State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Hubbard County
Park Rapids, Minnesota

Year Ended December 31, 2019

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, 2019

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

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Introductory Section

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2019

Office	Name	Term Expires
Commissioners		
1st District	David De La Hunt	January 2023
2nd District	Charlene Christenson	January 2021
3rd District	Tom Krueger	January 2023
4th District	Daniel Stacey	January 2021
5th District	Ted Van Kempen	January 2023
Officers		
Elected		
Attorney	Jonathan Frieden	January 2023
Sheriff	Cory Aukes	January 2023
Appointed		
Assessor	Ginger Buitenwerf	Indefinite
Auditor/Treasurer	Kay Rave	Indefinite
Coordinator	Eric Nerness	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	Nicole Lueth	Indefinite
Social Services Director - Interim	Meghan Mohs	Indefinite
Solid Waste Administrator	Josh Holte	Indefinite
Veteran Services Officer	Jerrold Bjerke	Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2019, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Heritage Living Center, Manor, and Cottages (Heritage Community), which statements reflect 28 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. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Manor, and Cottages, is based solely on the report of the other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of the Heritage Living Center, Manor, and Cottages, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Manor, and Cottages, prior to these conversion adjustments, 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 thereon 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the 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, 2019, including the Heritage Community Enterprise Fund as of September 30, 2019, 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.

Emphasis of Matter – Subsequent Event

As discussed in Note 4.H. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected that the County will experience an increase of expenditures as a result of this pandemic. The County also expects to use funds from the CARES Act. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of Hubbard 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 Hubbard 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 Hubbard County's internal control over financial reporting and compliance. It does not include the Heritage Community or HRA, which were audited by other auditors.

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

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 21, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

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Hubbard County

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. 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 $101,222,097, of which $83,453,648 is the net investment in capital assets, $9,268,005 is restricted for specific purposes, and $8,500,444 is unrestricted. The total net position of governmental activities increased by $4,444,317 in 2019.

The total net position of business-type activities is ($2,151,064), of which ($393,879) is the net investment in capital assets, $824,200 is restricted for specific purposes, and ($2,581,385) is unrestricted. The total net position of business-type activities decreased by $109,117 for the year ended September 30, 2019.

At the close of 2019, the County's governmental funds reported combined ending fund balances of $27,267,146, an increase of $1,506,852 from the prior year. Of the total fund balance amount, $836,355 is nonspendable, $7,726,827 is legally or contractually restricted, $8,885,111 is committed, $9,044,885 is assigned for specific purposes, and $773,968 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, the Social Services Special Revenue Fund, the Forfeited Tax Sale Special Revenue Fund, and the Solid Waste Special Revenue Fund, all of which are considered to be major funds. Data from 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 three agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 33 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides 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 $99,071,033 at the close of 2019. The largest portion of the County's net position (approximately 84 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 ten percent of the County's net position is restricted and six percent of the County's net position is unrestricted. The unrestricted net position amount of $5,919,059 as of December 31, 2019, 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 decreased by $303,894 from the prior year, and total liabilities and deferred inflows of resources decreased by $4,639,094 from the prior year, primarily due to an increase in capital assets and decreases in deferred outflows and inflows of resources related to pensions in the current year. This resulted in an increase in net position of $4,335,200.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 32,462,781	$ 33,212,599	$ 11,725,948	$ 13,298,461	$ 44,188,729	$ 46,511,060
Capital assets	89,712,101	85,345,400	2,244,062	2,472,689	91,956,163	87,818,089
Total Assets	$ 122,174,882	$ 118,557,999	$ 13,970,010	$ 15,771,150	$ 136,144,892	$ 134,329,149
Deferred outflows of resources	$ 2,361,788	$ 4,169,947	$ 231,063	$ 542,541	$ 2,592,851	$ 4,712,488
Liabilities						
Long-term liabilities	$ 16,104,977	$ 16,621,363	$ 15,204,505	$ 17,088,834	$ 31,309,482	$ 33,710,197
Other liabilities	2,691,528	3,282,959	653,949	615,021	3,345,477	3,897,980
Total Liabilities	$ 18,796,505	$ 19,904,322	$ 15,858,454	$ 17,703,855	$ 34,654,959	$ 37,608,177
Deferred inflows of resources	$ 4,518,068	$ 6,045,844	$ 493,683	$ 651,783	$ 5,011,751	$ 6,697,627
Net position						
Net investment in capital assets	$ 83,453,648	$ 78,339,297	$ (393,879)	$ (367,328)	$ 83,059,769	$ 77,971,969
Restricted	9,268,005	9,560,994	824,200	730,280	10,092,205	10,291,274
Unrestricted	8,500,444	8,877,489	(2,581,385)	(2,404,899)	5,919,059	6,472,590
Total Net Position	$ 101,222,097	$ 96,777,780	$ (2,151,064)	$ (2,041,947)	$ 99,071,033	$ 94,735,833

Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Business-Type Activities 2019	Business-Type Activities 2018	Total Primary Government 2019	Total Primary Government 2018
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 8,475,661	$ 8,659,389	$ 8,820,438	$ 8,069,690	$ 17,296,099	$ 16,729,079
Operating grants and contributions	11,631,726	11,873,565	10,006	23,067	11,641,732	11,896,632
Capital grants and contributions	926,171	5,315,226	-	-	926,171	5,315,226
General revenues						
Property taxes	15,023,885	14,320,670	-	-	15,023,885	14,320,670
Transportation sales tax	1,286,600	1,266,803	-	-	1,286,600	1,266,803
Mortgage registry and deed tax	26,660	26,134	-	-	26,660	26,134
Grants and contributions not restricted to specific programs	979,852	1,055,667	-	-	979,852	1,055,667
Payments in lieu of tax	891,507	891,775	-	-	891,507	891,775
Investment earnings	410,907	360,023	158,493	143,968	569,400	503,991
Miscellaneous	271,417	323,723	-	4,583	271,417	328,306
Total Revenues	$ 39,924,386	$ 44,092,975	$ 8,988,937	$ 8,241,308	$ 48,913,323	$ 52,334,283
Expenses						
General government	$ 5,297,738	$ 4,831,997	$ -	$ -	$ 5,297,738	$ 4,831,997
Public safety	7,154,531	6,965,562	-	-	7,154,531	6,965,562
Highways and streets	7,676,390	6,672,953	-	-	7,676,390	6,672,953
Sanitation	3,384,375	2,952,691	-	-	3,384,375	2,952,691
Human services	8,998,930	8,338,707	-	-	8,998,930	8,338,707
Health	38,922	35,742	-	-	38,922	35,742
Culture and recreation	545,801	604,131	-	-	545,801	604,131
Conservation of natural resources	2,226,294	2,332,786	-	-	2,226,294	2,332,786
Economic development	30,000	60,000	-	-	30,000	60,000
Interest	127,088	142,026	-	-	127,088	142,026
Heritage Community	-	-	9,098,054	9,797,999	9,098,054	9,797,999
Total Expenses	$ 35,480,069	$ 32,936,595	$ 9,098,054	$ 9,797,999	$ 44,578,123	$ 42,734,594
Changes in Net Position	$ 4,444,317	$ 11,156,380	$ (109,117)	$ (1,556,691)	$ 4,335,200	$ 9,599,689
Net Position – January 1	96,777,780	85,621,400	(2,041,947)	(485,256)	94,735,833	85,136,144
Net Position – December 31	$ 101,222,097	$ 96,777,780	$ (2,151,064)	$ (2,041,947)	$ 99,071,033	$ 94,735,833

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 2019, the County's governmental funds reported combined ending fund balances of $27,267,146. Of this amount, approximately 3 percent constitutes nonspendable fund balance, 28 percent constitutes legally or contractually restricted fund balance, 33 percent constitutes committed fund balance, 33 percent constitutes specifically assigned fund balance and three 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 $8,382,019. Unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was $5,759,276. 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 2019. Unrestricted fund balance represents 40 percent of total General Fund expenditures, while total fund balance represents 59 percent of that same amount.

In 2019, the fund balance amount in the General Fund increased by $1,331,654, due to more revenues and less expenditures than anticipated in 2019.

The fund balance of the Road and Bridge Special Revenue Fund increased by $491,275 in 2019 due to the delayed maintenance projects.

The fund balance of the Social Services Special Revenue Fund decreased $260,466 from the prior year due to increased expenses in income maintenance administration and social services.

The fund balance of the Forfeited Tax Sale Special Revenue Fund increased $153,867. This increase was the result of decreased apportionment.

The fund balance of the Solid Waste Special Revenue Fund decreased $288,828. This decrease was the result of increased expenditures.

Proprietary Fund

The Heritage Community Enterprise Fund operating income in 2019 was $406,717.

Total resident services and ancillary revenues increased nine percent, from $8,092,757 in fiscal year 2018 to $8,830,444 in fiscal year 2019. The increased revenues were a result of increased fees in 2019. Resident service expenses increased ten percent from $7,654,939 in 2018 to $8,423,727 in 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by $770,758 with the largest positive variances in intergovernmental and miscellaneous revenues. Overall final budgeted expenditures were more than actual expenditures by $929,667.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, and business-type activities as of September 30, 2019, amounted to $91,956,163 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 4.7 percent.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	$ 862,945	$ 862,945	$ 117,299	$ 117,299	$ 980,244	$ 980,244
Permanent right-of-way	3,678,309	3,677,733	-	-	3,678,309	3,677,733
Construction in progress	561,012	9,857,362	-	-	561,012	9,857,362
Infrastructure	64,232,787	54,642,758	-	-	64,232,787	54,642,758
Buildings and improvements	15,618,027	12,780,541	2,018,492	2,211,008	17,636,519	14,991,549
Land improvements	128,292	124,183	24,026	17,315	152,318	141,498
Machinery and equipment	4,556,639	3,395,792	84,245	127,067	4,640,884	3,522,859
Software	74,090	4,086	-	-	74,090	4,086
Total Capital Assets	$ 89,712,101	$ 85,345,400	$ 2,244,062	$ 2,472,689	$ 91,956,163	$ 87,818,089

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 $18,269,313, which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
G.O. Bonds, net of premium	$ 2,684,248	$ 2,882,102	$ 2,637,941	$ 4,249,514	$ 5,322,189	$ 7,131,616
G.O. Refunding Bonds, net of premium	3,415,028	3,935,032	-	-	3,415,028	3,935,032
G.O. Nursing Home Revenue Bonds, net of discount	-	-	9,532,306	9,776,672	9,532,306	9,776,672
Total Long-Term Debt	$ 6,099,276	$ 6,817,134	$ 12,170,247	$ 14,026,186	$ 18,269,523	$ 20,843,320

The County's net decrease in debt of $2,573,797 (12.3 percent) during the fiscal year was due to debt repayment and the timing of the defeasance of the 2008 G.O. Housing Development Revenue Bonds (new bonds issued in the prior fiscal year were not used to defease the old bonds until the current fiscal year).

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 2019, 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 $16,024,715 in 2019. This amounts to 38.5 percent of the total governmental fund revenue received in 2019. This compares to intergovernmental revenues in 2018 of $16,601,045, 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 2019 unemployment rate for Hubbard County was 5.5 percent in 2019. This is higher than the statewide average rate of 3.2 percent and higher than the national average rate of 3.7 percent.

Hubbard County’s population at July 1, 2019, was 21,494, an increase of 922 since 2010 (the last statewide census).

On December 17, 2019, Hubbard County set its 2020 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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2019
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Assets				
Cash and pooled investments	$ 27,191,800	$ 605,491	$ 27,797,291	$ 265,936
Taxes receivable – delinquent	427,660	-	427,660	4,999
Accounts receivable – net	439,398	580,301	1,019,699	4,682
Accrued interest receivable	204,371	-	204,371	-
Contracts receivable	658,876	-	658,876	221,065
Due from other governments	2,704,321	-	2,704,321	-
Due from related parties	-	150,107	150,107	-
Internal balances	-	(14,410)	(14,410)	-
Prepaid items	-	122,910	122,910	-
Inventories	369,075	-	369,075	-
Leveraged loan receivable	-	10,091,000	10,091,000	-
Restricted assets				
Cash and pooled investments				
Resident trust funds	-	8,665	8,665	-
Board-designated – bond fund	-	104,540	104,540	-
Board-designated – building fund	-	66,664	66,664	-
Tenant security deposits	-	10,680	10,680	13,939
Loan proceeds – construction fund	-	-	-	180,139
Investment	467,280	-	467,280	-
Capital assets				
Non-depreciable	5,102,266	117,299	5,219,565	537,040
Depreciable – net of accumulated depreciation	84,609,835	2,126,763	86,736,598	2,472,249
Total Assets	**$ 122,174,882**	**$ 13,970,010**	**$ 136,144,892**	**$ 3,700,049**
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	$ 77,584	$ 231,063	$ 308,647	$ -
Deferred pension outflows	2,284,204	-	2,284,204	-
Total Deferred Outflows of Resources	**$ 2,361,788**	**$ 231,063**	**$ 2,592,851**	**$ -**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2019
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Liabilities				
Accounts payable	$ 998,869	$ 331,599	$ 1,330,468	$ 37,959
Salaries payable	909,663	199,373	1,109,036	-
Due to related parties	-	98,740	98,740	-
Contracts payable	214,408	-	214,408	-
Due to other governments	513,270	-	513,270	159,944
Deposits	-	-	-	13,939
Accrued interest payable	55,318	5,450	60,768	-
Current liabilities payable from restricted assets	-	18,787	18,787	-
Long-term liabilities				
Due within one year	1,497,312	551,217	2,048,529	552,956
Due in more than one year	6,011,129	11,883,189	17,894,318	2,021,510
Other postemployment benefits liability	896,610	138,402	1,035,012	-
Net pension liability	7,699,926	2,631,697	10,331,623	-
Total Liabilities	**$ 18,796,505**	**$ 15,858,454**	**$ 34,654,959**	**$ 2,786,308**
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	$ 90,529	$ 493,683	$ 584,212	$ -
Deferred pension inflows	4,427,539	-	4,427,539	-
Total Deferred Inflows of Resources	**$ 4,518,068**	**$ 493,683**	**$ 5,011,751**	**$ -**
Net Position				
Net investment in capital assets	$ 83,453,648	$ (393,879)	$ 83,059,769	$ 434,823
Restricted for				
General government	892,089	-	892,089	-
Public safety	477,414	-	477,414	-
Highways and streets	3,420,539	-	3,420,539	-
Culture and recreation	679,007	-	679,007	-
Conservation of natural resources	1,991,082	-	1,991,082	-
Capital projects	-	719,660	719,660	-
Debt service	1,340,594	104,540	1,445,134	-
Permanent fund principal	467,280	-	467,280	-
Unrestricted	8,500,444	(2,581,385)	5,919,059	478,918
Total Net Position	**$ 101,222,097**	**$ (2,151,064)**	**$ 99,071,033**	**$ 913,741**

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, 2019
INCLUDING THE BUSINESS-TYPE INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 5,297,738	$ 796,259	$ 184,816
Public safety	7,154,531	932,432	713,731
Highways and streets	7,676,390	920,554	5,183,330
Sanitation	3,384,375	3,325,680	68,710
Human services	8,998,930	1,063,329	4,848,878
Health	38,922	-	-
Culture and recreation	545,801	737	174,695
Conservation of natural resources	2,226,294	1,436,670	457,566
Economic development	30,000	-	-
Interest	127,088	-	-
Total governmental activities	**$ 35,480,069**	**$ 8,475,661**	**$ 11,631,726**
Business-type activities			
Heritage Community	9,098,054	8,820,438	10,006
Total Primary Government	**$ 44,578,123**	**$ 17,296,099**	**$ 11,641,732**
Component unit			
Hubbard County Housing and Redevelopment Authority	**$ 382,552**	**$ 141,197**	**$ 34,803**

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.

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
$ -	$ (4,316,663)	$ -	$ (4,316,663)	
-	(5,508,368)	-	(5,508,368)	
286,421	(1,286,085)	-	(1,286,085)	
639,750	649,765	-	649,765	
-	(3,086,723)	-	(3,086,723)	
-	(38,922)	-	(38,922)	
-	(370,369)	-	(370,369)	
-	(332,058)	-	(332,058)	
-	(30,000)	-	(30,000)	
-	(127,088)	-	(127,088)	
$ 926,171	**$ (14,446,511)**	**$ -**	**$ (14,446,511)**	
-	-	(267,610)	(267,610)	
$ 926,171	**$ (14,446,511)**	**$ (267,610)**	**$ (14,714,121)**	
$ -				**$ (206,552)**
	$ 15,023,885	$ -	$ 15,023,885	$ 169,424
	1,286,600	-	1,286,600	-
	26,660	-	26,660	-
	979,852	-	979,852	-
	891,507	-	891,507	-
	410,907	158,493	569,400	500
	271,417	-	271,417	10,455
	$ 18,890,828	**$ 158,493**	**$ 19,049,321**	**$ 180,379**
	$ 4,444,317	**$ (109,117)**	**$ 4,335,200**	**$ (26,173)**
	96,777,780	**(2,041,947)**	**94,735,833**	**939,914**
	$ 101,222,097	**$ (2,151,064)**	**$ 99,071,033**	**$ 913,741**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 8,741,408	$ 7,496,978
Investment	-	-
Taxes receivable – delinquent	229,214	86,779
Accounts receivable – net	190,018	4,285
Accrued interest receivable	197,796	-
Contracts receivable	-	-
Due from other funds	316,901	74,960
Due from other governments	269,180	1,339,405
Inventories	-	369,075
Total Assets	**$ 9,944,517**	**$ 9,371,482**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 288,759	$ 192,983
Salaries payable	507,291	114,179
Contracts payable	-	104,229
Due to other funds	9,565	6,729
Due to other governments	114,285	13,575
Total Liabilities	**$ 919,900**	**$ 431,695**
Deferred Inflows of Resources		
Unavailable revenue – taxes	$ 168,974	$ 63,972
Unavailable revenue – charges for services	108,088	-
Unavailable revenue – County state-aid highway allotments	-	854,630
Unavailable revenue – land and timber sales	-	-
Unavailable revenue – interest	176,418	-
Unavailable revenue – grants	178,197	-
Unavailable revenue – miscellaneous revenue	10,921	-
Total Deferred Inflows of Resources	**$ 642,598**	**$ 918,602**

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

EXHIBIT 3

Social Services	Forfeited Tax Sale	Solid Waste	Nonmajor Governmental Funds	Total Governmental Funds
$ 5,729,261	$ 2,177,985	$ 1,671,094	$ 1,375,074	$ 27,191,800
-	-	-	467,280	467,280
85,158	-	-	26,509	427,660
39,903	3,099	190,301	11,792	439,398
-	-	-	6,575	204,371
-	658,876	-	-	658,876
-	-	210	-	392,071
936,639	-	157,626	1,471	2,704,321
-	-	-	-	369,075
$ 6,790,961	**$ 2,839,960**	**$ 2,019,231**	**$ 1,888,701**	**$ 32,854,852**

$ 369,752	$ 87,342	$ 60,033	$ -	$ 998,869
201,246	30,782	56,165	-	909,663
-	-	110,179	-	214,408
13,151	300,855	61,771	-	392,071
33,366	225,340	126,704	-	513,270
$ 617,515	**$ 644,319**	**$ 414,852**	**$ -**	**$ 3,028,281**
$ 62,777	$ -	$ -	$ 19,542	$ 315,265
-	-	142,295	-	250,383
-	-	-	-	854,630
-	285,245	-	-	285,245
-	-	-	-	176,418
330,740	-	157,626	-	666,563
-	-	-	-	10,921
$ 393,517	**$ 285,245**	**$ 299,921**	**$ 19,542**	**$ 2,559,425**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable	$ -	$ 369,075
Restricted	2,622,743	2,596,110
Committed	4,985,308	3,545,148
Assigned	-	1,510,852
Unassigned	773,968	-
Total Fund Balances	**$ 8,382,019**	**$ 8,021,185**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 9,944,517**	**$ 9,371,482**

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

EXHIBIT 3
(Continued)

Social Services	Forfeited Tax Sale	Solid Waste	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 467,280	$ 836,355
-	1,106,095	-	1,401,879	7,726,827
181,329	79,359	93,967	-	8,885,111
5,598,600	724,942	1,210,491	-	9,044,885
-	-	-	-	773,968
$ 5,779,929	**$ 1,910,396**	**$ 1,304,458**	**$ 1,869,159**	**$ 27,267,146**
$ 6,790,961	**$ 2,839,960**	**$ 2,019,231**	**$ 1,888,701**	**$ 32,854,852**

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EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

Fund balance – total governmental funds (Exhibit 3)		**$ 27,267,146**
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.		89,712,101
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,284,204
Deferred outflows of resources resulting from other postemployment benefits are not available resources and, therefore, are not reported in governmental funds.		77,584
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.		2,559,425
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	$ (6,030,000)	
Unamortized premiums on bonds	(69,276)	
Compensated absences	(1,409,165)	
Net pension liability	(7,699,926)	
Other postemployment benefits liability	(896,610)	
Accrued interest payable	(55,318)	(16,160,295)
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.		(4,427,539)
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.		(90,529)
Net Position of Governmental Activities (Exhibit 1)		**$ 101,222,097**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge
Revenues		
Taxes	$ 8,559,886	$ 4,167,824
Licenses and permits	160,884	-
Intergovernmental	4,365,712	6,439,861
Charges for services	1,241,997	860,482
Fines and forfeitures	46,960	-
Investment earnings	314,831	17,139
Gifts and contributions	54,887	-
Land and timber sales	-	-
Miscellaneous	620,292	58,743
Total Revenues	**$ 15,365,449**	**$ 11,544,049**
Expenditures		
Current		
General government	$ 5,154,880	$ -
Public safety	6,794,253	-
Highways and streets	-	10,723,579
Sanitation	-	-
Human services	648,338	-
Public health	38,922	-
Culture and recreation	572,095	-
Conservation of natural resources	1,077,016	-
Economic development	30,000	-
Intergovernmental		
Highways and streets	-	393,766
Debt service		
Principal	-	-
Interest	-	-
Total Expenditures	**$ 14,315,504**	**$ 11,117,345**
Excess of Revenues Over (Under) Expenditures	**$ 1,049,945**	**$ 426,704**
Other Financing Sources (Uses)		
Transfers in	$ 298,642	$ -
Transfers out	(16,933)	-
Total Other Financing Sources (Uses)	**$ 281,709**	**$ -**
Net Change in Fund Balance	**$ 1,331,654**	**$ 426,704**
Fund Balance – January 1	**7,050,365**	**7,529,910**
Increase (decrease) in inventories	**-**	**64,571**
Fund Balance – December 31	**$ 8,382,019**	**$ 8,021,185**

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

Social Services	Forfeited Tax Sale	Solid Waste	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,742,175	$ -	$ -	$ 896,584	$ 16,366,469
-	-	625	-	161,509
4,127,674	138,789	945,334	7,345	16,024,715
575,974	-	3,277,180	-	5,955,633
-	-	-	-	46,960
1,161	-	-	29,408	362,539
-	-	-	-	54,887
-	1,414,662	-	-	1,414,662
482,911	11,557	32,222	13,428	1,219,153
$ 7,929,895	**$ 1,565,008**	**$ 4,255,361**	**$ 946,765**	**$ 41,606,527**
$ -	$ -	$ -	$ -	$ 5,154,880
-	-	-	-	6,794,253
-	-	-	-	10,723,579
-	-	4,561,122	-	4,561,122
8,190,361	-	-	-	8,838,699
-	-	-	-	38,922
-	-	-	-	572,095
-	1,112,499	-	16,553	2,206,068
-	-	-	-	30,000
-	-	-	-	393,766
-	-	-	710,000	710,000
-	-	-	140,862	140,862
$ 8,190,361	**$ 1,112,499**	**$ 4,561,122**	**$ 867,415**	**$ 40,164,246**
$ (260,466)	**$ 452,509**	**$ (305,761)**	**$ 79,350**	**$ 1,442,281**
$ -	$ -	$ 16,933	$ -	$ 315,575
-	(298,642)	-	-	(315,575)
$ -	**$ (298,642)**	**$ 16,933**	**$ -**	**$ -**
$ (260,466)	**$ 153,867**	**$ (288,828)**	**$ 79,350**	**$ 1,442,281**
6,040,395	**1,756,529**	**1,593,286**	**1,789,809**	**25,760,294**
-	**-**	**-**	**-**	**64,571**
$ 5,779,929	**$ 1,910,396**	**$ 1,304,458**	**$ 1,869,159**	**$ 27,267,146**

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, 2019

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 1,442,281**
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	$ 2,559,425	
Unavailable revenue – January 1	(4,230,580)	(1,671,155)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	$ 7,740,216	
Current year depreciation	(3,373,515)	4,366,701
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.		
Principal repayments		
General obligation bonds	$ 710,000	
Amortization of premiums	7,858	717,858
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	$ 64,571	
Change in deferred pension outflows	(1,831,497)	
Change in deferred other postemployment benefits outflows	23,338	
Change in accrued interest payable	5,916	
Change in compensated absences	(88,814)	
Change in net pension liability	(63,477)	
Change in other postemployment benefits liability	(49,181)	
Change in deferred pension inflows	1,618,305	
Change in deferred other postemployment benefits inflows	(90,529)	(411,368)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 4,444,317**

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

PROPRIETARY FUND

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EXHIBIT 7

STATEMENT OF FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
SEPTEMBER 30, 2019

Assets		
Current assets		
Cash and pooled investments	$	605,491
Accounts receivable – net of allowance for uncollectible accounts of $15,896		580,301
Due from related parties		150,107
Prepaid items and other		122,910
Total current assets	**$**	**1,458,809**
Restricted assets		
Cash and pooled investments		
Resident trust funds	$	8,665
Board-designated – bond fund		104,540
Board-designated – building fund		66,664
Tenant security deposits		10,680
Total restricted assets	**$**	**190,549**
Noncurrent assets		
Leveraged loan receivable	$	10,091,000
Capital assets		
Non-depreciable		117,299
Depreciable – net of accumulated depreciation		2,126,763
Total noncurrent assets	**$**	**12,335,062**
Total Assets	**$**	**13,984,420**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**231,063**

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, 2019

Liabilities		
Current liabilities		
Accounts payable	$	331,599
Salaries payable		199,373
Compensated absences payable		166,217
Due to related parties		98,740
Due to other funds		14,410
Accrued interest payable		5,450
General obligation bonds payable		385,000
Total current liabilities	**$**	**1,200,789**
Current liabilities payable from restricted assets		
Tenant security deposits payable	$	10,122
Resident trust funds payable		8,665
Total current liabilities payable from restricted assets	**$**	**18,787**
Noncurrent liabilities		
Compensated absences payable	$	97,942
General obligation bonds payable		11,785,247
Other postemployment benefits liability		138,402
Net pension liability		2,631,697
Total noncurrent liabilities	**$**	**14,653,288**
Total Liabilities	**$**	**15,872,864**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**493,683**
Net Position		
Net investment in capital assets	$	(393,879)
Restricted for capital projects		719,660
Restricted for debt service		104,540
Unrestricted		(2,581,385)
Total Net Position	**$**	**(2,151,064)**

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Operating Revenues		
Charges for services	$	6,811,349
Rental income		1,755,203
Intergovernmental		10,006
Miscellaneous		253,886
Total Operating Revenues	**$**	**8,830,444**
Operating Expenses		
Nursing services	$	3,434,938
Administration and fiscal services		888,924
Other care related		602,693
Dietary services		785,824
Laundry		216,174
Housekeeping services		184,328
Plant operations		542,321
Employee benefits		1,518,804
Depreciation and amortization		249,721
Total Operating Expenses	**$**	**8,423,727**
Operating Income (Loss)	**$**	**406,717**
Nonoperating Revenues (Expenses)		
Investment earnings	$	158,493
Capital projects		(118,620)
Interest expense		(458,205)
Miscellaneous		(97,502)
Total Nonoperating Revenues (Expenses)	**$**	**(515,834)**
Change in net position	**$**	**(109,117)**
Net Position – October 1		**(2,041,947)**
Net Position – September 30	**$**	**(2,151,064)**

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

EXHIBIT 9

**STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities		
Receipts from residents, programs, counties, and other revenue	$	8,918,519
Payments to employees		(4,849,333)
Payments to suppliers		(3,294,654)
Net cash provided by (used in) operating activities	**$**	**774,532**
Cash Flows from Noncapital Financing Activities		
Miscellaneous expenses	**$**	**(97,502)**
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	$	(450,000)
Interest paid on long-term debt		(481,701)
Capital projects		(118,620)
Purchase of capital assets		(21,094)
Net cash provided by (used in) capital and related financing activities	**$**	**(1,071,415)**
Cash Flows from Investing Activities		
Investment earnings received	$	158,493
Deposits to bond fund and reinvested interest		833
Net cash provided by (used in) investing activities	**$**	**159,326**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(235,059)**
Cash and Cash Equivalents – October 1		**840,550**
Cash and Cash Equivalents – September 30	**$**	**605,491**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**406,717**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	249,721
(Increase) decrease in accounts receivable		88,409
(Increase) decrease in due from related party		(150,107)
(Increase) decrease in prepaid items		(4,978)
(Increase) decrease in deferred pension outflows		311,478
Increase (decrease) in accounts payable		79,771
Increase (decrease) in salaries payable		(23,129)
Increase (decrease) in due to Hubbard County		(3,766)
Increase (decrease) in due to related party		9,996
Increase (decrease) in tenant security deposits payable		(334)
Increase (decrease) in deferred pension inflows		(158,100)
Increase (decrease) in net pension liability		(31,146)
Total adjustments	**$**	**367,815**
Net Cash Provided by (Used in) Operating Activities	**$**	**774,532**
Noncash Investing, Capital, and Financing Activities		
Escrow Funds Used to Defease Long-Term Debt	**$**	**1,405,000**

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FIDUCIARY FUNDS

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Agency Funds
Assets	
Cash and pooled investments	$ 528,771
Liabilities	
Due to other governments	$ 528,771

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

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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). 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 Coordinator, 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 Forfeited Tax Sale Special Revenue Fund accounts for all funds received from the sale of land for forfeited taxes and various forest and timber management grants. Monies are held until disbursement to various entities.

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.

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:

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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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.

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

   C. Measurement Focus and Basis of Accounting

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

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, 2019. 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 2019 were $356,195.

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.

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activities between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

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.

1. Summary of Significant Accounting Policies

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

      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.

      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; and machinery and equipment, 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.

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the Heritage Community Enterprise Fund had no capitalized interest.

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

1. Summary of Significant Accounting Policies

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

8. Compensated Absences

The liability for compensated absences reported in 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.

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 position 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 position 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. 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 amount is deferred and

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

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 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 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

1. Summary of Significant Accounting Policies

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

11. Long-Term Obligations (Continued)

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.

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.

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 – 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.

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.

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)

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, 2019.

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.

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	$ 8,292,871
Adjustments and allowances	(1,465,626)
Provisions for uncollectible accounts	(15,896)
Net Resident Service Revenues	$ 6,811,349

1. Summary of Significant Accounting Policies

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

      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.

Nursing facilities are paid under the Value Based Nursing Facility Reimbursement (VBR) system as approved during the 2015 Minnesota State Legislative Session. 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.

By Minnesota statute, a nursing facility may not charge private-paying residents in multiple-occupancy rooms per diem rates in excess of the approved Medicaid rates for similar services.

1. Summary of Significant Accounting Policies

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

14. Third-Party Reimbursement Agreements (Continued)

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.

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, 2019, 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	86.6%
Medicaid	50.7
Medicare	14.0

1. Summary of Significant Accounting Policies

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

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.

2. Stewardship, Compliance, and Accountability

A. Deficits in Equity Accounts

The Heritage Community Enterprise Fund had a deficit net position of $2,151,064 as of September 30, 2019. This deficit will be eliminated with future revenues and transfers if necessary.

B. 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. As of December 31, 2019, the County has $658,876 in contracts receivable from land leases and timber sales.

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, 2019, are reported as follows:

Governmental funds	
Cash and pooled investments	$ 27,191,800
Restricted assets	
Investments	467,280
Proprietary funds	
Cash and pooled investments	605,491
Restricted assets	
Cash and pooled investments	
Resident trust funds	8,665
Tenant security deposits	10,680
Board-designated – bond fund	104,540
Board-designated – building fund	66,664
Fiduciary funds	
Cash and pooled investments	528,771
Total Cash and Pooled Investments	$ 28,983,891

Deposits	$ 28,037,008
Invested in MAGIC Fund	944,073
Petty cash and change funds	2,810
Total Deposits and Cash on Hand	$ 28,983,891

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, 2019, 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. The County's investment policy limits investments to those allowed by state statute. At December 31, 2019, 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, 2019, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

3. <u>Detailed Notes on All Funds</u>

A. <u>Assets</u>

1. <u>Deposits and Investments</u>

b. <u>Investments</u> (Continued)

The following table presents the County's deposit and investment balances at December 31, 2019, 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 Fund	N/A	N/A	$ 944,074
Deposits			28,037,007
Petty cash and change funds			2,810
Total Cash and Investments			$ 28,983,891

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.

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 (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities and as of September 30, 2019, 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	$ 427,660	$ -	$ 427,660	$ -
Accounts receivable	1,469,034	(1,029,636)	439,398	-
Accrued interest receivable	204,371	-	204,371	-
Due from other governments	2,704,321	-	2,704,321	-
Contracts receivable	658,876	-	658,876	-
Total Governmental Activities	$ 5,464,262	$ (1,029,636)	$ 4,434,626	$ -
Business-Type Activities				
Accounts receivable	$ 596,197	$ (15,896)	$ 580,301	$ -
Due from related parties	150,107	-	150,107	-
Leveraged loan receivable	10,091,000	-	10,091,000	10,091,000
Total Business-Type Activities	$ 10,837,304	$ (15,896)	$ 10,821,408	$ 10,091,000

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2019, and for the business-type activities for the year ended September 30, 2019, was as follows:

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	$ 862,945	$ -	$ -	$ 862,945
Permanent right-of-way	3,677,733	576	-	3,678,309
Construction in progress	9,857,362	201,283	9,497,633	561,012
Total capital assets not depreciated	$ 14,398,040	$ 201,859	$ 9,497,633	$ 5,102,266
Capital assets depreciated				
Infrastructure	$ 77,334,355	$ 11,305,786	$ -	$ 88,640,141
Buildings and improvements	22,669,606	3,560,700	-	26,230,306
Land improvements	629,002	18,856	-	647,858
Machinery and equipment	11,552,696	2,069,597	920,263	12,702,030
Software	5,448	81,051	-	86,499
Total capital assets depreciated	$ 112,191,107	$ 17,035,990	$ 920,263	$ 128,306,834
Less: accumulated depreciation for				
Infrastructure	$ 22,691,597	$ 1,715,757	$ -	$ 24,407,354
Buildings and improvements	9,889,065	723,214	-	10,612,279
Land improvements	504,819	14,747	-	519,566
Machinery and equipment	8,156,904	908,750	920,263	8,145,391
Software	1,362	11,047	-	12,409
Total accumulated depreciation	$ 41,243,747	$ 3,373,515	$ 920,263	$ 43,696,999
Total capital assets depreciated, net	$ 70,947,360	$ 13,662,475	$ -	$ 84,609,835
Governmental Activities Capital Assets, Net	$ 85,345,400	$ 13,864,334	$ 9,497,633	$ 89,712,101

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	$ 5,223,339	$ 8,370	$ -	$ 5,231,709
Land improvements	184,621	9,679	-	194,300
Machinery and equipment	673,908	3,045	-	676,953
Total capital assets depreciated	$ 6,081,868	$ 21,094	$ -	$ 6,102,962
Less: accumulated depreciation for				
Buildings and improvements	$ 3,012,331	$ 200,886	$ -	$ 3,213,217
Land improvements	167,306	2,968	-	170,274
Machinery and equipment	546,841	45,867	-	592,708
Total accumulated depreciation	$ 3,726,478	$ 249,721	$ -	$ 3,976,199
Total capital assets depreciated, net	$ 2,355,390	$ (228,627)	$ -	$ 2,126,763
Business-Type Activities Capital Assets, Net	$ 2,472,689	$ (228,627)	$ -	$ 2,244,062

Depreciation Expense

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

Governmental Activities	
General government	$ 265,739
Public safety	634,095
Highways and streets, including depreciation of infrastructure assets	2,126,044
Sanitation	213,901
Human services	76,098
Culture and recreation	23,487
Conservation of natural resources	34,151
Total Depreciation Expense – Governmental Activities	$ 3,373,515
Business-Type Activities	
Heritage Community	$ 249,721

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund		Amount	Purpose
General Fund	Forfeited Tax Sale Special Revenue Fund	$	299,969	Reimbursements
	Road and Bridge Special Revenue Fund		6,519	Charges for services
	Social Services Special Revenue Fund		9,967	Reimbursements
	Solid Waste Special Revenue Fund		446	Charges for services
Total Due to General Fund		$	316,901	
Road and Bridge Special Revenue Fund	General Fund	$	9,565	Reimbursements
	Social Services Special Revenue Fund		3,184	Reimbursements
	Solid Waste Special Revenue Fund		61,325	Charges for services
	Forfeited Tax Sale Special Revenue Fund		886	Reimbursements
Total Due to Road and Bridge Special Revenue Fund		$	74,960	
Solid Waste Special Revenue Fund	Road and Bridge Special Revenue Fund	$	210	Charges for services
Total Due From Other Funds		$	392,071	
Due from the Heritage Community Enterprise Fund to the General Fund as of September 30, 2019, paid as of December 31, 2019			14,410	Reimbursements
Total Due To Other Funds		$	406,481	

The interfund receivables and payables are expected to be paid within one year of December 31, 2019.

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

	Interfund Transfer In	Interfund Transfer Out
General Fund	$ 298,642[1]	$ 16,933[2]
Forfeited Tax Sale Special Revenue Fund	-	298,642[1]
Solid Waste Special Revenue Fund	16,933[2]	-
Total	$ 315,575	$ 315,575

Transfers were for:
[1]Forfeited tax 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, 2019, are as follows:

Year Ending September 30	Lease Payment
2020	$ 172,000
2021	172,000
2022	172,000
2023	628,000
2024	628,000
2025 - 2029	3,148,000
2030 - 2034	3,172,000
2035 - 2039	3,200,000
2040 - 2044	3,229,000
2045 - 2049	3,250,000
2050	650,000
Total	$ 18,421,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Governmental Activities

General Obligation Bonds

Hubbard County General Obligation Correctional Facility Refunding Bonds, Series 2012, represent debt incurred to refund the General Obligation Correctional Facilities Bonds, Series 2004, on the crossover date of February 1, 2014. These bonds, dated May 23, 2012, have an original issue amount of $5,835,000. They carry a net interest rate of 2.00 to 2.25 percent and are due in annual installments beginning February 1, 2015, through February 2025. As a result of the refunding, the County realized a substantial interest rate reduction, a gross savings of approximately $669,462 and a present value savings of approximately $590,314. The principal balance and bond premium due on these bonds is $3,380,000 and $35,028, respectively, as of December 31, 2019.

Hubbard County General Obligation Capital Improvement Plan Bonds, Series 2013, represent debt incurred for the purpose of providing financing of a portion of the estimated cost of acquisition and betterment for the capital improvement projects included in the 2013 – 2017 Capital Improvement Plan. These bonds are dated May 29, 2013, with an original issue amount of $3,580,000 and a net premium of $51,372. They carry a net interest rate of 2.0 to 3.0 percent and are due in annual installments of $190,000 to $250,000 through February 2031. The principal balance and bond premium due on these bonds is $2,650,000 and $34,248, respectively, as of December 31, 2019.

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2019, are as follows:

Year Ended December 31	General Obligation Correctional Facility Refunding Bonds, Series 2012		General Obligation Capital Improvement Plan Bonds, Series 2013	
	Principal	Interest	Principal	Interest
2020	$ 530,000	$ 63,800	$ 195,000	$ 61,713
2021	540,000	53,100	200,000	57,763
2022	555,000	42,150	205,000	53,713
2023	570,000	30,900	210,000	49,563
2024	585,000	19,350	215,000	45,313
2025 - 2029	600,000	6,750	1,130,000	149,981
2030 - 2031	-	-	495,000	14,925
Subtotal	$ 3,380,000	$ 216,050	$ 2,650,000	$ 432,971
Bond premium	35,028	-	34,248	-
Total	$ 3,415,028	$ 216,050	$ 2,684,248	$ 432,971

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Correctional Facility Refunding Bonds, Series 2012	$ 3,895,000	$ -	$ 515,000	$ 3,380,000	$ 530,000
Add: Bond premium	40,032	-	5,004	35,028	-
General Obligation Capital Improvement Plan Bonds, Series 2013	2,845,000	-	195,000	2,650,000	195,000
Add: Bond premium	37,102	-	2,854	34,248	-
Compensated absences	1,320,351	947,486	858,672	1,409,165	772,312
Governmental Activities Long-Term Liabilities	$ 8,137,485	$ 947,486	$ 1,576,530	$ 7,508,441	$ 1,497,312

The General Obligation Bonds are paid by the Building Bonds Debt Service Fund.

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 $110,000 to $160,000, with interest from 2.0 percent to 3.0 percent through August 2027. The balance due on these bonds is $1,180,000 as of September 30, 2019.

Hubbard County General Obligation Housing Development Revenue Bonds, Series 2008, $1,825,000 General Obligation Housing Development Revenue Bonds dated November 18, 2008, due in annual installments of $45,000 to $125,000, with interest from 3.0 percent to 5.5 percent through October 2034. On October 1, 2018, the proceeds of the Series 2017 Bonds were used to defease these bonds. The balance due on these bonds is $0 as of September 30, 2019.

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 $250,000 to $715,000, with interest from 1.5 percent to 4.5 percent through October 2039. The balance due on these bonds is $9,645,000 as of September 30, 2019.

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 $60,000 to $125,000, 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 $1,390,000, as of September 30, 2019.

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, 2019, are as follows:

Year Ending September 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2020	$ 385,000	$ 429,403
2021	330,000	440,928
2022	555,000	432,978
2023	590,000	417,258
2024	625,000	399,853
2025 - 2029	3,135,000	1,689,623
2030 - 2034	3,190,000	1,131,175
2035 - 2039	3,405,000	456,435
Total	$ 12,215,000	$ 5,397,653

Changes in Long-Term Liabilities

Long-term liability activity for the business-type activities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 General Obligation Revenue Bonds	$ 1,310,000	$ -	$ 130,000	$ 1,180,000	$ 135,000
Add: Bond premium	41,943	-	4,749	37,194	-
2014 General Obligation Nursing Home Revenue Bonds	9,895,000	-	250,000	9,645,000	250,000
Less: bond discounts	(118,328)	-	(5,634)	(112,694)	-
2008 General Obligation Revenue Bonds	1,405,000	-	1,405,000	-	-
2017 General Obligation Revenue Bonds	1,460,000	-	70,000	1,390,000	-
Add: Bond premium	32,571	-	1,824	30,747	-
Compensated absences	271,617	-	7,458	264,159	166,217
Business-Type Activities Long-Term Liabilities	$ 14,297,803	$ -	$ 1,863,397	$ 12,434,406	$ 551,217

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2019, were as follows:

	General	Road and Bridge	Social Services	Forfeited Tax Sale	Solid Waste	Other Governmental Funds	Total Governmental Funds
Nonspendable for							
Inventories	$ -	$ 369,075	$ -	$ -	$ -	$ -	$ 369,075
Endowments	-	-	-	-	-	467,280	467,280
Total nonspendable	$ -	$ 369,075	$ -	$ -	$ -	$ 467,280	$ 836,355
Restricted for							
AIS prevention	$ 458,881	$ -	$ -	$ -	$ -	$ -	$ 458,881
Attorney forfeitures	40,215	-	-	-	-	-	40,215
Attorney pretrial diversion program	7,924	-	-	-	-	-	7,924
Conceal and carry permits	90,954	-	-	-	-	-	90,954
Drug education	18,419	-	-	-	-	-	18,419
DWI assessment	29,163	-	-	-	-	-	29,163
DWI forfeitures	16,651	-	-	-	-	-	16,651
Enhanced 911	114,048	-	-	-	-	-	114,048
Government forfeitures	14,516	-	-	-	-	-	14,516
Jail canteen	41,523	-	-	-	-	-	41,523
Law library	31,237	-	-	-	-	-	31,237
Regional library	3,945	-	-	-	-	-	3,945
Missing heirs	8,374	-	-	-	-	-	8,374
Natural resources	115,352	-	-	-	-	25,509	140,861
Parks and recreation	679,007	-	-	-	-	-	679,007
Probation	27,671	-	-	-	-	-	27,671
Recorder's equipment	421,564	-	-	-	-	-	421,564
Recorder's technology	364,314	-	-	-	-	-	364,314
Sheriff's contingent fund	5,486	-	-	-	-	-	5,486
K-9 unit	22,363	-	-	-	-	-	22,363
Sentence to serve	103,525	-	-	-	-	-	103,525
Sheriff operations	7,611	-	-	-	-	-	7,611
Transit tax projects	-	2,209,270	-	-	-	-	2,209,270
Highway construction	-	49,918	-	-	-	-	49,918
Fuel facility	-	111,609	-	-	-	-	111,609
Equipment purchases	-	225,313	-	-	-	-	225,313
Forest development	-	-	-	1,029,207	-	-	1,029,207
Memorial forest	-	-	-	76,888	-	-	76,888
Debt service	-	-	-	-	-	1,376,370	1,376,370
Total restricted	$ 2,622,743	$ 2,596,110	$ -	$ 1,106,095	$ -	$ 1,401,879	$ 7,726,827
Committed for							
Building maintenance	$ 2,565,614	$ -	$ -	$ -	$ -	$ -	$ 2,565,614
Building replacement	-	650,000	-	-	-	-	650,000
Capital outlay	-	700,000	-	-	-	-	700,000
County cars	155,117	-	-	-	-	-	155,117
County road projects	-	1,900,000	-	-	-	-	1,900,000
Departmental designations	1,389,007	-	-	-	-	-	1,389,007
Emergency management	1,086	-	-	-	-	-	1,086
Employee benefits/severance	691,089	295,148	181,329	79,359	93,967	-	1,340,892
Employee flex plan	30,590	-	-	-	-	-	30,590
Employee group health	31,894	-	-	-	-	-	31,894
Investigations	19,263	-	-	-	-	-	19,263
SWAT team	1,784	-	-	-	-	-	1,784
Survey remonumentation	99,864	-	-	-	-	-	99,864
Total committed	$ 4,985,308	$ 3,545,148	$ 181,329	$ 79,359	$ 93,967	$ -	$ 8,885,111

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General	Road and Bridge	Social Services	Forfeited Tax Sale	Solid Waste	Other Governmental Funds	Total Governmental Funds
Assigned to							
Highways and streets	$ -	$ 1,510,852	$ -	$ -	$ -	$ -	$ 1,510,852
Human services	-	-	5,598,600	-	-	-	5,598,600
Forfeited land sales	-	-	-	724,942	-	-	724,942
Sanitation	-	-	-	-	1,210,491	-	1,210,491
Total assigned	$ -	$ 1,510,852	$ 5,598,600	$ 724,942	$ 1,210,491	$ -	$ 9,044,885
Unassigned	$ 773,968	$ -	$ -	$ -	$ -	$ -	$ 773,968
Total Fund Balances	$ 8,382,019	$ 8,021,185	$ 5,779,929	$ 1,910,396	$ 1,304,458	$ 1,869,159	$ 27,267,146

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 as 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 January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

	Governmental Activities	Business-Type Activities	Total
Inactive employees or beneficiaries currently receiving benefit payments	8	-	8
Active plan participants	192	59	251
Total	200	59	259

Total OPEB Liability

The governmental activities total OPEB liability of $896,610 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date. The business-type activities total OPEB liability of $138,402 was measured as of October 1, 2018, and was determined by an actuarial valuation as of that date. 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, 2019, and September 30, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus productivity increases
Health care cost trend – governmental activities	6.50 percent, decreasing over six years to an ultimate rate of 5.00 percent
Health care cost trend – business-type activities	6.25 percent, decreasing over five years to an ultimate rate of 5.00 percent

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

For the governmental activities, the current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the business-type activities, the current year discount rate is 3.50 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.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of January 1, 2019.

Changes in the Total OPEB Liability

Total OPEB Liability	Governmental Activities December 31, 2019	Business-Type Activities September 30, 2019	Total
Balance – Beginning of Year	$ 847,429	$ 127,964	$ 975,393
Changes for the year			
Service cost	$ 86,974	$ 10,695	$ 97,669
Interest	29,948	4,766	34,714
Plan changes	92,123	-	92,123
Differences between expected and actual experience	(78,577)	-	(78,577)
Changes of assumptions or other inputs	(27,041)	-	(27,041)
Benefit payments	(54,246)	(5,023)	(59,269)
Net change	$ 49,181	$ 10,438	$ 59,619
Balance – End of Year	$ 896,610	$ 138,402	$ 1,035,012

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Governmental Activities December 31, 2019		Business-Type Activities September 30, 2019	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	$ 963,275	2.50%	$ 124,642
Current	3.80	896,610	3.50	138,402
1% Increase	4.80	834,971	4.50	154,626

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 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 809,984
Current	6.50% Decreasing to 5.00%	896,610
1% Increase	7.50% Decreasing to 6.00%	998,926

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

For the year ended December 31, 2019, the governmental activities recognized OPEB expense of $193,956. 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 (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 23,178
Difference between actual and expected results	-	67,351
Contributions made subsequent to the measurement date	77,584	-
Total	$ 77,584	$ 90,529

The $77,584 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, 2020. 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
2020	$ (15,089)
2021	(15,089)
2022	(15,089)
2023	(15,089)
2024	(15,089)
Thereafter	(15,084)

For the year ended September 30, 2019, the business-type activities recognized OPEB expense of $8,526. At September 30, 2019, the business-type activities reported no deferred outflows of resources and deferred inflows of resources related to OPEB, and no amounts related to deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years.

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 2019:

Governmental Activities

- 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).

- 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.

Business-Type Activities

- No changes occurred in 2019.

3. Detailed Notes on All Funds (Continued)

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 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 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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.

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.

Beginning January 1, 2019, 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, 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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

date of the increase will receive the full increase. For 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.

Beginning January 1, 2019, 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 June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 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. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	$	850,550
Police and Fire Plan		255,882
Correctional Plan		153,098

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of $8,740,994 for its proportionate share of the General Employees Plan's net pension liability, of which $2,631,697 was the Heritage Community's portion as of September 30, 2019. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, through June 30, 2019, relative to the total employer contributions

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.1581 percent. It was 0.1572 percent measured as of June 30, 2018. The County recognized pension expense of $1,185,289 for its proportionate share of the General Employees Plan's pension expense, of which $359,000 was the Heritage Community's expense.

The County also recognized $20,344 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's 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.

	Governmental Activities	Business-Type Activities	Total
The County's proportionate share of the net pension liability	$ 6,109,297	$ 2,631,697	$ 8,740,994
State of Minnesota's proportionate share of the net pension liability associated with the County	189,825	81,830	271,655
Total	$ 6,299,122	$ 2,713,527	$ 9,012,649

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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	$ 167,780	$ -	$ 72,936	$ -	$ 240,716	$ -
Changes in actuarial assumptions	-	474,010	-	206,852	-	680,862
Difference between projected and actual investment earnings	-	619,774	-	266,753	-	886,527
Changes in proportion	150,671	-	94,906	20,078	245,577	20,078
Contributions paid to PERA subsequent to the measurement date	301,175	-	63,221	-	364,396	-
Total	$ 619,626	$ 1,093,784	$ 231,063	$ 493,683	$ 850,689	$ 1,587,467

The $364,396 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, 2020. 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
2020	$ (229,465)	$ (100,573)	$ (330,038)
2021	(452,946)	(170,605)	(623,551)
2022	(102,769)	(58,907)	(161,676)
2023	9,847	4,244	14,091

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2019, the County reported a liability of $1,476,602 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.1387 percent. It was 0.1350 percent measured as of June 30, 2018. The County recognized pension expense of $241,059 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $18,724 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. Legislation 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. In addition, the state will pay direct state aid of $4.5 million on October 1, 2018, and October 1, 2019, and $9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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	$ 61,282	$ 214,045
Changes in actuarial assumptions	1,174,989	1,602,659
Difference between projected and actual investment earnings	-	298,993
Changes in proportion	89,682	-
Contributions paid to PERA subsequent to the measurement date	131,917	-
Total	$ 1,457,870	$ 2,115,697

The $131,917 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, 2020. 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
2020	$ (65,271)
2021	(184,599)
2022	(552,898)
2023	7,700
2024	5,324

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2019, the County reported a liability of $114,027 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.8236 percent. It was 0.8483 percent measured as of June 30, 2018. The County recognized pension expense of $224,691 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	$ 4,315	$ 18,080
Changes in actuarial assumptions	-	1,027,714
Difference between projected and actual investment earnings	-	141,819
Changes in proportion	125,828	30,445
Contributions paid to PERA subsequent to the measurement date	76,565	-
Total	$ 206,708	$ 1,218,058

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $76,565 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, 2020. 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
2020	$ (574,673)
2021	(476,889)
2022	(37,459)
2023	1,106

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $1,651,039.

e. Actuarial Assumptions

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

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

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 for all plans were based on RP-2014 tables for males or females, as appropriate, 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, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

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:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of the General Employees Plan net pension liability			
Governmental activities	$ 10,043,356	$ 6,109,297	$ 2,860,950
Business-Type activities	4,326,369	2,631,697	1,232,409
Total General Employees Plan net pension liability	$ 14,369,725	$ 8,740,994	$ 4,093,359
Proportionate share of the Police and Fire Plan net pension liability	$ 3,227,577	$ 1,476,602	$ 28,573
Proportionate share of the Correctional Plan net pension liability	$ 1,215,296	$ 114,027	$ (767,167)

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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

3. Detailed Notes on All Funds

F. Pension Plans (Continued)

2. Defined Contribution Plan

Four employees or 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, 2019, were:

	Employee	Employer
Contribution amount	$ 6,263	$ 6,263
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.

Enbridge, Inc., is currently challenging tax valuations for the years 2012 through 2018 through litigation, which may affect several Minnesota counties. For tax valuations for 2012, 2013, and 2014, these cases are pending judgement. The tax years of 2015, 2016, 2017, and 2018 are in the pre-trial stage. Any loss is dependent on the outcome of the lawsuit. The County may be subject to a loss up to $1,000,000 in future tax revenue.

B. Management Agreement

The Heritage Community is managed by Ecumen. All three facilities are under a one-year agreement which expires June 2020. Heritage Living Center, Heritage Manor, and Heritage Cottages each incur a monthly fee of $15,800, $1,920, and $2,500, respectively. Management fees amounted to approximately $222,000 for the year ended September 30, 2019.

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, 2019.

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,

4. Summary of Significant Contingencies and Other Items

C. Heritage Community Building Project (Continued)

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.

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 2019 and 2020. 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. For 2019, Hubbard County has retained risk with a specific annual deductible of $400,000 per member for the health plan.

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 an agency fund on the County's financial statements. During 2019, Hubbard County contributed $114,943 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 $208,000 to the Library for the year ended December 31, 2019. 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, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties. 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.

Financing is provided by federal, state, and local grants and appropriations from member counties. During 2019, Hubbard County contributed $1,500 to the Board. Crow Wing County maintains the accounting records of the Board. 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, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements.

Hubbard County did not contribute to the Health Service for the year ended December 31, 2019. 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; Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties; 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 2019. 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, 2019. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund 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 was formed under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, effective August 1971, and includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties. The purpose of the Center is to provide 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 $55,072 in payments to the Center in 2019. Beltrami County, in an agent capacity, reports the cash transactions of the Center as an agency fund 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 Leech Lake and White Earth Reservations; the Bureau of Indian Affairs; 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 2019, Hubbard County contributed $3,500 to the Paul Bunyan Drug Task Force. Financing is provided by the profits 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 he or she represents.

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 2019. 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 2019, Hubbard County expended $68,239 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	$ 682,978	$ 140,516	$ 324,242
Interfund receivables	76,739	195,253	100,000
Restricted assets	75,329	110,632	4,588
Capital assets	320,660	637,140	1,286,262
Total Assets	$ 1,155,706	$ 1,083,541	$ 1,715,092
Deferred Outflows of Resources			
Pension-related deferred outflows	$ 231,063	$ -	$ -
Liabilities			
Current liabilities payable from restricted assets	$ 8,665	$ 10,122	$ -
Interfund payables	103,376	47,721	85,198
Other current liabilities	596,223	219,972	120,184
Noncurrent liabilities	2,868,041	1,082,194	1,420,747
Total Liabilities	$ 3,576,305	$ 1,360,009	$ 1,626,129
Deferred Inflows of Resources			
Pension-related deferred inflows	$ 493,683	$ -	$ -
Net Position			
Net investment in capital assets	$ 320,660	$ (580,054)	$ (134,485)
Restricted	-	99,952	4,588
Unrestricted	(3,003,879)	203,634	218,860
Total Net Position	$ (2,683,219)	$ (276,468)	$ 88,963

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	$ 6,811,349	$ -	$ -
Rental income	1,859	727,297	1,026,047
Intergovernmental	10,006	-	-
Miscellaneous	248,352	4,806	728
Total Operating Revenues	$ 7,071,566	$ 732,103	$ 1,026,775
Depreciation expense	$ (78,331)	$ (92,511)	$ (78,879)
Other operating expenses	(7,271,593)	(579,578)	(781,438)
Total Operating Expenses	$ (7,349,924)	$ (672,089)	$ (860,317)
Operating Income (Loss)	$ (278,358)	$ 60,014	$ 166,458
Nonoperating Revenues (Expenses)			
Investment earnings	$ 1,343	$ 1,030	$ 19,568
Miscellaneous	(97,502)	-	-
Interest expense	-	(30,218)	(41,750)
Total Nonoperating Revenues (Expenses)	$ (96,159)	$ (29,188)	$ (22,182)
Transfers in	$ 129,393	$ -	$ -
Transfers out	-	(15,000)	(114,393)
Change in Net Position	$ (245,124)	$ 15,826	$ 29,883
Beginning Net Position	(2,438,095)	(292,294)	59,080
Ending Net Position	$ (2,683,219)	$ (276,468)	$ 88,963

H. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. The County did have additional expenses spent on COVID-19 related costs such as cleaning, sanitizing, personal protective equipment supplies, modifications to its building, IT equipment and services to allow for social distancing and remote working. The County does anticipate to use and distribute the funds from the CARES Act.

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	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:

Checking account	$	259,154
Savings account		6,782
Total Deposits	$	265,936

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 pledge collateral. As of December 31, 2019, the HRA's deposits were not exposed to custodial credit risk.

Investments

The HRA had no investments as of December 31, 2019.

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 October 15, 2018, to February 1, 2045. At December 31, 2019, the HRA reported contracts receivable of $221,065.

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, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 219,940	$ 317,100	$ -	$ 537,040
Capital assets depreciated				
Buildings	$ 1,172,444	$ 1,526,338	$ -	$ 2,698,782
Equipment	49,730	86,415	-	136,145
Total capital assets depreciated	$ 1,222,174	$ 1,612,753	$ -	$ 2,834,927
Less: accumulated depreciation				
Buildings	$ 297,210	$ 32,235	$ -	$ 329,445
Equipment	21,631	11,602	-	33,233
Total accumulated depreciation	$ 318,841	$ 43,837	$ -	$ 362,678
Total capital assets depreciated, net	$ 903,333	$ 1,568,916	$ -	$ 2,472,249
Total Capital Assets, Net	$ 1,123,273	$ 1,886,016	$ -	$ 3,009,289

4. Long-Term Debt

Long-term debt outstanding at December 31, 2019, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2019
MHFA loan	2020	-	-	$ 513,000
SCDP Mortgage	2023	$138/month	-	5,942
Bank Mortgage	2032	$2,637/month	3.5%	315,524
Bank Mortgage	2044	$9,786/month	4.25%	1,740,000
Total Long-Term Debt				$ 2,574,466

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, 2019, are as follows:

Future Payments		
2020	$	552,956
2021		66,763
2022		69,360
2023		71,369
2024		73,479
2025 - 2044		1,740,539
Total	$	2,574,466

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MHFA loan	$ 513,000	$ -	$ -	$ 513,000	$ 513,000
SCDP Mortgage	7,600	-	1,658	5,942	1,658
Bank Mortgage	335,695	-	20,171	315,524	20,907
Bank Mortgage	-	1,740,000	-	1,740,000	17,391
Long-Term Liabilities	$ 856,295	$ 1,740,000	$ 21,829	$ 2,574,466	$ 552,956

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, 2019, the aggregate principal amount of conduit debt obligations outstanding totaled $2,570,000.

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

   B. Detailed Notes on All Funds (Continued)

      8. Subsequent Events

         In accordance with the terms of the Minnesota Housing Finance Agency Loan, on March 5, 2020, the Minnesota Housing Finance Agency provided notification that the loan in the amount of $513,000 is deemed to have been forgiven.

         On June 18, 2020, the HRA executed a mortgage agreement with a bank to borrow $2,100,000. The funds are to be used to build a 28-unit apartment complex in furtherance of the HRA's mission.

         As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact operational and financial performance. The extent of the impact of COVID-19 on the HRA's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, impact on tenants, employees, and subcontractors all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the HRA's financial condition or results of operations is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,953,472	$ 8,953,472	$ 8,559,886	$ (393,586)
Licenses and permits	138,122	138,122	160,884	22,762
Intergovernmental	3,512,596	3,512,596	4,365,712	853,116
Charges for services	1,235,681	1,235,681	1,241,997	6,316
Fines and forfeits	26,200	26,200	46,960	20,760
Investment earnings	280,150	280,150	314,831	34,681
Gifts and contributions	23,000	23,000	54,887	31,887
Miscellaneous	425,470	425,470	620,292	194,822
Total Revenues	**$ 14,594,691**	**$ 14,594,691**	**$ 15,365,449**	**$ 770,758**
Expenditures				
Current				
General government				
Commissioners	$ 265,203	$ 265,203	$ 286,231	$ (21,028)
District court	189,000	189,000	186,890	2,110
Law library	18,000	18,000	11,198	6,802
Coordinator	586,712	617,289	545,782	71,507
County auditor/treasurer	538,698	538,698	508,892	29,806
Professional services	78,675	78,675	186,078	(107,403)
Elections	66,950	66,950	20,546	46,404
Purchasing	29,000	29,000	17,792	11,208
Data processing	725,080	725,080	501,731	223,349
Attorney	798,019	798,019	766,635	31,384
Recorder	348,104	348,104	380,394	(32,290)
Surveyor	215,921	215,921	140,910	75,011
Assessor	518,577	518,577	518,093	484
Motor pool	69,970	69,970	24,908	45,062
Buildings and grounds	688,574	688,574	587,849	100,725
Veterans service officer	193,355	193,355	189,930	3,425
Insurance	136,148	136,148	157,227	(21,079)
Other general government	273,550	273,550	123,794	149,756
Total general government	**$ 5,739,536**	**$ 5,770,113**	**$ 5,154,880**	**$ 615,233**

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,640,258	$ 2,640,258	$ 2,631,437	$ 8,821
Boat and water safety	99,234	99,234	53,256	45,978
Emergency services	57,827	57,827	509,489	(451,662)
Coroner	50,000	50,000	51,262	(1,262)
SWAT Team	-	-	2,597	(2,597)
Enhanced 911	73,531	73,531	54,327	19,204
Community corrections	2,958,684	2,958,684	2,870,079	88,605
Building and grounds	312,140	312,140	264,091	48,049
Jail canteen	-	-	60,270	(60,270)
Sentence to serve	150,608	150,608	170,396	(19,788)
Probation and parole	82,100	82,100	127,049	(44,949)
Total public safety	**$ 6,424,382**	**$ 6,424,382**	**$ 6,794,253**	**$ (369,871)**
Human services				
Mahube Community Council	**$ 900,000**	**$ 900,000**	**$ 648,338**	**$ 251,662**
Public health				
Nursing home	**$ -**	**$ -**	**$ 38,922**	**$ (38,922)**
Culture and recreation				
Historical society	$ 10,500	$ 10,500	$ 10,000	$ 500
Parks	352,317	352,317	152,192	200,125
Regional library	211,945	211,945	208,000	3,945
Agricultural society	41,000	41,000	20,500	20,500
Snowmobile and ski trails	165,732	165,732	181,403	(15,671)
Total culture and recreation	**$ 781,494**	**$ 781,494**	**$ 572,095**	**$ 209,399**
Conservation of natural resources				
County extension	$ 141,831	$ 141,831	$ 127,487	$ 14,344
Aquatic invasive species	428,396	428,396	346,105	82,291
Local water	8,566	8,566	8,566	-
Soil and water conservation	30,000	30,000	30,000	-
Environmental services	623,008	623,008	494,339	128,669
Natural resources grant	65,381	65,381	70,519	(5,138)
Total conservation of natural resources	**$ 1,297,182**	**$ 1,297,182**	**$ 1,077,016**	**$ 220,166**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Economic development	**$ 72,000**	**$ 72,000**	**$ 30,000**	**$ 42,000**
Total Expenditures	**$ 15,214,594**	**$ 15,245,171**	**$ 14,315,504**	**$ 929,667**
Excess of Revenues Over (Under) Expenditures	**$ (619,903)**	**$ (650,480)**	**$ 1,049,945**	**$ 1,700,425**
Other Financing Sources (Uses)				
Transfers in	$ 465,000	$ 465,000	$ 298,642	$ (166,358)
Transfers out	(16,933)	(16,933)	(16,933)	-
Total Other Financing Sources (Uses)	**$ 448,067**	**$ 448,067**	**$ 281,709**	**$ (166,358)**
Net Change in Fund Balance	**$ (171,836)**	**$ (202,413)**	**$ 1,331,654**	**$ 1,534,067**
Fund Balance – January 1	**7,050,365**	**7,050,365**	**7,050,365**	**-**
Fund Balance – December 31	**$ 6,878,529**	**$ 6,847,952**	**$ 8,382,019**	**$ 1,534,067**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 3,800,000	$ 3,800,000	$ 4,167,824	$ 367,824
Intergovernmental	5,820,300	5,820,300	6,439,861	619,561
Charges for services	962,700	962,700	860,482	(102,218)
Investment earnings	-	-	17,139	17,139
Miscellaneous	-	-	58,743	58,743
Total Revenues	**$ 10,583,000**	**$ 10,583,000**	**$ 11,544,049**	**$ 961,049**
Expenditures				
Current				
Highways and streets				
Administration	$ 668,590	$ 668,590	$ 642,533	$ 26,057
Maintenance	2,846,290	2,846,290	2,368,534	477,756
Construction	5,634,836	5,634,836	5,759,996	(125,160)
Equipment maintenance and shop	846,769	846,769	1,220,788	(374,019)
Fuel facility	15,588	15,588	27,530	(11,942)
Materials for resale	936,563	936,563	684,158	252,405
Other highways and streets	18,194	18,194	20,040	(1,846)
Total highways and streets	**$ 10,966,830**	**$ 10,966,830**	**$ 10,723,579**	**$ 243,251**
Intergovernmental				
Highways and streets	397,500	397,500	393,766	3,734
Total Expenditures	**$ 11,364,330**	**$ 11,364,330**	**$ 11,117,345**	**$ 246,985**
Net Change in Fund Balance	**$ (781,330)**	**$ (781,330)**	**$ 426,704**	**$ 1,208,034**
Fund Balance – January 1	**7,529,910**	**7,529,910**	**7,529,910**	**-**
Increase (decrease) in inventories	**-**	**-**	**64,571**	**64,571**
Fund Balance – December 31	**$ 6,748,580**	**$ 6,748,580**	**$ 8,021,185**	**$ 1,272,605**

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

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,750,000	$ 2,750,000	$ 2,742,175	$ (7,825)
Intergovernmental	3,418,047	3,418,047	4,127,674	709,627
Charges for services	433,100	433,100	575,974	142,874
Investment earnings	-	-	1,161	1,161
Miscellaneous	370,882	370,882	482,911	112,029
Total Revenues	**$ 6,972,029**	**$ 6,972,029**	**$ 7,929,895**	**$ 957,866**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,040,175	$ 2,040,175	$ 1,965,938	$ 74,237
Social services	6,152,479	6,152,479	5,728,945	423,534
Transportation	-	-	495,478	(495,478)
Total Expenditures	**$ 8,192,654**	**$ 8,192,654**	**$ 8,190,361**	**$ 2,293**
Net Change in Fund Balance	**$ (1,220,625)**	**$ (1,220,625)**	**$ (260,466)**	**$ 960,159**
Fund Balance – January 1	**6,040,395**	**6,040,395**	**6,040,395**	**-**
Fund Balance – December 31	**$ 4,819,770**	**$ 4,819,770**	**$ 5,779,929**	**$ 960,159**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 137,303	$ 137,303	$ 138,789	$ 1,486
Land and timber sales	1,755,700	1,755,700	1,414,662	(341,038)
Miscellaneous	30,000	30,000	11,557	(18,443)
Total Revenues	**$ 1,923,003**	**$ 1,923,003**	**$ 1,565,008**	**$ (357,995)**
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	$ 813,859	$ 813,859	$ 765,508	$ 48,351
Access road	49,183	49,183	35,407	13,776
Forest development	225,000	225,000	282,700	(57,700)
Miscellaneous	55,120	55,120	28,884	26,236
Total Expenditures	**$ 1,143,162**	**$ 1,143,162**	**$ 1,112,499**	**$ 30,663**
Excess of Revenues Over (Under) Expenditures	**$ 779,841**	**$ 779,841**	**$ 452,509**	**$ (327,332)**
Other Financing Sources (Uses)				
Transfers out	(490,000)	(490,000)	(298,642)	191,358
Net Change in Fund Balance	**$ 289,841**	**$ 289,841**	**$ 153,867**	**$ (135,974)**
Fund Balance – January 1	**1,756,529**	**1,756,529**	**1,756,529**	**-**
Fund Balance – December 31	**$ 2,046,370**	**$ 2,046,370**	**$ 1,910,396**	**$ (135,974)**

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

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 500	$ 500	$ 625	$ 125
Intergovernmental	67,729	67,729	945,334	877,605
Charges for services	3,330,000	3,330,000	3,277,180	(52,820)
Miscellaneous	125,000	125,000	32,222	(92,778)
Total Revenues	**$ 3,523,229**	**$ 3,523,229**	**$ 4,255,361**	**$ 732,132**
Expenditures				
Current				
Sanitation				
Solid waste	$ 2,340,629	$ 2,340,629	$ 3,338,234	$ (997,605)
Recycling	1,127,635	1,127,635	1,079,476	48,159
Demolition landfill	25,000	25,000	143,412	(118,412)
Total Expenditures	**$ 3,493,264**	**$ 3,493,264**	**$ 4,561,122**	**$ (1,067,858)**
Excess of Revenues Over (Under) Expenditures	**$ 29,965**	**$ 29,965**	**$ (305,761)**	**$ (335,726)**
Other Financing Sources (Uses)				
Transfers in	16,933	16,933	16,933	-
Net Change in Fund Balance	**$ 46,898**	**$ 46,898**	**$ (288,828)**	**$ (335,726)**
Fund Balance – January 1	**1,593,286**	**1,593,286**	**1,593,286**	**-**
Fund Balance – December 31	**$ 1,640,184**	**$ 1,640,184**	**$ 1,304,458**	**$ (335,726)**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 97,669	$ 82,486
Interest	34,714	32,469
Plan changes	92,123	-
Differences between expected and actual experience	(78,577)	-
Changes of assumption or other inputs	(27,041)	-
Adoption of accounting principle	-	30,830
Benefit payments	(59,269)	(65,444)
Net change in total OPEB liability	**$ 59,619**	**$ 80,341**
Total OPEB Liability – Beginning	**975,393**	**895,052**
Total OPEB Liability – Ending	**$ 1,035,012**	**$ 975,393**
Covered-employee payroll	$ 13,887,636	$ 13,363,027
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.45%	7.30%

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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
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-8

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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)
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.

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

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
2019	0.1387 %	$ 1,476,602	$ 1,462,514	100.96 %	89.26 %
2018	0.1350	1,438,961	1,423,030	101.12	88.84
2017	0.1340	1,809,159	1,375,562	131.52	85.43
2016	0.1330	5,337,521	1,277,137	417.93	63.88
2015	0.1290	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-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

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)
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-11

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

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
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-12

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

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)
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.

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, 2019:

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Commissioners	$ 286,231	$ 265,203	$ 21,028
Professional services	186,078	78,675	107,403
Recorder	380,394	348,104	32,290
Insurance	157,227	136,148	21,079

1. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	Expenditures	Final Budget	Excess
General Fund			
Current (Continued)			
Public safety			
Emergency services	509,489	57,827	451,662
Coroner	51,262	50,000	1,262
Swat Team	2,597	-	2,597
Jail canteen	60,270	-	60,270
Sentence to serve	170,396	150,608	19,788
Probation and parole	127,049	82,100	44,949
Public health			
Nursing home	38,922	-	38,922
Culture and recreation			
Snowmobile and ski trails	181,403	165,732	15,671
Conservation of natural resources			
Natural resources grant	70,519	65,381	5,138
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Construction	5,759,996	5,634,836	125,160
Equipment maintenance and shop	1,220,788	846,769	374,019
Fuel facility	27,530	15,588	11,942
Other highways and streets	20,040	18,194	1,846
Social Services Special Revenue Fund			
Current			
Human services			
Transportation	495,478	-	495,478
Forfeited Tax Sale Special Revenue Fund			
Current			
Conservation of natural resources			
Forest development	282,700	225,000	57,700
Solid Waste Special Revenue Fund			
Current			
Sanitation			
Solid Waste	3,338,234	2,340,629	997,605
Demolition landfill	143,412	25,000	118,412

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

   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).

   - 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.

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

Business-Type Activities

2019

- No changes occurred in 2019.

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

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.

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

General Employees Retirement Plan

2018 (Continued)

- 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.

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.

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

General Employees Retirement Plan (Continued)

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.

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to 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.

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

Public Employees Police and Fire Plan

2018 (Continued)

- 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.

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 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.

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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.

- 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.

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

Public Employees Local Government Correctional Service Retirement Plan

2019

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

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 MP-2016 to 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 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

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NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The Building Bonds Debt Service Fund is used to account for and report the financial resources restricted for the payment of correctional facility and capital improvement plan bonds, 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.

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Assets			
Cash and pooled investments	$ 1,369,403	$ 5,671	$ 1,375,074
Investment	-	467,280	467,280
Taxes receivable – delinquent	26,509	-	26,509
Accounts receivable	-	11,792	11,792
Accrued interest receivable	-	6,575	6,575
Due from other governments	-	1,471	1,471
Total Assets	**$ 1,395,912**	**$ 492,789**	**$ 1,888,701**
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources			
Unavailable revenue – taxes	**$ 19,542**	**$ -**	**$ 19,542**
Fund Balances			
Nonspendable	$ -	$ 467,280	$ 467,280
Restricted	1,376,370	25,509	1,401,879
Total Fund Balances	**$ 1,376,370**	**$ 492,789**	**$ 1,869,159**
Total Deferred Inflows of Resources and Fund Balances	**$ 1,395,912**	**$ 492,789**	**$ 1,888,701**

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, 2019

	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Revenues			
Taxes	$ 896,584	$ -	$ 896,584
Intergovernmental	7,345	-	7,345
Investment earnings	11,036	18,372	29,408
Miscellaneous	-	13,428	13,428
Total Revenues	**$ 914,965**	**$ 31,800**	**$ 946,765**
Expenditures			
Current			
Conservation of natural resources	$ -	$ 16,553	$ 16,553
Debt service			
Principal	710,000	-	710,000
Interest	140,862	-	140,862
Total Expenditures	**$ 850,862**	**$ 16,553**	**$ 867,415**
Net Change in Fund Balance	**$ 64,103**	**$ 15,247**	**$ 79,350**
Fund Balance – January 1	**1,312,267**	**477,542**	**1,789,809**
Fund Balance – December 31	**$ 1,376,370**	**$ 492,789**	**$ 1,869,159**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL TRUST PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts						
	Original		Final		Actual Amounts		Variance with Final Budget
Revenues							
Investment earnings	$	10	$	10	$	18,372	$ 18,362
Miscellaneous		21,000		21,000		13,428	(7,572)
Total Revenues	**$**	**21,010**	**$**	**21,010**	**$**	**31,800**	**$ 10,790**
Expenditures							
Current							
Conservation of natural resources							
Natural resources		20,613		20,613		16,553	4,060
Net Change in Fund Balance	**$**	**397**	**$**	**397**	**$**	**15,247**	**$ 14,850**
Fund Balance – January 1		**477,542**		**477,542**		**477,542**	**-**
Fund Balance – December 31	**$**	**477,939**	**$**	**477,939**	**$**	**492,789**	**$ 14,850**

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AGENCY FUNDS

The Hubbard County Family Services Collaborative Agency Fund is used to account for the receipts and disbursements of the Collaborative.

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

The Tax Collection Agency Fund is used to account for the collection of taxes, penalties, and special assessments and their payment to various County funds and taxing districts.

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
HUBBARD COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 120,158	$ 118,000	$ 50,000	$ 188,158
Liabilities				
Due to other governments	$ 120,158	$ 118,000	$ 50,000	$ 188,158
STATE REVENUE				
Assets				
Cash and pooled investments	$ 45,342	$ 963,241	$ 943,282	$ 65,301
Liabilities				
Due to other governments	$ 45,342	$ 963,241	$ 943,282	$ 65,301
TAX COLLECTION				
Assets				
Cash and pooled investments	$ 456,320	$ 40,014,325	$ 40,195,333	$ 275,312
Liabilities				
Due to other governments	$ 456,320	$ 40,014,325	$ 40,195,333	$ 275,312

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 621,820**	**$ 41,095,566**	**$ 41,188,615**	**$ 528,771**
Liabilities				
Due to other governments	**$ 621,820**	**$ 41,095,566**	**$ 41,188,615**	**$ 528,771**

OTHER SCHEDULES

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

		Governmental Funds
Appropriations and Shared Revenue		
State		
Highway users tax	$	6,247,273
Market value credit		122,390
PERA rate reimbursement		613
Police aid		190,060
County program aid		858,060
Enhanced 911		94,633
Out of home placement aid		56,928
Select Committee on Recycling and the Environment (SCORE)		68,710
Riparian protection aid		20,000
Aquatic invasive species aid		258,396
Total appropriations and shared revenue	**$**	**7,917,063**
Reimbursement for Services		
State		
Minnesota Department of		
Human Services	$	1,094,022
Transportation		3,371
Total reimbursement for services	**$**	**1,097,393**
Payments		
Local		
Payments in lieu of taxes	**$**	**891,507**
Grants		
State		
Minnesota Department of		
Corrections	$	18,226
Human Services		1,706,834
Natural Resources		264,150
Public Safety		10,775
Transportation		428,604
Board of Water and Soil Resources		128,395
Peace Officer Standards and Training Board		23,860
Pollution Control Agency		875,552
Total state	**$**	**3,456,396**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	$ 207,101
Justice	33,772
Health and Human Services	1,558,671
Homeland Security	636,960
Transportation	225,852
Total federal	**$ 2,662,356**
Total state and federal grants	**$ 6,118,752**
Total Intergovernmental Revenue	**$ 16,024,715**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	**$ 207,101**	**$ -**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	F-CVS-2018-HUBBARAO	**$ 33,772**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	00029	$ 9,797	$ -
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1029473	25,453	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1032525	82,075	-
(Total Formula Grants for Rural Areas and Tribal Transit Program 20.509 $107,528)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC19-2019-HUBBARCO	3,438	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019-HUBBARCO	4,398	-
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC19-2019-HUBBARCO	5,125	-
Total U.S. Department of Transportation			**$ 130,286**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1801MNFPSS	$ 15,315	$ -
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1901MNTANF	228,972	-
Child Support Enforcement	93.563	1901MNCSES	55,143	-
Child Support Enforcement	93.563	1901MNCEST	110,813	-
(Total Child Support Enforcement 93.563 $165,956)				
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNRCMA	230	-
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	5,317	-
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	9,577	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	7,685	-
Foster Care – Title IV-E	93.658	1901MNFOST	171,139	-
Social Services Block Grant	93.667	G-1901MNSOSR	149,468	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	6,700	-
Children's Health Insurance Program	93.767	1905MN5021	179	-
Medicaid Cluster				
Medical Assistance Program	93.778	1905MN5ADM	839,688	-
Medical Assistance Program	93.778	1905MN5MAP	7,977	-
(Total Medical Assistance Program 93.778 $847,665)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TIO10027-18	850	-
Total U.S. Department of Health and Human Services			**$ 1,609,053**	**$ -**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	HUBBARD FBP-101519	$ 6,375	$ -
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	F-HMGP-DR4182-HUBBARCO	309,746	309,746
Total U.S. Department of Homeland Security			**$ 316,121**	**$ 309,746**
Total Federal Awards			**$ 2,296,333**	**$ 309,746**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 207,101
Total expenditures for Highway Planning and Construction Cluster	9,797
Total expenditures for Highway Safety Cluster	8,563
Total expenditures for TANF Cluster	228,972
Total expenditures for CCDF Cluster	9,577
Total expenditures for Medicaid Cluster	847,665

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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. The schedule does not include $34,803 in federal awards expended by the Hubbard County Housing and Redevelopment Authority component unit, which was audited by other auditors.

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, 2019. 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.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 2,662,356
Grants received more than 60 days after year-end, considered unavailable revenue in 2019	
Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509)	12,533
Promoting Safe and Stable Families (CFDA No. 93.556)	3,333
Temporary Assistance for Needy Families (CFDA No. 93.558)	63,003
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	3,620
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)	731
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	2,740
Foster Care – Title IV-E (CFDA No. 93.658)	46,871
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)	2,465
Hazard Mitigation Grant (CFDA No. 97.039)	95,524
Unavailable revenue in 2018, recognized as revenue in 2019	
Highway Planning and Construction (CFDA No. 20.205)	(108,099)
Promoting Safe and Stable Families (CFDA No. 93.556)	(2,742)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(66,959)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	(781)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(1,899)
Hazard Mitigation Grant (CFDA No. 97.039)	(416,363)
Expenditures per Schedule of Expenditures of Federal Awards	$ 2,296,333

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
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, 2019, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 21, 2020. Our report includes a reference to other auditors who audited the financial statements of the Heritage Living Center, Manor, and 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a material weakness and items 2019-001 and 2019-003 to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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 and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-006. 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

Hubbard County's responses to the internal control and legal compliance findings identified in our audit are described in the 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	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 21, 2020

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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Hubbard County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. 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.

Hubbard County's basic financial statements include the operations of the Hubbard County Housing and Redevelopment Authority (HRA) component unit, which expended $34,803 in federal awards during the year ended December 31, 2019, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of Hubbard County HRA because the HRA was audited by other auditors.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Hubbard County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the

audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hubbard County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hubbard County complied, in all material respects, with the types of 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, 2019.

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 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Hubbard County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 and 2019-005, that we consider to be significant deficiencies.

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

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 *■* */s/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 21, 2020

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HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 the major federal program: **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:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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*

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 2007-001

Repeat Finding Since: 2007

Documenting and Monitoring Internal Controls

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: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2015-002

Repeat Finding Since: 2015

Audit Adjustments

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

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

Context: The inability to detect material 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 Forfeited Tax Sale Special Revenue Fund required an adjustment to decrease contracts receivable by $118,511, decrease unavailable revenue by $372,241, and decrease land and timber sale revenue by $253,730 to correct recorded balances.

- The Solid Waste Special Revenue Fund required adjustments to increase liabilities and expenditures by $110,179 and increase assets and unavailable revenue by $157,626 for activity related to the transfer station project.

- The Social Services Special Revenue Fund required an adjustment to increase receivables by $421,848, increase unavailable revenue by $179,205, and increase intergovernmental revenues by $242,643 to record additional receivables.

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

Recommendation: We recommend County staff 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, and the County's financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official: Acknowledged

Finding Number: 2019-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

<u>Sheriff's Department Internal Control Deficiencies</u>

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over accounting procedures. To protect County assets, adequate internal control should be in place.

Condition: Internal control deficiencies noted in the Sheriff's Department included:

- Checks are not promptly stamped with a restrictive endorsement upon receipt.

- Bank reconciliations are not routinely being performed, or reviewed by someone other than the preparer, for the Sheriff's Department checking account.

- Petty cash reconciliations are not routinely being performed, or reviewed by someone other than the preparer.

- Multiple signatures are not required on checks written from the Sheriff's Department checking account.

- Deposits are not being made timely.

- Cross-training is not being utilized.

- Reconciliations of receipts to bank deposits are not being performed by someone other than the individual making the bank deposits.

Many of these internal control deficiencies contributed to missing revenue of $14,009 for 2019, which also went undetected.

Context: The establishment and oversight of department internal control procedures is particularly important because, generally, smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: When effective internal controls over accounting procedures are not implemented, there is an increased risk of fraud or misappropriation of assets.

Cause: The Sheriff's Department does not have policies and procedures designed or implemented to provide adequate internal control.

Recommendation: We recommend management design and implement controls in the Sheriff's Department to include:

- **s**tamping checks with a restrictive endorsement upon receipt;

- performing bank reconciliations of the Sheriff's Department checking account monthly and having someone other than the preparer review those reconciliations;

- performing petty cash reconciliations monthly and having someone other than the preparer review those reconciliations;

- requiring multiple signatures on checks written from the Sheriff's Department checking account;
- making weekly deposits at the bank;
- utilizing cross-training; and
- performing reconciliations of receipts to bank deposits by someone other than the individual making the bank deposits.

The Sheriff's Department could also consider closing the Sheriff's Department checking account and instead utilize the Auditor/Treasurer's Office.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

<u>Activities Allowed and Unallowed, Allowable Costs/Cost Principles</u>

Program: U.S. Department of Health and Human Services’ Child Support Enforcement Program (CFDA No. 93.563), Award No. 1901MNCSES and 1901MNCEST, 2019

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 costs are submitted to DHS in accordance with DHS instructions. Administrative programs costs for the Child Support Enforcement program are submitted through the DHS Income Maintenance DHS-2550 report on a quarterly basis.

Condition: The following errors were noted in the DHS-2550 reports submitted for 2019:

- Payroll costs for the Income Maintenance/Child Support supervisor were allocated as 20 percent Child Support costs and 80 percent Income Maintenance Overhead costs. Based on DHS instructions, 100 percent of this position's salary and benefits should have been reported as Income Maintenance Overhead.

- Salary and benefits for the office support specialist positions were allocated 40 percent to Income Maintenance costs on the DHS-2550 reports when the County's support indicated that this should have been 31 percent.

- Reimbursements paid to individuals to return overpayments received, which are not eligible costs, were incorrectly submitted as Income Maintenance Overhead costs.

The items above are included in the Medical Assistance Reporting finding (2019-005).

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. Revised reports have since been submitted by the County to correct for the errors identified in the audit.

The sample size was based on 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. Approximately $17,500 in costs were reported as Direct Child Support costs on the DHS-2550 reports that should have been reported as Income Maintenance Overhead. Additionally, other costs submitted on the DHS-2550 reports as Income Maintenance Overhead were overstated approximately $12,000.

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 that costs submitted on the quarterly reports are accurate and consistent with DHS guidance.

View of Responsible Official: Acknowledged

Finding Number: 2019-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

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, the Social Services DHS-2556 report, and the Local Collaborative Time Study (LCTS) Cost Schedule DHS-3220 reports on a quarterly basis. In addition, DHS instructions for the completion of the LCTS Annual Spending Reporting indicates that the reported spending of LCTS funds should reflect the amount spent by recipients of the funds on behalf of the collaborative.

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

- Payroll costs for the Income Maintenance/Child Support supervisor reported on the DHS-2550 report were allocated as 20 percent Child Support costs and 80 percent Income Maintenance Overhead costs. Based on DHS instructions, 100 percent of this position's salary and benefits should have been reported as Income Maintenance Overhead on the DHS-2550 reports.

- Salary and benefits for the office support specialist position were allocated 40 percent to Income Maintenance costs on the DHS-2550 reports and 51 percent to Social Services costs on the DHS-2556 reports when the County's support indicated that it should have been should have been allocated 31 percent and 58 percent, respectively.

- Salary and benefits for a financial worker that was excluded from the DHS Income Maintenance Random Moment Study (IMRMS) in error were reported as IMRMS expenditures. In such instances, DHS instructions would require that related costs be reported as Income Maintenance Overhead expenditures.

- 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.

Some of the items above are included in the Child Support Activities Allowed and Unallowed, Allowable Costs/Cost Principles finding (2019-004).

Questioned Costs: None.

Context: DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs. Revised reports have since been submitted by the County to correct for the errors identified in the audit.

The sample size was based on 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 2019, the errors identified resulted in expenditures on the DHS-2550 reports being overstated approximately $6,500, expenditures on DHS-2556 reports being understated approximately $5,800, and expenditures on the Probation DHS-3220 reports being understated approximately $54,000. Additionally, within the DHS-2550 reports, IMRMS expenditures were overstated approximately $68,000, Child Support expenditures were overstated approximately $17,500, and Income Maintenance Overhead expenditures were understated approximately $85,500. The LCTS Annual Spending report may be inaccurate based on DHS instructions.

Cause: The County's controls over preparation of the DHS 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 that the DHS reports are completed accurately and accordance with DHS guidance.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

<u>MINNESOTA LEGAL COMPLIANCE</u>

Finding Number: 2019-006

Prior Year Finding Number: 2015-012

Repeat Finding Since: 2015

Bylaws of the Heritage Living Center Board

Criteria: The Heritage Living Center Board was established under Minn. Stat. §§ 376.55 through 376.60. Minnesota Statutes, section 376.58, subdivision 1, states, "The county board of any county establishing a county nursing home and facility for supportive services may designate any board under the jurisdiction and control of the county board to supervise the nursing home and facility, and that board shall constitute the nursing home's administrative board for that county."

Condition: In 2007, the bylaws of the Heritage Living Center Board were amended to remove the County Board's jurisdiction and control over the Heritage Living Center Board.

Context: Under the current bylaws, Hubbard County does not have jurisdiction and control over the Heritage Living Center Board, as required by the state statutes.

Effect: Noncompliance with the "under the jurisdiction and control" of the County Board requirement of Minn. Stat. § 376.58, subd. 1.

Cause: The County Board approved amendments to the bylaws of the Heritage Living Center Board that they did not realize were not in compliance with state statutes.

Recommendation: We recommend the Heritage Living Center Board bylaws be amended to recognize the jurisdiction and control of the County Board over the Heritage Living Center Board.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2015-007 Eligibility

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Hubbard County

301 Court Avenue
Park Rapids, MN 56470

Phone: 218.732.2310 Fax: 218.732.2318

REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
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: 2019-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

All County Department Managers

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:

2020

Finding Number: 2019-003
Finding Title: Sheriff's Department Internal Control Deficiencies

Name of Contact Person Responsible for Corrective Action:

Scott Parks, Chief Deputy Sheriff

Corrective Action Planned:

The Hubbard County Sheriff's Department has implemented the following internal controls: stamping checks with a restrictive endorsement upon receipt; performing bank reconciliations of the Sheriff's Department checking account monthly and having someone other than the preparer review those reconciliations; performing petty cash reconciliations monthly and having someone other than the preparer review those reconciliation requiring multiple signatures on checks written from the Sheriff's Department checking account; making daily/weekly deposits at the bank; utilizing cross-training; and performing reconciliations of receipts to bank deposits by someone other than the individual making the bank deposits.

The Sheriff's Department is taking steps to close the Sheriff's Department checking account and is now depositing to the Hubbard County account through the Auditor/Treasurer's Office.

Anticipated Completion Date:

2020

Finding Number: 2019-004
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles
Program: Child Support Enforcement Program (CFDA No. 93.563)

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Social Service 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:

2020

Finding Number: 2019-005
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Social Service Director

Corrective Action Planned:

County will implement controls that ensure that the DHS reports are completed accurately and accordance with DHS guidance.

Anticipated Completion Date:

2020

Finding Number: 2019-006
Finding Title: Bylaws of the Heritage Living Center Board

Name of Contact Person Responsible for Corrective Action:

County Board

Corrective Action Planned:

The Hubbard County Board will work with the Heritage Living Center Board to amend the bylaws to recognize jurisdiction and control of the County Board over the Heritage Living Center Board.

Anticipated Completion Date:

2020

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Board of Commissioners

301 Court Avenue
Park Rapids, MN 56470

Phone: 218 732-2310 • Fax: 218 732-2321

REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2007-001
Finding Title: Documenting and Monitoring Internal Control

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.

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: 2015-002
Finding Title: Audit Adjustments

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

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. Improvements to year end procedures and journal entries will continue to be reviewed to ensure the financial statements are accurate, complete, and fairly represented in accordance with generally accepted accounting principles.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-007
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available or updated in MAXIS to support participant eligibility.

Summary of Corrective Action Previously Reported: The County has implemented additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and issues will be followed up on in a timely manner. The County has also implemented supervisor reviews and peer reviews. The County also provided additional training to the Eligibility workers that work in this area.

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

Finding Number: 2015-010
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. The County will distribute its micro-purchases among qualified suppliers to the extent practicable.

Status: Partially Corrected. Due to changes in key personnel, these procedures were not completed implemented in the current year.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-012
Finding Title: Bylaws of the Heritage Living Center Board

Summary of Condition: In 2007, the bylaws of the Heritage Living Center Board were amended to remove the County Board's jurisdiction and control over the Heritage Living Center Board.

Summary of Corrective Action Previously Reported: The Hubbard County Board will work with the Heritage Living Center Board to amend the bylaws to recognize jurisdiction and control of the County Board over the Heritage Living Center Board.

Status: Not Corrected. Due to time constraints, the bylaws did not change during the audit year. The Board and County Attorney are working on an approach to correct the issue and anticipate this will be resolved in 2020.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___