Heritage Manor provides assisted living senior housing services. Heritage Cottages provides housing with memory care services for seniors.

4. Summary of Significant Contingencies and Other Items

G. Segment Information (Continued)

Condensed Statement of Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Assets			
Current assets	$ 498,033	$ 14,156	$ 25,221
Interfund receivables	26,600	50,808	103,674
Restricted assets	24,723	115,946	6,088
Capital assets	263,597	464,722	1,158,013
Total Assets	$ 812,953	$ 645,632	$ 1,292,996
Deferred Outflows of Resources	$ 1,270,467	$ -	$ -
Liabilities			
Current liabilities payable from restricted assets	$ 17,820	$ 9,841	$ -
Interfund payables	453,912	173,404	144,952
Other current liabilities	592,395	190,166	124,535
Noncurrent liabilities	2,135,971	792,698	1,186,647
Total Liabilities	$ 3,200,098	$ 1,166,109	$ 1,456,134
Deferred Inflows of Resources	$ 1,903,564	$ -	$ -
Net Position			
Net investment in capital assets	$ 263,597	$ (472,976)	$ (108,634)
Restricted	-	101,760	6,088
Unrestricted	(3,283,839)	(149,261)	(60,592)
Total Net Position	$ (3,020,242)	$ (520,477)	$ (163,138)

4. Summary of Significant Contingencies and Other Items

G. Segment Information (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Operating Revenues			
Charges for services	$ 4,966,286	$ -	$ -
Rental income	-	503,500	608,908
Intergovernmental	5,090	-	-
Miscellaneous	188,754	6,375	8,837
Total Operating Revenues	$ 5,160,130	$ 509,875	$ 617,745
Operating Expenses			
Depreciation expense	$ (44,081)	$ (89,813)	$ (67,676)
Other operating expenses	(5,996,882)	(619,977)	(729,589)
Total Operating Expenses	$ (6,040,963)	$ (709,790)	$ (797,265)
Operating Income (Loss)	$ (880,833)	$ (199,915)	$ (179,520)
Nonoperating Revenues (Expenses)			
Investment earnings	$ 942	$ 526	$ 140
Interest expense	-	(24,861)	(37,400)
Noncapital grant revenue	1,175,422	-	-
Total Nonoperating Revenues (Expenses)	$ 1,176,364	$ (24,335)	$ (37,260)
Change in Net Position	$ 295,531	$ (224,250)	$ (216,780)
Beginning Net Position	(3,315,773)	(296,227)	53,642
Ending Net Position	$ (3,020,242)	$ (520,477)	$ (163,138)

H. Subsequent Event

Effective April 19, 2022, the County Board approved amendments to cancel the lease agreements between Hubbard County and Heritage Center, LLC. The assets and liabilities of the Heritage Center, LLC were transferred to Heritage Community.

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Hubbard County, the amount to be received as a result of this litigation is $1,017,344, to be received over 18 years, which has been recorded as accounts receivable in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

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

I. Uncertainty Regarding Going Concern

During the years ended September 30, 2021 and 2020, Heritage Community experienced operating losses of approximately $1,260,000 and $929,700 and deficit of revenues under expenses of approximately $145,000 and $687,600, respectively, resulting in a net deficit of approximately $3,703,900 and $3,558,400 as of September 30, 2020 and 2019, respectively. The losses are the result of continued declines in occupancy, increases in the cost of providing resident care, staffing challenges and preparation for COVID-19.

Effective July 1, 2021, Heritage Living Center laid away ten beds to go from 64 active beds to 54 active beds, to help reduce costs due to low occupancy. This reduction along with other adjustments will help reduce operating expenses.

Heritage Community experienced a decline in cash and cash equivalents in 2020 from approximately $134,100 at September 30, 2020, to $200 at September 30, 2021. The lower occupancy, higher costs of care, staffing challenges, higher protective equipment costs and prevention for COVID-19 expenses contributed to the decline in cash. Heritage Community expects that reduction of beds in service, increases in skilled nursing occupancy, and increased Medicaid and Private Pay reimbursements rates will result in improvement in the Heritage Community's operations and cash position. There is no assurance about Heritage Community's ability to continue as a going concern. The combined financial statements do not include any adjustments that might be necessary if Heritage Community were unable to continue as a going concern.

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

The Hubbard County Housing and Redevelopment Authority (HRA) was created in 1995 by the Hubbard County Board and operates as a local governmental unit for the purpose of providing housing and redevelopment services to the citizens of Hubbard County. The governing body consists of a five-member Board appointed by the Hubbard County Board.

A. Summary of Significant Accounting Policies

1. Measurement Focus

The HRA is reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term, highly liquid investments with maturity dates of three months or less at the time of purchase. Available cash balances are maintained in demand deposit accounts.

Restricted assets represent cash maintained in accordance with loan agreements, grant awards, and other agreements for the purpose of funding certain debt service payments, depreciation, contingency activities and improvements.

Capital Assets

Capital assets with useful lives of more than one year are stated at estimated historical cost and comprehensively reported in the statement of net position. Donated assets are stated at estimated fair market value on the date donated. The HRA generally capitalizes assets with a cost of $5,000 or more (excluding stoves and refrigerators). The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method.

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

2. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Capital Assets (Continued)

The estimated useful lives for depreciable assets are as follows:

Assets	Years
Buildings	30 - 40
Buildings and land improvements	10 - 15
Equipment	3 - 10

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Detailed Notes on All Funds

1. Deposits and Investments

The HRA's cash and investments at year-end were comprised of the following:

Deposits	$ 477,296

Deposits

In accordance with Minnesota statutes, the HRA maintains deposits at those depository banks authorized by the Board. All such depositories are members of the Federal Reserve System. The HRA is required by Minnesota statutes to protect HRA deposits with insurance, surety bond, or collateral.

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits (Continued)

The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

The custodial credit risk for deposits is the risk that in the event of a bank failure, the HRA's deposits may not be recovered. The HRA's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the HRA's deposits to be protected by insurance, surety bond, or pledged collateral. As of December 31, 2021, the HRA's deposits were not exposed to custodial credit risk.

Investments

The HRA had no investments as of December 31, 2021.

2. Contracts Receivable

Contracts receivable consists of amounts due from borrowers for the purchase or remodel of housing. The terms of the receivables range from zero to four percent, maturing from March 1, 2023, to July 1, 2033. At December 31, 2021, the HRA reported contracts receivable of $654,347.

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 537,040	$ -	$ -	$ 537,040
Capital assets depreciated				
Buildings	$ 4,436,851	$ 679,732	$ -	$ 5,116,583
Equipment	148,238	10,620	-	158,858
Total capital assets depreciated	$ 4,585,089	$ 690,352	$ -	$ 5,275,441
Less: accumulated depreciation for				
Buildings	$ 417,319	$ 145,164	$ -	$ 562,483
Equipment	58,717	25,821	-	84,538
Total accumulated depreciation	$ 476,036	$ 170,985	$ -	$ 647,021
Total capital assets depreciated, net	$ 4,109,053	$ 519,367	$ -	$ 4,628,420
Total Capital Assets, Net	$ 4,646,093	$ 519,367	$ -	$ 5,165,460

4. Long-Term Debt

Long-term debt outstanding at December 31, 2021, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2021
SCDP Mortgage	2023	on demand	-	$ 2,626
Bank Mortgage	2032	$2,637/month	3.50%	272,908
Bank Mortgage	2044	$9,786/month	4.25%	1,655,240
Bank Mortgage	2045	$11,139/month	3.75%	2,077,637
Total Long-Term Debt				$ 4,008,411

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

B. Detailed Notes on All Funds (Continued)

5. Debt Service Requirements

Debt service requirements as of December 31, 2021, are as follows:

Year Ended December 31	Principal	Interest
2022	$ 127,151	$ 153,476
2023	131,370	148,568
2024	135,302	143,667
2025	140,344	138,173
2026	145,187	132,696
2027 - 2031	815,619	573,796
2032 - 2036	826,312	413,818
2037 - 2041	994,548	236,644
2042 - 2045	692,578	43,398
Total	$ 4,008,411	$ 1,984,236

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SCDP Mortgage	$ 4,284	$ -	$ 1,658	$ 2,626	$ 1,658
Bank Mortgage	294,588	-	21,680	272,908	22,451
Bank Mortgage	1,698,681	-	43,441	1,655,240	46,298
Bank Mortgage	1,590,296	509,704	22,363	2,077,637	56,744
Long-Term Liabilities	$ 3,587,849	$ 509,704	$ 89,142	$ 4,008,411	$ 127,151

5. Component Unit Disclosures – Hubbard County Housing and Redevelopment Authority (HRA)

B. Detailed Notes on All Funds (Continued)

7. Conduit Debt Obligation

Not included in the financial statements are various conduit debt obligations issued under the name of Hubbard County Housing and Redevelopment Authority. The bonds are not secured by or payable from revenue or assets of the HRA. Neither the faith and credit nor the taxing power of the HRA is pledged to the payment of the principal and interest on the bonds nor is the HRA in any manner obligated to make any appropriations for payments on these bonds. At December 31, 2021, the aggregate principal amount of conduit debt obligations outstanding totaled $1,925,000.

REQUIRED SUPPLEMENTARY INFORMATION

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 9,749,987	$ 9,749,987	$ 9,157,265	$ (592,722)
Licenses and permits	117,024	117,024	241,731	124,707
Intergovernmental	2,890,276	2,890,276	4,603,226	1,712,950
Charges for services	1,248,457	1,248,457	1,304,611	56,154
Fines and forfeitures	30,650	30,650	68,347	37,697
Investment earnings	305,250	305,250	356,796	51,546
Gifts and contributions	19,000	19,000	194,642	175,642
Miscellaneous	406,257	406,257	721,484	315,227
Total Revenues	**$ 14,766,901**	**$ 14,766,901**	**$ 16,648,102**	**$ 1,881,201**
Expenditures				
Current				
General government				
Commissioners	$ 277,324	$ 277,324	$ 266,351	$ 10,973
District court	192,200	192,200	109,653	82,547
Law library	18,750	18,750	14,246	4,504
Administrator	649,449	649,449	679,968	(30,519)
County auditor/treasurer	622,631	622,631	526,456	96,175
Elections	56,576	56,576	27,371	29,205
Purchasing	29,250	29,250	15,433	13,817
Data processing	902,977	902,977	851,451	51,526
Attorney	826,692	826,692	757,067	69,625
Recorder	385,605	385,605	356,764	28,841
Surveyor	195,305	195,305	174,461	20,844
Assessor	568,090	568,090	493,495	74,595
Passports	3,350	3,350	3,730	(380)
Motor pool	56,500	56,500	24,856	31,644
Buildings and grounds	667,080	667,080	475,951	191,129
Veterans service officer	147,223	147,223	144,287	2,936
Insurance	-	-	73,995	(73,995)
Other general government	596,575	596,575	766,699	(170,124)
Total general government	**$ 6,195,577**	**$ 6,195,577**	**$ 5,762,234**	**$ 433,343**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 3,092,193	$ 3,092,193	$ 3,460,522	$ (368,329)
Boat and water safety	28,800	28,800	25,612	3,188
Emergency services	55,490	55,490	115,668	(60,178)
Coroner	45,000	45,000	36,560	8,440
SWAT Team	-	-	19,573	(19,573)
Enhanced 911	74,077	74,077	48,237	25,840
Community corrections	3,027,800	3,027,800	3,374,867	(347,067)
Building and grounds	328,179	328,179	351,649	(23,470)
Jail canteen	-	-	39,286	(39,286)
Sentence to serve	158,503	158,503	160,812	(2,309)
Probation and parole	164,550	164,550	73,852	90,698
Total public safety	**$ 6,974,592**	**$ 6,974,592**	**$ 7,706,638**	**$ (732,046)**
Human services				
Mahube Community Council	**$ -**	**$ -**	**$ 808,081**	**$ (808,081)**
Public health				
Nursing home	**$ -**	**$ -**	**$ 55,745**	**$ (55,745)**
Culture and recreation				
Historical society	$ 13,000	$ 13,000	$ 23,341	$ (10,341)
Parks	205,624	205,624	144,360	61,264
Agricultural society	253,605	253,605	256,035	(2,430)
Snowmobile and ski trails	172,850	172,850	164,701	8,149
Total culture and recreation	**$ 645,079**	**$ 645,079**	**$ 588,437**	**$ 56,642**
Conservation of natural resources				
County extension	$ 140,340	$ 140,340	$ 117,083	$ 23,257
Aquatic invasive species	311,346	311,346	344,507	(33,161)
Soil and water conservation	73,566	73,566	38,566	35,000
Environmental services	669,866	669,866	628,723	41,143
Natural resources grant	65,382	65,382	38,348	27,034
Total conservation of natural resources	**$ 1,260,500**	**$ 1,260,500**	**$ 1,167,227**	**$ 93,273**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Economic development	**$ 72,000**	**$ 72,000**	**$ 496,184**	**$ (424,184)**
Debt service				
Principal	$ -	$ -	$ 98,737	$ (98,737)
Interest	-	-	17,830	(17,830)
Total debt service	**$ -**	**$ -**	**$ 116,567**	**$ (116,567)**
Total Expenditures	**$ 15,147,748**	**$ 15,147,748**	**$ 16,701,113**	**$ (1,553,365)**
Excess of Revenues Over (Under) Expenditures	**$ (380,847)**	**$ (380,847)**	**$ (53,011)**	**$ 327,836**
Other Financing Sources (Uses)				
Transfers in	$ 300,000	$ 300,000	$ 375,889	$ 75,889
Transfers out	(16,933)	(16,933)	(17,423)	(490)
Capital leases	-	-	131,874	131,874
Total Other Financing Sources (Uses)	**$ 283,067**	**$ 283,067**	**$ 490,340**	**$ 207,273**
Net Change in Fund Balance	**$ (97,780)**	**$ (97,780)**	**$ 437,329**	**$ 535,109**
Fund Balance – January 1	**9,942,809**	**9,942,809**	**9,942,809**	**-**
Fund Balance – December 31	**$ 9,845,029**	**$ 9,845,029**	**$ 10,380,138**	**$ 535,109**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,900,000	$ 3,900,000	$ 4,974,501	$ 1,074,501
Intergovernmental	6,185,200	6,185,200	5,868,568	(316,632)
Charges for services	-	-	849,105	849,105
Investment earnings	-	-	14,643	14,643
Miscellaneous	967,500	967,500	41,766	(925,734)
Total Revenues	**$ 11,052,700**	**$ 11,052,700**	**$ 11,748,583**	**$ 695,883**
Expenditures				
Current				
Highways and streets				
Administration	$ 654,006	$ 654,006	$ 653,746	$ 260
Maintenance	2,733,527	2,733,527	2,072,529	660,998
Construction	6,507,765	6,507,765	5,809,991	697,774
Equipment maintenance and shop	1,266,484	1,266,484	962,820	303,664
Fuel facility	15,189	15,189	52,284	(37,095)
Materials for resale	921,899	921,899	598,006	323,893
Other highways and streets	19,188	19,188	20,334	(1,146)
Total highways and streets	**$ 12,118,058**	**$ 12,118,058**	**$ 10,169,710**	**$ 1,948,348**
Intergovernmental				
Highways and streets	**$ 348,700**	**$ 348,700**	**$ 376,613**	**$ (27,913)**
Debt service				
Principal	$ -	$ -	$ 18,024	$ (18,024)
Interest	-	-	4,851	(4,851)
Total debt service	**$ -**	**$ -**	**$ 22,875**	**$ (22,875)**
Total Expenditures	**$ 12,466,758**	**$ 12,466,758**	**$ 10,569,198**	**$ 1,897,560**
Excess of Revenues Over (Under) Expenditures	**$ (1,414,058)**	**$ (1,414,058)**	**$ 1,179,385**	**$ 2,593,443**
Other Financing Sources (Uses)				
Capital leases	-	-	23,800	23,800
Net Change in Fund Balance	**$ (1,414,058)**	**$ (1,414,058)**	**$ 1,203,185**	**$ 2,617,243**
Fund Balance – January 1	**9,357,273**	**9,357,273**	**9,357,273**	**-**
Increase (decrease) in inventories	**-**	**-**	**42,800**	**42,800**
Fund Balance – December 31	**$ 7,943,215**	**$ 7,943,215**	**$ 10,603,258**	**$ 2,660,043**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,350,000	$ 2,350,000	$ 2,303,997	$ (46,003)
Intergovernmental	3,683,272	3,683,272	4,574,782	891,510
Charges for services	515,000	515,000	631,825	116,825
Investment earnings	-	-	214	214
Miscellaneous	393,782	393,782	567,555	173,773
Total Revenues	**$ 6,942,054**	**$ 6,942,054**	**$ 8,078,373**	**$ 1,136,319**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,226,069	$ 2,226,069	$ 2,184,507	$ 41,562
Social services	6,586,253	6,586,253	5,890,434	695,819
Transportation	-	-	482,661	(482,661)
Total Expenditures	**$ 8,812,322**	**$ 8,812,322**	**$ 8,557,602**	**$ 254,720**
Net Change in Fund Balance	**$ (1,870,268)**	**$ (1,870,268)**	**$ (479,229)**	**$ 1,391,039**
Fund Balance – January 1	**5,524,916**	**5,524,916**	**5,524,916**	**-**
Fund Balance – December 31	**$ 3,654,648**	**$ 3,654,648**	**$ 5,045,687**	**$ 1,391,039**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 122,997	$ 110,222	$ 97,669	$ 82,486
Interest	34,935	41,464	34,714	32,469
Plan changes	-	-	92,123	-
Differences between expected and actual experience	(105,732)	(23,235)	(78,577)	-
Changes of assumption or other inputs	(29,285)	33,032	(27,041)	-
Adoption of accounting principle	-	-	-	30,830
Benefit payments	(64,836)	(86,383)	(59,269)	(65,444)
Net change in total OPEB liability	**$ (41,921)**	**$ 75,100**	**$ 59,619**	**$ 80,341**
Total OPEB Liability – Beginning	**1,110,112**	**1,035,012**	**975,393**	**895,052**
Total OPEB Liability – Ending	**$ 1,068,191**	**$ 1,110,112**	**$ 1,035,012**	**$ 975,393**
Covered-employee payroll	$ 15,640,685	$ 14,437,555	$ 13,887,636	$ 13,363,027
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.83%	7.69%	7.45%	7.30%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Hubbard County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1672 %	$ 7,140,615	$ 218,039	$ 7,358,654	$ 12,364,844	57.75 %	87.00 %
2020	0.1620	9,712,640	299,332	10,011,972	12,160,591	79.87	79.06
2019	0.1581	8,740,994	271,655	9,012,649	11,528,130	75.82	80.23
2018	0.1572	8,720,811	285,959	9,006,770	11,284,201	77.28	79.53
2017	0.1533	9,786,570	123,006	9,909,576	10,320,226	94.83	75.90
2016	0.1499	12,171,137	159,004	12,330,141	9,618,314	126.54	68.91
2015	0.1478	7,659,764	N/A	7,659,764	9,012,354	84.99	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 921,584	$ 921,584	$ -	$ 12,651,430	7.28 %
2020	915,057	915,057	-	12,811,274	7.14
2019	850,550	850,550	-	11,692,992	7.27
2018	820,478	820,478	-	11,661,024	7.04
2017	758,901	758,901	-	10,567,075	7.18
2016	718,199	718,199	-	9,887,946	7.26
2015	655,012	655,012	-	9,097,536	7.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Hubbard County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1477 %	$ 1,140,087	$ 51,252	$ 1,191,339	$ 1,745,294	65.32 %	93.66 %
2020	0.1400	1,845,350	43,474	1,888,824	1,579,319	116.84	87.19
2019	0.1387	1,476,602	N/A	1,476,602	1,462,514	100.96	89.26
2018	0.1350	1,438,961	N/A	1,438,961	1,423,030	101.12	88.84
2017	0.1340	1,809,159	N/A	1,809,159	1,375,562	131.52	85.43
2016	0.1330	5,337,521	N/A	5,337,521	1,277,137	417.93	63.88
2015	0.1290	1,465,742	N/A	1,465,742	1,177,598	124.47	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 352,408	$ 352,408	$ -	$ 1,991,009	17.70 %
2020	301,756	301,756	-	1,704,840	17.70
2019	255,882	255,882	-	1,509,998	16.95
2018	232,512	232,512	-	1,435,259	16.20
2017	227,351	227,351	-	1,403,400	16.20
2016	215,093	215,093	-	1,327,734	16.20
2015	195,192	195,192	-	1,204,889	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.9140 %	$ (150,152)	$ 1,997,648	(7.52) %	101.61 %
2020	0.8400	227,926	1,827,913	12.47	96.67
2019	0.8236	114,027	1,742,719	6.54	98.17
2018	0.8483	139,520	1,713,791	8.14	97.64
2017	0.7600	2,166,008	1,524,580	142.07	67.89
2016	0.7900	2,885,981	1,481,175	194.84	58.16
2015	0.7700	119,042	1,382,657	8.61	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 182,233	$ 182,233	$ -	$ 2,082,661	8.75 %
2020	175,932	175,932	-	2,010,655	8.75
2019	153,098	153,098	-	1,749,697	8.75
2018	154,077	154,077	-	1,760,884	8.75
2017	142,684	142,684	-	1,630,677	8.75
2016	131,469	131,469	-	1,502,504	8.75
2015	123,408	123,408	-	1,410,377	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Budgetary Information

A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Building Bonds Debt Service Fund. All annual appropriations lapse at fiscal year-end.

In July, budget sheets are distributed to department managers and must be returned to the Auditor's Office by the end of July. In August, preliminary budgets are distributed to the Board, and budget hearings are scheduled from August to December. On or before September 15, proposed levies must be set by the County Board. A final budget must be prepared and adopted no later than December 31.

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

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2021:

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Administrator	$ 679,968	$ 649,449	$ 30,519
Passports	3,730	3,350	380
Insurance	73,995	-	73,995
Other general government	766,699	596,575	170,124

1. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	Expenditures	Final Budget	Excess
General Fund			
Current (Continued)			
Public safety			
Sheriff	3,460,522	3,092,193	368,329
Emergency services	115,668	55,490	60,178
SWAT Team	19,573	-	19,573
Community corrections	3,374,867	3,027,800	347,067
Building and grounds	351,649	328,179	23,470
Jail canteen	39,286	-	39,286
Sentence to serve	160,812	158,503	2,309
Human services			
Mahube Community Council	808,081	-	808,081
Public health			
Nursing home	55,745	-	55,745
Culture and recreation			
Historical society	23,341	13,000	10,341
Agricultural society	256,035	253,605	2,430
Conservation of natural resources			
Aquatic invasive species	344,507	311,346	33,161
Economic development			
Economic development	496,184	72,000	424,184
Debt service			
Principal	98,737	-	98,737
Interest	17,830	-	17,830
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Fuel facility	52,284	15,189	37,095
Other highways and streets	20,334	19,188	1,146
Intergovernmental			
Highways and streets	376,613	348,700	27,913
Debt service			
Principal	18,024	-	18,024
Interest	4,851	-	4,851
Social Services Special Revenue Fund			
Current			
Human services			
Transportation	482,661	-	482,661

2. Other Postemployment Benefits Funded Status

   Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

3. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

   Governmental Activities

   2021

   - The health care trend rates, mortality tables, and salary increase rates were updated.
   - The retirement and withdrawal rates for non-public safety employees were updated.
   - The inflation rate was changed from 2.50 percent to 2.00 percent.
   - The discount rate was changed from 2.90 percent to 2.00 percent.

   2020

   - The discount rate was changed from 3.80 percent to 2.90 percent.

   2019

   - The postemployment subsidized benefit provided to elected officials was changed to remove the sunset date of December 31, 2014, for benefit accruals. All elected service is used to determine the postemployment subsidized medical benefit at termination or retirement.
   - The health care trend rates were changed to better anticipate short-term and long-term medical increases.
   - The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for police and file personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

3. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Governmental Activities

2019 (Continued)

- The retirement and withdrawal tables for police and fire employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

Business-Type Activities

2021

- No changes occurred in 2021.

2020

- The health care trend rates changed from 6.25 to 6.50 percent.
- Salary increases changes from 3.00 to a range of 3.25 – 11.25 present, based on years of service.
- The mortality tables were updated from the RP-2011 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.00 percent.

2019

- No changes occurred in 2019.

3. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

   Business-Type Activities (Continued)

   2018

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

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

   The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

   General Employees Retirement Plan

   2021

   - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

   - The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

   2020

   - The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

   - The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

   - Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

   - Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

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 rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- 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.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 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 the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2021

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

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. 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.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.

- Assumed percent married for active members was lowered from 85 percent to 75 percent.

- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- 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.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

4. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Land Management Special Revenue Fund accounts for proceeds from the sale or rental of lands forfeited to the state of Minnesota, pursuant to Minn. Stat. ch. 282, as well as financial transactions of various operations of the County forest.

The Solid Waste Special Revenue Fund accounts for restricted revenues from charges for services collected through special assessments, miscellaneous revenues, and revenue resources from the state for costs relating to disposal of the County's solid waste.

DEBT SERVICE FUND

The Building Bonds Debt Service Fund is used to account for the accumulation of restricted resources used for and the payment of principal, interest, and related costs.

PERMANENT FUND

The Environmental Trust Permanent Fund is used to account for and report nonspendable and restricted net proceeds from the sale of land donated by the Department of Natural Resources pursuant to Minnesota statutes.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Assets					
Cash and pooled investments	$ 2,088,685	$ 2,146,254	$ 1,450,028	$ 10,270	$ 5,695,237
Investment	-	-	-	467,280	467,280
Taxes receivable – delinquent	-	-	21,261	-	21,261
Accounts receivable	4,493	157,878	-	-	162,371
Contracts receivable	775,247	-	-	-	775,247
Due from other funds	-	15	-	-	15
Due from other governments	-	240	-	7,929	8,169
Advance to other funds	9,208	-	-	-	9,208
Total Assets	**$ 2,877,633**	**$ 2,304,387**	**$ 1,471,289**	**$ 485,479**	**$ 7,138,788**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 4,721	$ 32,892	$ -	$ -	$ 37,613
Salaries payable	25,794	35,749	-	-	61,543
Due to other funds	377,424	3,561	-	-	380,985
Due to other governments	556	105,778	-	-	106,334
Advance from other funds	-	-	-	9,208	9,208
Total Liabilities	**$ 408,495**	**$ 177,980**	**$ -**	**$ 9,208**	**$ 595,683**
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	$ -	$ -	$ 21,261	$ -	$ 21,261
Charges for services	-	127,423	-	-	127,423
Land and timber sales	540,398	-	-	-	540,398
Total Deferred Inflows of Resources	**$ 540,398**	**$ 127,423**	**$ 21,261**	**$ -**	**$ 689,082**
Fund Balances					
Nonspendable	$ -	$ -	$ -	$ 467,280	$ 467,280
Restricted	1,118,563	-	1,450,028	8,991	2,577,582
Committed	115,627	79,068	-	-	194,695
Assigned	694,550	1,919,916	-	-	2,614,466
Total Fund Balances	**$ 1,928,740**	**$ 1,998,984**	**$ 1,450,028**	**$ 476,271**	**$ 5,854,023**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,877,633**	**$ 2,304,387**	**$ 1,471,289**	**$ 485,479**	**$ 7,138,788**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Revenues					
Taxes	$ -	$ -	$ 892,928	$ -	$ 892,928
Licenses and permits	-	1,050	-	-	1,050
Intergovernmental	136,279	179,622	7,357	-	323,258
Charges for services	-	3,772,918	-	-	3,772,918
Investment earnings	-	-	5,658	2,108	7,766
Land and timber sales	1,364,601	-	-	-	1,364,601
Miscellaneous	47,164	25,423	-	7,929	80,516
Total Revenues	**$ 1,548,044**	**$ 3,979,013**	**$ 905,943**	**$ 10,037**	**$ 6,443,037**
Expenditures					
Current					
Sanitation	$ -	$ 3,939,694	$ -	$ -	$ 3,939,694
Conservation of natural resources	1,129,814	-	-	2,992	1,132,806
Debt service					
Principal	7,406	-	740,000	-	747,406
Interest	2,026	-	163,466	-	165,492
Total Expenditures	**$ 1,139,246**	**$ 3,939,694**	**$ 903,466**	**$ 2,992**	**$ 5,985,398**
Excess of Revenues Over (Under) Expenditures	**$ 408,798**	**$ 39,319**	**$ 2,477**	**$ 7,045**	**$ 457,639**
Other Financing Sources (Uses)					
Transfers in	$ -	$ 17,423	$ -	$ -	$ 17,423
Transfers out	(375,889)	-	-	-	(375,889)
Capital leases	49,690	-	-	-	49,690
Debt service - principal	-	-	(4,565,000)	-	(4,565,000)
Total Other Financing Sources (Uses)	**$ (326,199)**	**$ 17,423**	**$ (4,565,000)**	**$ -**	**$ (4,873,776)**
Net Change in Fund Balance	**$ 82,599**	**$ 56,742**	**$ (4,562,523)**	**$ 7,045**	**$ (4,416,137)**
Fund Balance – January 1	**1,846,141**	**1,942,242**	**6,012,551**	**469,226**	**10,270,160**
Fund Balance – December 31	**$ 1,928,740**	**$ 1,998,984**	**$ 1,450,028**	**$ 476,271**	**$ 5,854,023**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 133,120	$ 133,120	$ 136,279	$ 3,159
Land and timber sales	1,359,300	1,359,300	1,364,601	5,301
Miscellaneous	81,000	81,000	47,164	(33,836)
Total Revenues	**$ 1,573,420**	**$ 1,573,420**	**$ 1,548,044**	**$ (25,376)**
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	$ 838,962	$ 838,962	$ 804,660	$ 34,302
Access road	45,000	45,000	7,447	37,553
Forest development	225,000	225,000	283,906	(58,906)
Miscellaneous	29,175	29,175	33,801	(4,626)
Total conservation of natural resources	**$ 1,138,137**	**$ 1,138,137**	**$ 1,129,814**	**$ 8,323**
Debt service				
Principal	$ -	$ -	$ 7,406	$ (7,406)
Interest	-	-	2,026	(2,026)
Total debt service	**$ -**	**$ -**	**$ 9,432**	**$ (9,432)**
Total Expenditures	**$ 1,138,137**	**$ 1,138,137**	**$ 1,139,246**	**$ (1,109)**
Excess of Revenues Over (Under) Expenditures	**$ 435,283**	**$ 435,283**	**$ 408,798**	**$ (26,485)**
Other Financing Sources (Uses)				
Transfers out	$ (525,000)	$ (525,000)	$ (375,889)	$ 149,111
Capital leases	-	-	49,690	49,690
Total Other Financing Sources (Uses)	**$ (525,000)**	**$ (525,000)**	**$ (326,199)**	**$ 198,801**
Net Change in Fund Balance	**$ (89,717)**	**$ (89,717)**	**$ 82,599**	**$ 172,316**
Fund Balance – January 1	**1,846,141**	**1,846,141**	**1,846,141**	**-**
Fund Balance – December 31	**$ 1,756,424**	**$ 1,756,424**	**$ 1,928,740**	**$ 172,316**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 500	$ 500	$ 1,050	$ 550
Intergovernmental	310,692	310,692	179,622	(131,070)
Charges for services	3,643,500	3,643,500	3,772,918	129,418
Miscellaneous	75,000	75,000	25,423	(49,577)
Total Revenues	**$ 4,029,692**	**$ 4,029,692**	**$ 3,979,013**	**$ (50,679)**
Expenditures				
Current				
Sanitation				
Solid waste	$ 2,618,079	$ 2,618,079	$ 2,816,566	$ (198,487)
Recycling	1,530,506	1,530,506	1,056,862	473,644
Demolition landfill	150,000	150,000	66,266	83,734
Total Expenditures	**$ 4,298,585**	**$ 4,298,585**	**$ 3,939,694**	**$ 358,891**
Excess of Revenues Over (Under) Expenditures	**$ (268,893)**	**$ (268,893)**	**$ 39,319**	**$ 308,212**
Other Financing Sources (Uses)				
Transfers in	17,423	17,423	17,423	-
Net Change in Fund Balance	**$ (251,470)**	**$ (251,470)**	**$ 56,742**	**$ 308,212**
Fund Balance – January 1	**1,942,242**	**1,942,242**	**1,942,242**	-
Fund Balance – December 31	**$ 1,690,772**	**$ 1,690,772**	**$ 1,998,984**	**$ 308,212**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL TRUST PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	$ 8,000	$ 8,000	$ 2,108	$ (5,892)
Miscellaneous	21,000	21,000	7,929	(13,071)
Total Revenues	**$ 29,000**	**$ 29,000**	**$ 10,037**	**$ (18,963)**
Expenditures				
Current				
Conservation of natural resources				
Natural resources	20,590	20,590	2,992	17,598
Net Change in Fund Balance	**$ 8,410**	**$ 8,410**	**$ 7,045**	**$ (1,365)**
Fund Balance – January 1	**469,226**	**469,226**	**469,226**	**-**
Fund Balance – December 31	**$ 477,636**	**$ 477,636**	**$ 476,271**	**$ (1,365)**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

FIDUCIARY FUNDS

CUSTODIAL FUNDS

Taxes and Penalties Custodial Fund – to account for the collection of taxes and penalties and their payment to the various taxing districts.

State Revenue Custodial Fund – to account for the state's share of collections and their payment to the state.

Jail Canteen Custodial Fund – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Tax Forfeited Land Custodial Fund – to account for proceeds from the sale of tax forfeited land collected by the County to be distributed to local governments within the County.

Hubbard County Family Services Collaborative Custodial Fund – to account for the receipt and payment of federal, state, and local grants and membership contributions for the County's Family Services Collaborative.

Civil Process Custodial Fund – to account court ordered transactions including collection and disbursement of bail bonds, garnishments, and mortgage foreclosure redemptions.

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021

	Taxes and Penalties	State Revenue
Assets		
Cash and pooled investments	$ 411,036	$ 110,177
Due from other governments	68,135	-
Taxes and special assessments receivable for other governments	811,635	-
Accounts receivable	-	9,959
Contracts receivable	-	-
Total Assets	**$ 1,290,806**	**$ 120,136**
Liabilities		
Due to other governments	**$ 411,036**	**$ 120,136**
Deferred Inflows of Resources		
Prepaid taxes	**$ 184,231**	**$ -**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 695,539**	**$ -**

EXHIBIT C-1

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Total Custodial Funds
$ 10,305	$ 307,545	$ 240,088	$ 1,079,151
-	-	-	68,135
-	-	-	811,635
-	-	-	9,959
-	140,450	-	140,450
$ 10,305	**$ 447,995**	**$ 240,088**	**$ 2,109,330**
$ -	**$ 307,545**	**$ -**	**$ 838,717**
$ -	**$ -**	**$ -**	**$ 184,231**
$ 10,305	**$ 140,450**	**$ 240,088**	**$ 1,086,382**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Taxes and Penalties	State Revenue
Additions		
Contributions from individuals	$ -	$ -
Interest earnings	-	-
Property tax collections for other governments	19,085,864	-
Fees collected for state	3,423,906	1,750,314
Payments from state	-	-
Payments from other entities	78,269	-
Total Additions	**$ 22,588,039**	**$ 1,750,314**
Deductions		
Payments of property tax to other governments	$ 19,148,415	$ -
Payments to state	3,226,785	1,750,404
Payments to other individuals/entities	466,588	-
Total Deductions	**$ 22,841,788**	**$ 1,750,404**
Change in Net Position	**$ (253,749)**	**$ (90)**
Net Position – January 1	**949,288**	**90**
Net Position – December 31	**$ 695,539**	**$ -**

EXHIBIT C-2

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Civil Process	Total Custodial Funds
$ 381,515	$ -	$ -	$ -	$ 381,515
-	-	226	-	226
-	-	-	-	19,085,864
-	-	-	-	5,174,220
-	-	115,426	-	115,426
-	177,280	2,973	22,961	281,483
$ 381,515	**$ 177,280**	**$ 118,625**	**$ 22,961**	**$ 25,038,734**
$ -	$ -	$ -	$ -	$ 19,148,415
-	-	-	-	4,977,189
383,080	157,890	115,000	22,961	1,145,519
$ 383,080	**$ 157,890**	**$ 115,000**	**$ 22,961**	**$ 25,271,123**
$ (1,565)	**$ 19,390**	**$ 3,625**	**$ -**	**$ (232,389)**
11,870	**121,060**	**236,463**	**-**	**1,318,771**
$ 10,305	**$ 140,450**	**$ 240,088**	**$ -**	**$ 1,086,382**

OTHER SCHEDULES

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	$ 5,417,198
Market value credit	127,094
Police aid	206,067
County program aid	987,947
Enhanced 911	141,317
Out of home placement aid	51,842
Select Committee on Recycling and the Environment (SCORE)	71,066
Riparian protection aid	40,000
Aquatic invasive species aid	263,681
Total appropriations and shared revenue	**$ 7,306,212**
Reimbursement for Services	
State	
Minnesota Department of	
Human Services	**$ 1,279,405**
Payments	
Local	
Payments in lieu of taxes	**$ 912,586**
Grants	
State	
Minnesota Department of	
Corrections	$ 26,920
Employment and Economic Development	424,184
Human Services	1,543,997
Natural Resources	251,439
Public Safety	8,624
Revenue	549,582
Transportation	616,992
Veterans Affairs	10,000
Pollution Control Agency	108,556
Total state	**$ 3,540,294**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	$ 271,492
Justice	37,376
Transportation	204,740
Treasury	300
Health and Human Services	1,810,842
Homeland Security	6,587
Total federal	**$ 2,331,337**
Total state and federal grants	**$ 5,871,631**
Total Intergovernmental Revenue	**$ 15,369,834**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	**$ 271,492**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2020-HUBBARAO	**$ 37,376**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
COVID-19 – Highway Planning and Construction	20.205	00029	$ 173,980
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC21-2021-HUBBSO	842
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC21-2021-HUBBSO	4,977
Highway Safety Cluster			
National Priority Safety Programs	20.616	F-ENFRC21-2021-HUBBSO	3,108
Total U.S. Department of Transportation			**$ 182,907**
U.S. Department of the Treasury			
Passed Through Minnesota Management and Budget			
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	$ 300
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		1,000,000
Total U.S. Department of the Treasury			**$ 1,000,300**
U.S. Department of Health and Human Services			
Direct			
COVID-19 – Provider Relief Fund	93.498		$ 346,552
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPSS	11,243
Temporary Assistance for Needy Families	93.558	2101MNTANF	242,672
Child Support Enforcement	93.563	2101MNCSES	44,616
Child Support Enforcement	93.563	2001MNCEST	233,019
(Total Child Support Enforcement 93.563 $277,635)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2101MNRCMA	574
CCDF Cluster			
Child Care and Development Block Grant	93.575	2101MNCCDF	8,896
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,262
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	4,749
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	3,959
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 $8,708)			
Foster Care – Title IV-E	93.658	2101MNFOST	215,359
Social Services Block Grant	93.667	2101MNSOSR	163,236
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	1,696

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	750
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	2,766
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 $3,516)			
Children's Health Insurance Program	93.767	2105MN5021	1,310
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	873,311
Medical Assistance Program	93.778	2105MN5MAP	12,546
(Total Medical Assistance Program 93.778 $885,857)			
Total U.S. Department of Health and Human Services			**$ 2,169,516**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	HUBBARD FBP	**$ 6,587**
Total Federal Awards			**$ 3,668,178**

Hubbard County did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 271,492
Total expenditures for Highway Planning and Construction Cluster	173,980
Total expenditures for Highway Safety Cluster	3,950
Total expenditures for CCDF Cluster	8,896
Total expenditures for Medicaid Cluster	885,857

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

   A. Reporting Entity

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

   B. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hubbard County under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hubbard County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hubbard County.

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

   Hubbard County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance, except for with grants that are administered through the Heritage Community. For the current year, Assistance Listing Numbers 21.027 and 93.498 were administered by the Heritage Community.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 2,331,337
Grants received more than 60 days after year-end, considered unavailable revenue in 2021	
Promoting Safe and Stable Families (AL No. 93.556)	846
Temporary Assistance for Needy Families (AL No. 93.558)	66,961
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	1,297
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	770
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	1,704
Child Abuse and Neglect State Grants (AL No. 93.669)	1,696
Children's Health Insurance Program (AL No. 93.767)	939
Unavailable revenue in 2020, recognized as revenue in 2021	
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program (AL No. 20.509)	(21,832)
Promoting Safe and Stable Families (AL No. 93.556)	(4,676)
Temporary Assistance for Needy Families (AL No. 93.558)	(55,771)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(1,645)
Grants receipted into the Heritage Community Enterprise Fund	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL No. 21.027)	1,000,000
COVID-19 – Provider Relief Fund (AL No. 93.498)	346,552
Expenditures per Schedule of Expenditures of Federal Awards	$ 3,668,178

MANAGEMENT AND COMPLIANCE SECTION

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2021, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2022. Our report includes a reference to other auditors who audited the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, included in the Heritage Community Enterprise Fund, and the Hubbard County Housing and Redevelopment Authority discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore,

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material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting 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 Questioned Costs as item 2021-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Hubbard County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Hubbard County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hubbard County's responses to the internal control findings identified in our audit and described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 5, 2022

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hubbard County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Hubbard County's major federal programs for the year ended December 31, 2021, except for the major program listed below:

Program/Cluster Title	Assistance Listing Number	Administered by
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	U.S. Department of the Treasury

This major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the major federal program compliance with the types of compliance requirements described in the OMB *Compliance Supplement*, is based solely on the reports of the other auditor. Hubbard County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative*

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Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hubbard County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of Hubbard County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hubbard County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Hubbard County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Hubbard County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004, to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on Hubbard County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Hubbard County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 5, 2022

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.778	Medicaid Cluster

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

Hubbard County qualified as a low-risk auditee? **No**

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

2021-001 Documenting and Monitoring Internal Controls
Prior Year Finding Number: 2020-001
Repeat Finding Since: 2007
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: County management is responsible for developing and monitoring its internal controls. This responsibility requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

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

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

Effect: Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without formal risk assessment and monitoring procedures in place.

Cause: Due to limited time and resources, the County has been unable to establish a formal process for assessing risk and monitoring controls.

Recommendation: We recommend that a formal plan be developed to assess risk and monitor the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

View of Responsible Official: Acknowledge

2021-002 Audit Adjustments
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

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

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

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements.

- The General Fund required an adjustment of $375,889 to increase due from other funds and transfers in to record additional receivables from the Land Management Special Revenue Fund and an adjustment of $746,360 to increase due from other funds to account for the reimbursement due from the Heritage Community Enterprise Fund for expenditures that were covered by the General Fund.

- The Social Services Special Revenue Fund required an adjustment to increase receivables by $322,384, increase unavailable revenue by $134,379, and increase intergovernmental revenue by $188,005 to record additional receivables.

Cause: This activity was overlooked by staff when financial statement information was prepared.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-003 Activities Allowed and Unallowed, Allowable Costs/Costs Principles, and Reporting
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2105MN5ADM, 2021

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed in accordance with DHS reporting instructions. As part of the County's reporting requirements for the Medical Assistance Program, the County submits the DHS Income Maintenance DHS-2550 report and the Social Services DHS-2556 report on a quarterly basis.

Condition: During the year, salary and benefits for the Office Support Specialist position were allocated 30 percent to Income Maintenance costs on the DHS-2550 reports and 59 percent to Social Services costs on the DHS-2556 reports when the County's support indicated that it should have been allocated 33 percent and 55 percent, respectively.

Questioned Costs: None.

Context: DHS relies on accurate submission of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the submission of costs on the quarterly reports can result in the County receiving either more or less federal funding than can be justified based on the actual underlying activity. For the year, the errors identified resulted in expenditures on the DHS-2550 reports being understated approximately $4,200 and expenditures on DHS-2556 reports being overstated approximately $5,400.

Cause: The County's controls over preparation of the quarterly reports and maintenance of payroll allocations in the accounting system were not sufficient to identify these errors.

Recommendation: We recommend that the County implement controls that ensure the quarterly reports are completed accurately and in accordance with DHS guidance.

View of Responsible Official: Acknowledge

2021-004 Reporting – LCTS Spending Report
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2105MN5ADM, 2021

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are accurate and completed in accordance with DHS reporting instructions. DHS instructions for the completion of the Local Collaborative Time Study (LCTS) Annual Spending Report indicate that the reported spending of LCTS funds should reflect the amount spent by recipients of the funds on the collaborative's behalf.

Condition: Reviewing the 2021 LCTS Annual Spending Report, we noted that the amounts reported as spent reflected funds paid to the recipient school districts rather than the spending of the funds by the school districts on the Hubbard County Family Services' behalf. The classification of reported amounts into the specific spending categories was estimated based on set allocation rates rather than the actual uses of the funds. Support for the allocation rates used could not be provided. Additionally, the amount reported for LCTS funds received was understated by $33,959.

Questioned Costs: None.

Context: LCTS funding includes federal Medical Assistance Program funds. DHS relies on accurate submission of the LCTS Annual Spending Report to monitor and report on how LCTS funding is being used.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The LCTS Annual Spending Report was inaccurate and not completed in accordance with DHS instructions.

Cause: The County's method for reporting funds spent is based on past practice. Procedures have not been put in place to obtain necessary spending information from the LCTS funding recipients. The amount reported as LCTS funds received did not take into consideration a change in account coding, which resulted in related funds being omitted from the report.

Recommendation: We recommend that the County develop a process to collect the necessary spending information from the various LCTS funding recipients to facilitate completion of the LCTS Annual Spending Report in accordance with DHS instructions. Additional review should also be performed to ensure and amounts reported are complete.

View of Responsible Official: Acknowledge

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REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

Department heads meet periodically to discuss and monitor internal controls; we revise procedures and/or re-assign duties as we find improvements. It is our goal to document internal controls and share with all department heads for consistency across departments.

Anticipated Completion Date:

This is an ongoing task with no completion date.

Finding Number: 2021-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

All County Department Managers

Kay Rave, Auditor-Treasurer | Sandy Rittgers, Chief Deputy A-T | Marie Knutson, Dep. Auditor
Sara Blaeser, Dep. Treasurer | Johanna Gilbertson, Dep. Treasurer | Julie Brouse, Dep. Treasurer
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Corrective Action Planned:

County staff will implement procedures over financial reporting that include review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with GAAP.

Anticipated Completion Date:

This is an ongoing task with no completion date.

Finding Number: 2021-003
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Costs Principles, and Reporting
Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Hubbard County Social Services Director

Corrective Action Planned:

County will implement controls that ensure that costs submitted on the quarterly reports are accurate and consistent with DHS guidance.

Anticipated Completion Date:

12/31/2022

Kay Rave, Auditor-Treasurer | Sandy Rittgers, Chief Deputy A-T | Marie Knutson, Dep. Auditor
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Finding Number: 2021-004
Finding Title: Reporting – LCTS Spending Report
Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Hubbard County Social Services Director

Corrective Action Planned:

County will implement controls that ensure that costs submitted on the quarterly reports are accurate and consistent with DHS guidance. County staff will work with partner agencies to gather accurate data for reporting.

Anticipated Completion Date:

12/31/2022

Kay Rave, Auditor-Treasurer | Sandy Rittgers, Chief Deputy A-T | Marie Knutson, Dep. Auditor
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REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2015-010
Year of Finding Origination: 2015
Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: For the two covered transactions tested for compliance with federal regulations, procedures were not performed to determine whether the vendor was debarred, suspended, or otherwise excluded from participation in federal assistance programs or activities.

Summary of Corrective Action Previously Reported: The County verifies vendors are not debarred or suspended or that other exclusions apply. Each Department Manager will document that they checked and the outcome.

Status: Not Corrected. The Federal Disbarment list is checked upon entering each new vendor. Additionally, Department Managers check the disbarment list and document as such when working with vendors.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-005
Year of Finding Origination: 2019
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting
Program: Medical Assistance Program (Assistance Listing #93.778)

Summary of Condition: The following errors were noted in the reports submitted for 2019:

Kay Rave, Auditor-Treasurer | Sandy Rittgers, Chief Deputy A-T | Marie Knutson, Dep. Auditor
Sara Blaeser, Dep. Treasurer | Johanna Gilbertson, Dep. Treasurer | Julie Brouse, Dep. Treasurer
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- Costs related to the LCTS participant for the County Probation department reported on the DHS-3220 reports were incorrectly reduced 50 percent to reflect the participant's case load (children versus adult cases). DHS instructions indicate that 100 percent of all LCTS participants' costs should be included in the report.

- Reviewing the 2019 LCTS Annual Spending Report, we noted that the amounts reported as spent reflected funds paid to the recipient school districts rather than the spending of the funds by the school districts on the Hubbard County Family Services' behalf. Additionally, the classification of reported amounts into the specific spending categories was estimated based on set allocation rates rather than the actual uses of the funds. Support for the allocation rates used could not be provided.

Summary of Corrective Action Previously Reported: County will implement controls that ensure that the DHS reports are completed accurately and accordance with DHS guidance.

Status: Partially Corrected. County implemented controls to ensure DHS reports are completed accurately and in accordance with DHS guidance. In addition, County correctly allocated payroll costs in accordance with DHS instructions.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-001
Year of Finding Origination: 2007
Finding Title: Documenting and Monitoring Internal Controls

Summary of Condition: The County has documented policies over significant functions and controls; however, there are no formal risk assessment and monitoring procedures in place to determine if the internal controls established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Summary of Corrective Action Previously Reported: Department heads meet periodically to discuss and monitor internal controls; we revise procedures and/or re-assign duties as we find improvements. It is our goal to document internal controls and share with all department heads for consistency across departments.

Kay Rave, Auditor-Treasurer | Sandy Rittgers, Chief Deputy A-T | Marie Knutson, Dep. Auditor
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Status: Not Corrected. We are in the process of reviewing and formalizing our policies and procedures for internal controls and monitoring.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-002
Year of Finding Origination: 2020
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting
Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing #21.019)

Summary of Condition: In addition to the sample items tested, while summarizing the expenditures reported on the November/December Local Government Expenditure Report, the following issues were investigated and found to be deficient:

- $94,500 was paid to a vendor for the completion of an electronic imaging project. The invoice was dated December 4, 2020, and the County did not have documentation that the project was completed within the period of performance.

- $52,000 was paid to a vendor for a subscription service for electronic imaging. $47,667 of the amount paid was determined to be a prepaid expense, which was outside the period of performance.

- $10,750 was reported without supporting claim or other documentation.

Summary of Corrective Action Previously Reported: County will submit expenditure reports and support for items purchased within the allowable grant period.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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Finding Number: 2020-003
Year of Finding Origination: 2020
Finding Title: Subrecipient Monitoring
Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing #21.019)

Summary of Condition: The following exceptions were noted in the sample of three subrecipients tested:

- Although the County had a board resolution detailing an agreement for one subrecipient, there were no signed agreements on file for the three subrecipients tested.
- None of the subrecipients tested were provided with sufficient award information.
- The two subrecipients tested that required monitoring by the County, did not have sufficient monitoring procedures performed over them.

Additionally, the County does not have documented policies and procedures for subrecipient monitoring.

Summary of Corrective Action Previously Reported: County will work with departments that pass through funds to subrecipients to identify responsibilities such as completing risk assessments and monitoring procedures over federal programs, as well as creating and maintaining proper documentation to meet requirements of federal programs. This will include documenting the monitoring procedures performed such as on-site visits and review of subrecipients audit findings. The County will include CFDA numbers in communications regarding the program to subrecipients. Additionally, the County will develop and document policies and procedures for monitoring federal awards.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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Finding Number: 2020-004
Year of Finding Origination: 2020
Finding Title: Insufficient Collateral

Summary of Condition: The fair market value of allowable collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for December of 2020.

Summary of Corrective Action Previously Reported: County will establish procedures to monitor all County deposits to determine there is adequate and allowable collateral pledged to secure deposits in accordance with M.S. 118A.03.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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