

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Hubbard County Park Rapids, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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www.osa.state.mn.us

Hubbard County Park Rapids, Minnesota

Year Ended December 31, 2022



Office of the State Auditor

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

Hubbard County Park Rapids, Minnesota

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Introductory Section

Hubbard County Park Rapid, Minnesota

Organization
December 31, 2022

Office	Name	Term Expires
Commissioners		
1st District	David De La Hunt	January 2027
2nd District	Charlene Christenson	January 2025
3rd District	Tom Krueger	January 2027
4th District	Daniel Stacey	January 2025
5th District	Ted Van Kempen	January 2027
Officers		
Elected		
Attorney	Jonathan Frieden	January 2027
Sheriff	Cory Aukes	January 2027
Appointed		
Administrator	Jeff Cadwell	Indefinite
Assessor	Jamie Freeman	December 2024
Auditor/Treasurer	Kay Rave	Indefinite
Environmental Services Director	Eric Buitenwerf	Indefinite
Facilities Maintenance Manager	Bobby Wilkins	Indefinite
Highway Engineer	Jed Nordin	April 2026
Human Resources Director	Gina Teems	Indefinite
Information Technology Director	Robb Warne	Indefinite
Land Commissioner	Mark Lohmeier	Indefinite
Recorder	Lauren Anderson	Indefinite
Social Services Director	Brian Ophus	Indefinite
Solid Waste Administrator	Josh Holte	Indefinite
Veterans Service Officer	Jerrold Bjerke	December 2026

Financial Section



Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2022, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County as of December 31, 2022, including the Heritage Community Enterprise Fund as of September 30, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, which reflects 100 percent of the assets, net position, and revenues of both the Heritage Community Enterprise Fund, a major fund, and the business-type activities as of September 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Heritage Manor, and Heritage Cottages, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the Hubbard County Housing and Redevelopment Authority (HRA), which represents the amounts shown as the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hubbard County HRA, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt about the Heritage Living Center, Heritage Manor, and Heritage Cottages' Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Heritage Living Center, Heritage Manor, and Heritage Cottages will continue as a going concern. As discussed in Note 4 to the financial statements, the other auditor's report on the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages as of and for the year ended September 30, 2022, included a going concern section describing conditions that raised substantial doubt about the Heritage Living Center, Heritage Manor, and Heritage Cottages' ability to continue as a going concern because of a decrease in cash, increase in payables, and occupancy issues. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion on the financial statements is not modified with respect to that matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

December 12, 2023

Management's Discussion and Analysis

Hubbard County Park Rapids, Minnesota

Management's Discussion and Analysis December 31, 2022 (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, 2022. 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 \$114,262,547, of which \$93,224,174 is the net investment in capital assets, \$10,314,775 is restricted for specific purposes, and \$10,723,598 is unrestricted. The total net position of governmental activities increased by \$832,022 in 2022.

The total net position of business-type activities is (\$1,379,006), of which \$3,410,826 is the net investment in capital assets and (\$4,789,832) is unrestricted. The total net position of business-type activities increased by \$1,317,398 for the year ended September 30, 2022.

At the close of 2022, the County's governmental funds reported combined ending fund balances of \$31,073,362, a decrease of \$809,744 from the prior year. Of the total fund balance amount, \$821,262 is nonspendable, \$8,387,878 is legally or contractually restricted, \$10,975,753 is committed, \$7,931,638 is assigned for specific purposes, and \$2,956,831 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the

change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

- Governmental activities – Most of the County’s basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Heritage Community.
- Component units – The County includes a separate legal entity in its report. The Hubbard County Housing and Redevelopment Authority (HRA) is reported in a separate column. Although legally separate, this “component unit” is important because the County appoints a voting majority of the HRA Board, and the County can impose its will on the HRA.

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County’s financial position. The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$114,262,547 at the close of 2022. The largest portion of the County’s net position (approximately 82 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, software, and leased equipment). It should be noted that this amount is not available for future spending. Approximately nine percent of the County’s net position is restricted and nine percent of the County’s net position is unrestricted. The unrestricted net position amount of \$10,723,598 as of December 31, 2022, may be used to meet the County’s ongoing obligations to citizens.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021 (Restated*)	2022	2021 (Restated*)
Assets						
Current and other assets	\$ 37,115,109	\$ 38,625,470	\$ (1,277,547)	\$ 10,274,010	\$ 35,837,562	\$ 48,899,480
Capital assets	97,470,302	93,631,410	14,315,803	1,976,738	111,786,105	95,608,148
Total Assets	\$ 134,585,411	\$ 132,256,880	\$ 13,038,256	\$ 12,250,748	\$ 147,623,667	\$ 144,507,628
Deferred outflows of resources	\$ 10,934,086	\$ 7,355,323	\$ 753,836	\$ 1,270,467	\$ 11,687,922	\$ 8,625,790
Liabilities						
Long-term liabilities	\$ 27,319,207	\$ 13,883,874	\$ 13,955,480	\$ 13,739,588	\$ 41,274,687	\$ 27,623,462
Other liabilities	3,468,131	3,289,823	632,342	574,467	4,100,473	3,864,290
Total Liabilities	\$ 30,787,338	\$ 17,173,697	\$ 14,587,822	\$ 14,314,055	\$ 45,375,160	\$ 31,487,752
Deferred inflows of resources	\$ 469,612	\$ 9,007,981	\$ 583,276	\$ 1,903,564	\$ 1,052,888	\$ 10,911,545
Net position						
Net investment in capital assets	\$ 93,224,174	\$ 88,605,665	\$ 3,410,826	\$ (318,013)	\$ 96,635,000	\$ 88,287,652
Restricted	10,314,775	11,597,871	-	1,115,301	10,314,775	12,713,172
Unrestricted	10,723,598	13,226,989	(4,789,832)	(3,493,692)	5,933,766	9,733,297
Total Net Position	\$ 114,262,547	\$ 113,430,525	\$ (1,379,006)	\$ (2,696,404)	\$ 112,883,541	\$ 110,734,121

* - See Change in Accounting Principles note in Note 1.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 10,416,892	\$ 9,279,383	\$ 5,695,289	\$ 6,282,660	\$ 16,112,181	\$ 15,562,043
Operating grants and contributions	12,789,785	13,986,669	1,370,230	1,180,512	14,160,015	15,167,181
Capital grants and contributions	118,729	529,902	-	-	118,729	529,902
General revenues						
Property taxes	16,002,354	15,428,822	-	-	16,002,354	15,428,822
Transportation sales tax	1,927,276	1,925,243	-	-	1,927,276	1,925,243
Mortgage registry and deed tax	36,561	44,422	-	-	36,561	44,422
Grants and contributions not restricted to specific programs	1,123,286	1,115,341	-	-	1,123,286	1,115,341
Payments in lieu of tax	912,246	912,586	-	-	912,246	912,586
Investment earnings	292,166	173,831	2,563	138,139	294,729	311,970
Miscellaneous	251,344	333,773	-	-	251,344	333,773
Total Revenues	\$ 43,870,639	\$ 43,729,972	\$ 7,068,082	\$ 7,601,311	\$ 50,938,721	\$ 51,331,283
Expenses						
General government	\$ 6,321,517	\$ 5,974,745	\$ -	\$ -	\$ 6,321,517	\$ 5,974,745
Public safety	9,809,720	7,375,206	-	-	9,809,720	7,375,206
Highways and streets	9,109,940	8,258,103	-	-	9,109,940	8,258,103
Sanitation	4,180,526	3,959,997	-	-	4,180,526	3,959,997
Human services	10,266,189	9,337,915	-	-	10,266,189	9,337,915
Health	51,826	55,745	-	-	51,826	55,745
Culture and recreation	633,689	617,545	-	-	633,689	617,545
Conservation of natural resources	2,541,277	2,235,452	-	-	2,541,277	2,235,452
Economic development	72,000	496,184	-	-	72,000	496,184
Interest	106,493	81,988	-	-	106,493	81,988
Heritage Community	-	-	8,319,912	7,667,914	8,319,912	7,667,914
Total Expenses	\$ 43,093,177	\$ 38,392,880	\$ 8,319,912	\$ 7,667,914	\$ 51,413,089	\$ 46,060,794
Change in net position before transfers and special item	\$ 777,462	\$ 5,337,092	\$ (1,251,830)	\$ (66,603)	\$ (474,368)	\$ 5,270,489
Transfers	54,560	-	(54,560)	-	-	-
Special item – capital contribution (Note 1)	-	-	2,623,788	-	2,623,788	-
Change in net position after transfers and special item	\$ 832,022	\$ 5,337,092	\$ 1,317,398	\$ (66,603)	\$ 2,149,420	\$ 5,270,489
Net Position – January 1	113,430,525	108,093,433	(2,696,404)	(2,629,801)	110,734,121	105,463,632
Net Position – December 31	\$ 114,262,547	\$ 113,430,525	\$ (1,379,006)	\$ (2,696,404)	\$ 112,883,541	\$ 110,734,121

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 2022, the County's governmental funds reported combined ending fund balances of \$31,073,362. Of this amount, approximately three percent constitutes nonspendable fund balance, 27 percent constitutes legally or contractually restricted fund balance, 35 percent constitutes committed fund balance, 25 percent constitutes specifically assigned fund balance, and 10 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 \$11,678,745. Unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was \$8,517,277. 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 2022. Unrestricted fund balance represents 51 percent of total General Fund expenditures, while total fund balance represents 71 percent of that same amount.

In 2022, the fund balance amount in the General Fund increased by \$1,298,607, due to more intergovernmental and miscellaneous revenue than anticipated in 2022.

The fund balance of the Road and Bridge Special Revenue Fund decreased by \$1,084,024 in 2022 due to maintenance and construction projects.

The fund balance of the Social Services Special Revenue Fund decreased \$903,342 from the prior year due to the budgeted use of fund balance.

Proprietary Fund

The Heritage Community Enterprise Fund operating loss in 2022 was \$2,364,351.

Total resident services and ancillary revenues decreased nine percent, from \$6,287,750 in fiscal year 2021 to \$5,707,524 in fiscal year 2022. Total occupancy percentages decreased from 56.4 percent in 2021 to 51.6 percent in 2022.

General Fund Budgetary Highlights

Actual revenues were more than overall final budgeted revenues by \$1,782,998 with the largest positive variances in intergovernmental and miscellaneous revenues. Overall final budgeted expenditures were less than actual expenditures by \$605,594 with the largest variance in public safety.

Capital Assets and Long-Term Debt

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, and business-type activities as of September 30, 2022, amounted to \$111,786,105 (net of accumulated depreciation and amortization). The total increase in the County's investment in capital assets for the current fiscal year was 17 percent.

Capital Assets (Net of Depreciation and Amortization)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021 (Restated*)	2022	2021 (Restated*)	2022	2021 (Restated*)
Land	\$ 885,724	\$ 885,724	\$ 117,299	\$ 117,299	\$ 1,003,023	\$ 1,003,023
Permanent right-of-way	3,685,619	3,678,309	-	-	3,685,619	3,678,309
Construction in progress	1,023,006	1,530,483	-	-	1,023,006	1,530,483
Infrastructure	73,910,014	68,729,485	-	-	73,910,014	68,729,485
Buildings and improvements	13,421,636	14,108,874	13,689,807	1,675,678	27,111,443	15,784,552
Land improvements	206,828	228,669	14,393	17,136	221,221	245,805
Machinery and equipment	3,835,288	3,768,351	414,980	76,219	4,250,268	3,844,570
Software	96,403	128,957	-	-	96,403	128,957
Lease equipment	405,784	572,558	79,324	90,406	485,108	662,964
Total Capital Assets	\$ 97,470,302	\$ 93,631,410	\$ 14,315,803	\$ 1,976,738	\$ 111,786,105	\$ 95,608,148

* - See Change in Accounting Principles note in Note 1.

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 \$14,702,354, which is backed by the full faith and credit of the government.

Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
G.O. Bonds, net of premium	\$ -	\$ -	\$ 1,972,563	\$ 2,204,345	\$ 1,972,563	\$ 2,204,345
G.O. Refunding Bonds, net of premium	3,879,962	4,576,245	-	-	3,879,962	4,576,245
G.O. Nursing Home Revenue Bonds, net of discount	-	-	8,849,829	9,173,576	8,849,829	9,173,576
Total Long-Term Debt	\$ 3,879,962	\$ 4,576,245	\$ 10,822,392	\$ 11,377,921	\$ 14,702,354	\$ 15,954,166

The County's net decrease in debt of \$1,251,812 (eight percent) during the fiscal year was due to the scheduled debt service payments.

Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2022, overall debt of the County is below the three percent debt limit.

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

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

Economic Factors and Next Year's Budget

The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. Revenue from intergovernmental sources, which includes federal and state revenues, totaled \$15,496,192 in 2022. This amounts to 34.7 percent of the total governmental fund revenue received in 2022. This compares to intergovernmental revenues in 2021 of \$15,369,834, or 35.8 percent, of the total governmental fund revenue received.

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

The average 2022 unemployment rate for Hubbard County was 3.3 percent. This is higher than the statewide average rate of 1.8 percent and lower than the national average rate of 3.6 percent.

Hubbard County's population at June 1, 2023, was 22,431, an increase of 522 since 2021 (the last statewide census showing Hubbard County's population of 21,344).

On December 20, 2022, Hubbard County set its 2023 revenue and expenditure budgets.

Requests for Information

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

Basic Financial Statements

Government-Wide Financial Statements

**Hubbard County
Park Rapids, Minnesota**

Exhibit 1

**Statement of Net Position
December 31, 2022
Including the Business-Type Information
As of September 30, 2022**

	Primary Government			Component Unit
	Governmental	Business-Type		Hubbard County
	Activities	Activities	Total	Housing and Redevelopment Authority
Assets				
Cash and pooled investments	\$ 30,283,412	\$ 200	\$ 30,283,612	\$ 250,192
Taxes receivable – delinquent	360,808	-	360,808	3,361
Accounts receivable – net	486,200	452,280	938,480	31,376
Accrued interest receivable	95,037	-	95,037	-
Contracts receivable	916,512	-	916,512	615,204
Leases receivable	39,346	-	39,346	-
Due from other governments	2,145,042	-	2,145,042	-
Internal balances	1,967,490	(1,967,490)	-	-
Prepaid items	-	203,961	203,961	13,167
Inventories	353,982	-	353,982	2,015
Restricted assets				
Cash and pooled investments				
Resident trust funds	-	14,689	14,689	-
Board-designated – building fund	-	6,917	6,917	-
Minnesota Urban and Rural Homesteading	-	-	-	331,855
Tenant security deposits	-	11,896	11,896	60,064
Loan proceeds – construction fund	-	-	-	139
Investment	467,280	-	467,280	-
Capital assets				
Non-depreciable	5,594,349	117,299	5,711,648	537,040
Depreciable or amortizable – net of accumulated depreciation and amortization	91,875,953	14,198,504	106,074,457	4,455,266
Total Assets	\$ 134,585,411	\$ 13,038,256	\$ 147,623,667	\$ 6,299,679
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	\$ 94,715	\$ 2,336	\$ 97,051	\$ -
Deferred pension outflows	10,839,371	751,500	11,590,871	-
Total Deferred Outflows of Resources	\$ 10,934,086	\$ 753,836	\$ 11,687,922	\$ -

**Hubbard County
Park Rapids, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
December 31, 2022
Including the Business-Type Information
As of September 30, 2022**

	Primary Government			Component Unit
	Governmental	Business-Type		Hubbard County
	Activities	Activities	Total	Housing and Redevelopment Authority
Liabilities				
Accounts payable	\$ 798,008	\$ 338,889	\$ 1,136,897	\$ 26,232
Salaries payable	738,101	122,429	860,530	2,520
Due to related parties	-	61,935	61,935	-
Contracts payable	128,438	-	128,438	-
Due to other governments	803,459	-	803,459	3,292
Deposits	-	-	-	71,695
Accrued interest payable	57,083	4,820	61,903	-
Unearned revenue	943,042	77,961	1,021,003	-
Current liabilities payable from restricted assets	-	26,308	26,308	-
Long-term liabilities				
Due within one year	1,855,273	283,644	2,138,917	131,370
Due in more than one year	3,982,011	10,815,412	14,797,423	3,753,270
Other postemployment benefits liability	1,042,547	68,573	1,111,120	-
Net pension liability	20,439,376	2,787,851	23,227,227	-
Total Liabilities	\$ 30,787,338	\$ 14,587,822	\$ 45,375,160	\$ 3,988,379
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	\$ 141,701	\$ 51,383	\$ 193,084	\$ -
Deferred pension inflows	290,868	531,893	822,761	-
Deferred lease inflows	37,043	-	37,043	-
Total Deferred Inflows of Resources	\$ 469,612	\$ 583,276	\$ 1,052,888	\$ -
Net Position				
Net investment in capital assets	\$ 93,224,174	\$ 3,410,826	\$ 96,635,000	\$ 1,107,666
Restricted for				
General government	1,046,513	-	1,046,513	-
Public safety	897,520	-	897,520	-
Highways and streets	2,943,168	-	2,943,168	-
Human services	308,551	-	308,551	-
Culture and recreation	529,174	-	529,174	-
Conservation of natural resources	2,518,184	-	2,518,184	-
Debt service	1,405,412	-	1,405,412	-
Opioid remediation activities	198,973	-	198,973	-
Permanent fund principal	467,280	-	467,280	-
Minnesota Urban and Rural Homesteading	-	-	-	1,180,062
Unrestricted	10,723,598	(4,789,832)	5,933,766	23,572
Total Net Position	\$ 114,262,547	\$ (1,379,006)	\$ 112,883,541	\$ 2,311,300

Hubbard County Park Rapids, Minnesota

Statement of Activities For the Year Ended December 31, 2022 Including the Business-Type Information For the Year Ended September 30, 2022

		Program Revenues	
		Fees, Charges, Fines, and Other	Operating Grants and Contributions
	Expenses		
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 6,321,517	\$ 1,290,943	\$ 383,234
Public safety	9,809,720	1,079,483	502,364
Highways and streets	9,109,940	1,387,754	6,126,623
Sanitation	4,180,526	3,965,759	181,503
Human services	10,266,189	1,155,569	4,824,640
Health	51,826	-	-
Culture and recreation	633,689	3,997	71,199
Conservation of natural resources	2,541,277	1,533,387	700,222
Economic development	72,000	-	-
Interest	106,493	-	-
Total governmental activities	\$ 43,093,177	\$ 10,416,892	\$ 12,789,785
Business-type activities			
Heritage Community	8,319,912	5,695,289	1,370,230
Total Primary Government	\$ 51,413,089	\$ 16,112,181	\$ 14,160,015
Component unit			
Hubbard County Housing and Redevelopment Authority	\$ 919,176	\$ 710,113	\$ -
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			
Transfers			
Total general revenues and transfers			
Change in net position before special item			
Special Item - capital contribution (Note 1)			
Change in net position after special item			
Net Position – Beginning			
Net Position – Ending			

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
\$ -	\$ (4,647,340)	\$ -	\$ (4,647,340)	
-	(8,227,873)	-	(8,227,873)	
-	(1,595,563)	-	(1,595,563)	
118,729	85,465	-	85,465	
-	(4,285,980)	-	(4,285,980)	
-	(51,826)	-	(51,826)	
-	(558,493)	-	(558,493)	
-	(307,668)	-	(307,668)	
-	(72,000)	-	(72,000)	
-	(106,493)	-	(106,493)	
\$ 118,729	\$ (19,767,771)	\$ -	\$ (19,767,771)	
-	-	(1,254,393)	(1,254,393)	
\$ 118,729	\$ (19,767,771)	\$ (1,254,393)	\$ (21,022,164)	
\$ -				\$ (209,063)
	\$ 16,002,354	\$ -	\$ 16,002,354	\$ 120,619
	1,927,276	-	1,927,276	-
	36,561	-	36,561	-
	1,123,286	-	1,123,286	-
	912,246	-	912,246	-
	292,166	2,563	294,729	1,812
	251,344	-	251,344	136,674
	54,560	(54,560)	-	-
	\$ 20,599,793	\$ (51,997)	\$ 20,547,796	\$ 259,105
	\$ 832,022	\$ (1,306,390)	\$ (474,368)	\$ 50,042
	-	2,623,788	2,623,788	-
	\$ 832,022	\$ 1,317,398	\$ 2,149,420	\$ 50,042
	113,430,525	(2,696,404)	110,734,121	2,261,258
	\$ 114,262,547	\$ (1,379,006)	\$ 112,883,541	\$ 2,311,300

Fund Financial Statements

Governmental Funds

**Hubbard County
Park Rapids, Minnesota**

Exhibit 3

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 10,989,588	\$ 9,193,419	\$ 4,381,472	\$ 5,718,933	\$ 30,283,412
Investment	-	-	-	467,280	467,280
Taxes receivable – delinquent	214,432	70,738	55,876	19,762	360,808
Accounts receivable – net	165,594	97,272	45,479	177,855	486,200
Accrued interest receivable	95,037	-	-	-	95,037
Contracts receivable	-	-	-	916,512	916,512
Leases receivable	39,346	-	-	-	39,346
Due from other funds	2,236,192	33,019	-	-	2,269,211
Due from other governments	252,150	1,002,924	865,710	24,258	2,145,042
Advance to other funds	-	-	-	9,208	9,208
Inventories	-	353,982	-	-	353,982
Total Assets	\$ 13,992,339	\$ 10,751,354	\$ 5,348,537	\$ 7,333,808	\$ 37,426,038
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 343,792	\$ 142,317	\$ 244,924	\$ 66,975	\$ 798,008
Salaries payable	409,654	78,149	183,449	66,849	738,101
Contracts payable	-	128,438	-	-	128,438
Due to other funds	9,629	-	11,502	280,590	301,721
Due to other governments	198,161	9,707	341,374	254,217	803,459
Unearned revenue	943,042	-	-	-	943,042
Advance from other funds	-	-	-	9,208	9,208
Total Liabilities	\$ 1,904,278	\$ 358,611	\$ 781,249	\$ 677,839	\$ 3,721,977
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	\$ 214,432	\$ 70,738	\$ 55,876	\$ 19,762	\$ 360,808
Charges for services	138,909	-	-	112,253	251,162
County state-aid highway allotments	-	802,771	-	-	802,771
Land and timber sales	-	-	-	766,737	766,737
Interest	7,432	-	-	-	7,432
Grants	11,500	-	369,067	24,179	404,746
Leases	37,043	-	-	-	37,043
Total Deferred Inflows of Resources	\$ 409,316	\$ 873,509	\$ 424,943	\$ 922,931	\$ 2,630,699

**Hubbard County
Park Rapids, Minnesota**

Exhibit 3
(Continued)

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable	\$ -	\$ 353,982	\$ -	\$ 467,280	\$ 821,262
Restricted	3,161,468	2,193,205	507,524	2,525,681	8,387,878
Committed	5,560,446	4,937,374	264,628	213,305	10,975,753
Assigned	-	2,034,673	3,370,193	2,526,772	7,931,638
Unassigned	2,956,831	-	-	-	2,956,831
	<u>2,956,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,956,831</u>
Total Fund Balances	<u>\$ 11,678,745</u>	<u>\$ 9,519,234</u>	<u>\$ 4,142,345</u>	<u>\$ 5,733,038</u>	<u>\$ 31,073,362</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,992,339</u>	<u>\$ 10,751,354</u>	<u>\$ 5,348,537</u>	<u>\$ 7,333,808</u>	<u>\$ 37,426,038</u>

**Hubbard County
Park Rapids, Minnesota**

Exhibit 4

**Reconciliation of Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position—Governmental Activities
December 31, 2022**

Fund balance – total governmental funds (Exhibit 3)	\$ 31,073,362
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	97,470,302
Deferred outflows of resources resulting from other postemployment benefits are not available resources and, therefore, are not reported in governmental funds.	94,715
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.	10,839,371
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.	2,593,656
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	\$ (3,425,000)
Unamortized premiums on bonds	(454,962)
Leases payable	(366,166)
Compensated absences	(1,591,156)
Other postemployment benefits liability	(1,042,547)
Net pension liability	(20,439,376)
Accrued interest payable	(57,083)
	(27,376,290)
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.	(141,701)
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.	(290,868)
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 114,262,547</u>

**Hubbard County
Park Rapids, Minnesota**

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 9,833,871	\$ 5,003,910	\$ 2,336,769	\$ 785,917	\$ 17,960,467
Licenses and permits	283,675	-	-	525	284,200
Intergovernmental	4,381,847	6,245,919	4,451,032	417,394	15,496,192
Charges for services	1,010,709	1,301,745	753,139	3,926,772	6,992,365
Fines and forfeitures	74,256	-	-	-	74,256
Investment earnings	257,632	16,861	214	12,521	287,228
Gifts and contributions	173,137	-	-	-	173,137
Land and timber sales	-	-	-	1,092,726	1,092,726
Settlements	-	-	198,973	-	198,973
Miscellaneous	1,461,668	86,009	395,106	75,229	2,018,012
Total Revenues	\$ 17,476,795	\$ 12,654,444	\$ 8,135,233	\$ 6,311,084	\$ 44,577,556
Expenditures					
Current					
General government	\$ 5,763,793	\$ -	\$ -	\$ -	\$ 5,763,793
Public safety	7,765,308	-	-	-	7,765,308
Highways and streets	-	13,194,324	-	-	13,194,324
Sanitation	-	-	-	4,259,517	4,259,517
Human services	870,664	-	9,038,575	-	9,909,239
Public health	51,826	-	-	-	51,826
Culture and recreation	599,927	-	-	-	599,927
Conservation of natural resources	1,285,410	-	-	1,135,926	2,421,336
Economic development	72,000	-	-	-	72,000
Intergovernmental					
Highways and streets	-	561,603	-	-	561,603
Debt service					
Principal	131,650	19,807	-	654,449	805,906
Interest	16,462	3,972	-	153,009	173,443
Total Expenditures	\$ 16,557,040	\$ 13,779,706	\$ 9,038,575	\$ 6,202,901	\$ 45,578,222
Excess of Revenues Over (Under)					
Expenditures	\$ 919,755	\$ (1,125,262)	\$ (903,342)	\$ 108,183	\$ (1,000,666)

**Hubbard County
Park Rapids, Minnesota**

Exhibit 5
(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)					
Transfers in	\$ 316,208	\$ -	\$ -	\$ 18,110	\$ 334,318
Transfers out	(18,110)	-	-	(261,648)	(279,758)
Leases issued	80,754	942	-	14,370	96,066
Total Other Financing Sources (Uses)	<u>\$ 378,852</u>	<u>\$ 942</u>	<u>\$ -</u>	<u>\$ (229,168)</u>	<u>\$ 150,626</u>
Net Change in Fund Balance	<u>\$ 1,298,607</u>	<u>\$ (1,124,320)</u>	<u>\$ (903,342)</u>	<u>\$ (120,985)</u>	<u>\$ (850,040)</u>
Fund Balance – January 1	<u>10,380,138</u>	<u>10,603,258</u>	<u>5,045,687</u>	<u>5,854,023</u>	<u>31,883,106</u>
Increase (decrease) in inventories	<u>-</u>	<u>40,296</u>	<u>-</u>	<u>-</u>	<u>40,296</u>
Fund Balance – December 31	<u><u>\$ 11,678,745</u></u>	<u><u>\$ 9,519,234</u></u>	<u><u>\$ 4,142,345</u></u>	<u><u>\$ 5,733,038</u></u>	<u><u>\$ 31,073,362</u></u>

**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, 2022**

Net change in fund balance – total governmental funds (Exhibit 5) **\$ (850,040)**

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	\$ 2,593,656	
Unavailable revenue – January 1	<u>(3,370,139)</u>	(776,483)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed.

Expenditures for general capital assets and infrastructure	\$ 7,747,070	
Current year depreciation and amortization	(3,878,721)	
Net book value of assets disposed	<u>(29,457)</u>	3,838,892

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	\$ 640,000	
Amortization of premiums on bonds	<u>56,283</u>	696,283

Some capital assets additions were financed through leases. In governmental funds, a lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on leases	\$ 165,906	
Leases issued	(96,066)	
Leases terminated	<u>13,495</u>	83,335

**Hubbard County
Park Rapids, Minnesota**

Exhibit 6
(Continued)

**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, 2022**

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	\$	40,296	
Change in net pension asset		(150,152)	
Change in deferred other postemployment benefits outflows		2,409	
Change in deferred pension outflows		3,576,354	
Change in accrued interest payable		10,667	
Change in compensated absences		(11,974)	
Change in other postemployment benefits liability		(83,741)	
Change in net pension liability		(14,119,236)	
Change in deferred other postemployment benefits inflows		34,378	
Change in deferred pension inflows		<u>8,541,034</u>	<u>(2,159,965)</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 832,022</u></u>

Proprietary Fund

**Hubbard County
Park Rapids, Minnesota**

Exhibit 7

**Statement of Fund Net Position
Heritage Community Enterprise Fund
September 30, 2022**

Assets

Current assets

Cash and pooled investments	\$ 200
Accounts receivable – net of allowance for uncollectible accounts of \$18,000	452,280
Prepaid items and other	<u>203,961</u>

Total current assets	<u>\$ 656,441</u>
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Restricted assets

Cash and pooled investments	
Resident trust funds	\$ 14,689
Board-designated – building fund	6,917
Tenant security deposits	<u>11,896</u>

Total restricted assets	<u>\$ 33,502</u>
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Noncurrent assets

Capital assets	
Non-depreciable	\$ 117,299
Depreciable – net of accumulated depreciation	<u>14,198,504</u>

Total noncurrent assets	<u>\$ 14,315,803</u>
--------------------------------	-----------------------------

Total Assets	<u>\$ 15,005,746</u>
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Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 2,336
Deferred pension outflows	<u>751,500</u>

Total Deferred Outflows of Resources	<u>\$ 753,836</u>
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**Hubbard County
Park Rapids, Minnesota**

Exhibit 7
(Continued)

**Statement of Fund Net Position
Heritage Community Enterprise Fund
September 30, 2022**

Liabilities

Current liabilities

Accounts payable	\$ 338,889
Salaries payable	122,429
Compensated absences payable	135,288
Due to related parties	61,935
Due to other funds	1,967,490
Accrued interest payable	4,820
Unearned revenue	77,961
Leases payable	8,356
General obligation bonds payable	140,000
Other postemployment benefits liability	3,803

Total current liabilities	\$ 2,860,971
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Current liabilities payable from restricted assets

Tenant security deposits payable	\$ 11,619
Resident trust funds payable	14,689

Total current liabilities payable from restricted assets	\$ 26,308
---	------------------

Noncurrent liabilities

Compensated absences payable	\$ 58,791
Leases payable	74,229
General obligation bonds payable	10,682,392
Other postemployment benefits liability	64,770
Net pension liability	2,787,851

Total noncurrent liabilities	\$ 13,668,033
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Total Liabilities	\$ 16,555,312
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Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 51,383
Deferred pension inflows	531,893

Total Deferred Inflows of Resources	\$ 583,276
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Net Position

Net investment in capital assets	\$ 3,410,826
Unrestricted	(4,789,832)

Total Net Position	\$ (1,379,006)
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**Hubbard County
Park Rapids, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Heritage Community Enterprise Fund
For the Year Ended September 30, 2022**

Operating Revenues	
Charges for services	\$ 4,061,540
Rental income	1,406,150
Intergovernmental	12,235
Miscellaneous	<u>227,599</u>
Total Operating Revenues	<u>\$ 5,707,524</u>
Operating Expenses	
Nursing services	\$ 2,998,935
Administration and fiscal services	1,156,948
Other care related	551,426
Dietary services	547,710
Laundry	158,176
Housekeeping services	129,102
Plant operations	935,728
Employee benefits	1,222,677
Depreciation and amortization	<u>371,173</u>
Total Operating Expenses	<u>\$ 8,071,875</u>
Operating Income (Loss)	<u>\$ (2,364,351)</u>
Nonoperating Revenues (Expenses)	
Investment earnings	\$ 2,563
Loss on disposal of assets	(55,479)
Interest expense	(192,558)
Noncapital grant revenue	<u>1,357,995</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 1,112,521</u>
Income (Loss) Before Transfers and Special Item	<u>\$ (1,251,830)</u>
Special item - capital contribution	2,623,788
Transfers out	<u>(54,560)</u>
Change in net position	<u>\$ 1,317,398</u>
Net Position – October 1	<u>(2,696,404)</u>
Net Position – September 30	<u><u>\$ (1,379,006)</u></u>

**Hubbard County
Park Rapids, Minnesota**

Exhibit 9

**Statement of Cash Flows
Heritage Community Enterprise Fund
For the Year Ended September 30, 2022
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities

Receipts from residents, programs, counties, and other revenue	\$ 5,536,894
Payments to employees	(4,002,707)
Payments to suppliers	(2,231,481)

Net cash provided by (used in) operating activities	\$ (697,294)
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Cash Flows from Noncapital Financing Activities

Noncapital grants	\$ 1,357,995
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Cash Flows from Capital and Related Financing Activities

Principal paid on long-term debt	\$ (567,821)
Interest paid on long-term debt	(197,208)
Transfer to other funds	(54,560)
Proceeds from Heritage Center, LLC Winddown	64,340
Purchase of capital assets	(105,878)

Net cash provided by (used in) capital and related financing activities	\$ (861,127)
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Cash Flows from Investing Activities

Investment earnings received	\$ 2,563
Deposits to bond fund and reinvested interest	107,834

Net cash provided by (used in) investing activities	\$ 110,397
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Net Increase (Decrease) in Cash and Cash Equivalents	\$ (90,029)
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Cash and Cash Equivalents – October 1	90,229
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Cash and Cash Equivalents – September 30	\$ 200
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**Hubbard County
Park Rapids, Minnesota**

Exhibit 9
(Continued)

**Statement of Cash Flows
Heritage Community Enterprise Fund
For the Year Ended September 30, 2022
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities

Operating income (loss)	<u>\$ (2,364,351)</u>
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**Adjustments to reconcile operating income (loss) to
net cash provided by (used in) operating activities**

Depreciation expense	\$ 371,173
(Increase) decrease in accounts receivable	(30,764)
(Increase) decrease in due from related parties	181,082
(Increase) decrease in prepaid items	(88,267)
(Increase) decrease in deferred outflows of resources	516,631
Increase (decrease) in accounts payable	144,348
Increase (decrease) in salaries payable	12,468
Increase (decrease) in due to related parties	1,193,251
Increase (decrease) in tenant security deposits payable	4,068
Increase (decrease) in unearned revenue	(143,934)
Increase (decrease) in deferred inflows of resources	(1,320,288)
Increase (decrease) in net pension liability	<u>827,289</u>

Total adjustments	<u>\$ 1,667,057</u>
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Net Cash Provided by (Used in) Operating Activities	<u>\$ (697,294)</u>
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Noncash Investing, Capital, and Financing Activities

Net capital assets	\$ (12,659,839)
Leverage loan receivable	10,091,000
Long-term debt, net of bond discount	9,391
Net capital contribution	2,623,788

Fiduciary Funds

**Hubbard County
Park Rapids, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 20,926	\$ 869,255
Due from other governments	-	266,418
Taxes and special assessments receivable for other governments	-	1,416,582
Accounts receivable	-	32,738
Contracts receivable	-	167,743
Total Assets	\$ 20,926	\$ 2,752,736
<u>Liabilities</u>		
Due to others	\$ -	\$ 207
Due to other governments	-	906,372
Total Liabilities	\$ -	\$ 906,579
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	\$ -	\$ 60,141
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 20,926	\$ 1,786,016

**Hubbard County
Park Rapids, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 240,908	\$ 324,899
Interest earnings	-	254
Property tax collections for other governments	-	19,863,103
Fees collected for state	-	5,062,676
Payments from state	-	123,896
Payments from other entities	-	481,623
Total Additions	\$ 240,908	\$ 25,856,451
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 237,470	\$ -
Payments of property tax to other governments	-	19,427,684
Payments to state	-	4,931,326
Payments to other individuals/entities	-	797,807
Total Deductions	\$ 237,470	\$ 25,156,817
Change in Net Position	\$ 3,438	\$ 699,634
Net Position – January 1	17,488	1,086,382
Net Position – December 31	\$ 20,926	\$ 1,786,016

Hubbard County Park Rapids, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. 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.

Financial Reporting Entity

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

Blended Component Unit

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

Although the Facility is 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.

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:

Discretely Presented Component Unit of the County

Component Unit	Component Unit 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 1320 Neilson Avenue SE Bemidji, Minnesota 56601

Hubbard County Park Rapids, Minnesota

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.

Basic Financial Statements

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.

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.

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.

Hubbard County Park Rapids, Minnesota

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Hubbard County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and

Hubbard County Park Rapids, Minnesota

judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

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

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.

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, 2022. 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 2022 were \$255,352.

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.

Receivables and Payables

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

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.

Hubbard County Park Rapids, Minnesota

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.

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.

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.

Capital Assets

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

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

Infrastructure, buildings and improvements, land improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or the lease term:

Hubbard County Park Rapids, Minnesota

Estimated Useful Lives of Capital Assets

Assets	Years
Infrastructure	15-70
Buildings and improvements	25-40
Land improvements	25-30
Machinery and equipment	3-15
Software	3-15
Right-to-use equipment	3-5

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, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

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

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

Hubbard County Park Rapids, Minnesota

accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows for leases represent the lease revenues per lease agreements the County expects to recognize in future periods. These amounts arise under both the modified and the full accrual basis of accounting and are report in both the governmental funds balance sheet and the statement of net position. The fiduciary funds report prepaid property taxes for tax collections received prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These inflows occurred in the fiduciary funds under the full accrual basis of accounting and are only reported in the statement of fiduciary net position. 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.

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.

Long-Term Obligations

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

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

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.

Hubbard County Park Rapids, Minnesota

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

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

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

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

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

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

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, 2022.

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.

Hubbard County

Park Rapids, Minnesota

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:

Reconciliation of Gross Resident Service Revenues to Net Resident Service Revenues

	Amount
Gross resident service revenues	\$ 4,928,587
Adjustments and allowances	(856,825)
Provisions for uncollectible accounts	(10,222)
Net Resident Service Revenues	<u>\$ 4,061,540</u>

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

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

Medicare

The Heritage Community's Heritage Living Center participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Heritage Living Center is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor, however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the

Hubbard County Park Rapids, Minnesota

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.

Occupancy Percentages

During the year ended September 30, 2022, the Heritage Community's Heritage Living Center's occupancy percentage and the percentages of resident days covered under the Medicaid and Medicare programs were as follows:

**Heritage Community's Heritage Living Center's Occupancy
Percentage and Percentages of Resident Days Covered
Under the Medicaid and Medicare Programs**

	Percentage
Total occupancy	51.6%
Medicaid	67.9%
Medicare	6.5%

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.

Unearned Revenue

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

Land Management

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

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Special Item

During the year ended September 30, 2022, Heritage Center, LLC new market tax credit expired and all the assets and liabilities of Heritage Center, LLC were transferred to Hubbard County. Hubbard County then transferred all the assets and liabilities to Heritage Living Center, resulting in a net capital contribution of \$2,623,788.

Change in Accounting Principles

During the year ended December 31, 2022, Hubbard County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide and business-type financial statements.

Change in Accounting Principles			
Statement of Net Position	As previously reported	Adjustment	As restated
Governmental activities			
Capital assets depreciated	\$ 87,536,894	\$ (572,558)	\$ 86,964,336
Capital assets amortized	-	572,558	572,558
Business-type activities			
Capital assets amortized		90,406	90,406
Short-term lease liability	-	7,821	7,821
Long-term lease liability	-	82,585	82,585

Note 2 – Stewardship, Compliance, and Accountability

Deficits in Equity Accounts

The Heritage Community Enterprise Fund had a deficit net position of \$1,379,006 as of September 30, 2022. This deficit will be eliminated with future revenues and transfers if necessary.

Hubbard County

Park Rapids, Minnesota

Note 3 – Detailed Notes

Assets

Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements as of December 31, 2022, are reported as follows:

**Reconciliation of the County's Total Deposits and Investments to the
Basic Financial Statements as of December 31, 2022**

Governmental funds	
Cash and pooled investments	\$ 30,283,412
Restricted assets	
Investments	467,280
Proprietary funds	
Cash and pooled investments	200
Restricted assets	
Cash and pooled investments	
Resident trust funds	14,689
Board-designated – building fund	6,917
Tenant security deposits	11,896
Fiduciary funds	
Cash and pooled investments	890,181
Total Cash and Pooled Investments	<u>\$ 31,674,575</u>
Deposits	\$ 29,653,380
Invested in MAGIC Portfolio	1,268,435
Invested in MAGIC Term	750,000
Petty cash and change funds	2,760
Total Deposits and Cash on Hand	<u>\$ 31,674,575</u>

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.

Hubbard County

Park Rapids, Minnesota

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, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

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

- (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.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2022, the County's investments were not exposed to custodial credit risk.

Hubbard County Park Rapids, Minnesota

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, 2022, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

The following table presents the County's deposit and investment balances at December 31, 2022, and information relating to potential investment risk:

Concentration of Credit Risk			
Investment Type	Concentration of Credit Risk	Interest Rate Risk	Carrying (Fair) Value
	Over 5 Percent of Portfolio	Maturity Date	
Investment pools			
MAGIC Portfolio	N/A	N/A	\$ 1,268,435
MAGIC Term	N/A	N/A	750,000
Deposits			29,653,380
Petty cash and change funds			2,760
Total Cash and Investments			<u>\$ 31,674,575</u>

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

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

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

Hubbard County Park Rapids, Minnesota

Receivables

Receivables as of December 31, 2022, for the County's governmental activities, and as of September 30, 2022, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	\$ 360,808	\$ -	\$ 360,808	\$ -
Accounts receivable	1,814,607	(1,328,407)	486,200	-
Accrued interest receivable	95,037	-	95,037	-
Contracts receivable	916,512	-	916,512	-
Leases receivable	39,346	-	39,346	23,328
Due from other governments	2,145,042	-	2,145,042	-
Total Governmental Activities	\$ 5,371,352	\$ (1,328,407)	\$ 4,042,945	\$ 23,328
Business-Type Activities				
Accounts receivable	\$ 470,280	\$ (18,000)	\$ 452,280	\$ -
Total Business-Type Activities	\$ 470,280	\$ (18,000)	\$ 452,280	\$ -

The County has entered into lease agreements as a lessor and, as of December 31, 2022, there are two active lease receivables for office space with various lessees. Fixed lease receipts range from \$150 per quarter to \$1,412 per month and extend to periods ending February 29, 2024, through May 30, 2025. During 2022, the General Fund received total principal and interest payments of \$15,270 and \$2,280, respectively.

Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2022, and for the business-type activities for the year ended September 30, 2022, was as follows:

Hubbard County Park Rapids, Minnesota

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 885,724	\$ -	\$ -	\$ 885,724
Permanent right-of-way	3,678,309	7,310	-	3,685,619
Construction in progress	1,530,483	737,516	1,244,993	1,023,006
Total capital assets not depreciated	\$ 6,094,516	\$ 744,826	\$ 1,244,993	\$ 5,594,349
Capital assets depreciated				
Infrastructure	\$ 96,723,488	\$ 7,190,641	\$ -	\$ 103,914,129
Buildings and improvements	26,365,574	128,000	-	26,493,574
Land improvements	785,532	-	-	785,532
Machinery and equipment	12,486,046	873,977	334,371	13,025,652
Software	176,951	-	-	176,951
Total capital assets depreciated	\$ 136,537,591	\$ 8,192,618	\$ 334,371	\$ 144,395,838
Less: accumulated depreciation for				
Infrastructure	\$ 27,994,003	\$ 2,010,112	\$ -	\$ 30,004,115
Buildings and improvements	12,256,700	815,238	-	13,071,938
Land improvements	556,863	21,841	-	578,704
Machinery and equipment	8,717,695	792,807	320,138	9,190,364
Software	47,994	32,554	-	80,548
Total accumulated depreciation	\$ 49,573,255	\$ 3,672,552	\$ 320,138	\$ 52,925,669
Total capital assets depreciated, net	\$ 86,964,336	\$ 4,520,066	\$ 14,233	\$ 91,470,169
Capital assets amortized				
Leased equipment	\$ 572,558	\$ 54,619	\$ 33,216	\$ 593,961
Less: accumulated amortization for				
Leased equipment	-	206,169	17,992	188,177
Total capital assets amortized, net	\$ 572,558	\$ (151,550)	\$ 15,224	\$ 405,784
Governmental activities capital assets, net	\$ 93,631,410	\$ 5,113,342	\$ 1,274,450	\$ 97,470,302

* - See Change in Accounting Principles note in Note 1.

Hubbard County Park Rapids, Minnesota

Business-Type Activities

Changes in Capital Assets for the Year Ended September 30, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 117,299	\$ -	\$ -	\$ 117,299
Capital assets depreciated				
Buildings and improvements	\$ 5,239,097	\$ 14,306,522	\$ -	\$ 19,545,619
Land improvements	194,300	-	-	194,300
Machinery and equipment	673,763	794,605	135,071	1,333,297
Total capital assets depreciated	\$ 6,107,160	\$ 15,101,127	\$ 135,071	\$ 21,073,216
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,563,419	\$ 2,292,393	\$ -	\$ 5,855,812
Land improvements	177,164	2,743	-	179,907
Machinery and equipment	597,544	400,365	79,592	918,317
Total accumulated depreciation	\$ 4,338,127	\$ 2,695,501	\$ 79,592	\$ 6,954,036
Total capital assets depreciated, net	\$ 1,769,033	\$ 12,405,626	\$ 55,479	\$ 14,119,180
Capital assets amortized				
Leased equipment	\$ 90,406	\$ -	\$ -	\$ 90,406
Less: accumulated amortization for				
Leased equipment	-	11,082	-	11,082
Total capital assets amortized, net	\$ 90,406	\$ (11,082)	\$ -	\$ 79,324
Business-type activities capital assets, net	\$ 1,976,738	\$ 12,394,544	\$ 55,479	\$ 14,315,803

* - See Change in Accounting Principles note in Note 1.

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 310,626
Public safety	650,230
Highways and streets, including depreciation of infrastructure assets	2,428,810
Sanitation	354,351
Human services	59,334
Culture and recreation	31,173
Conservation of natural resources	44,197
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 3,878,721</u>
Business-Type Activities	
Heritage Community	<u>\$ 371,173</u>

Hubbard County Park Rapids, Minnesota

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Due To/From Other Funds as of December 31, 2022

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Land Management Special Revenue Fund	\$ 261,648	Forfeited tax sale reimbursement
	Social Services Special Revenue Fund	7,054	Reimbursement
	Heritage Community Enterprise Fund	1,967,490	Reimbursement
	Total Due to General Fund	\$ 2,236,192	
Road and Bridge Special Revenue Fund	General Fund	\$ 9,629	Charges for services
	Social Services Special Revenue Fund	4,448	Charges for services
	Solid Waste Special Revenue Fund	16,481	Charges for services
	Land Management Special Revenue Fund	2,461	Charges for services
Total Due to Road and Bridge Special Revenue Fund		\$ 33,019	
Total Due To Other Funds		\$ 2,269,211	

The interfund receivables and payables are expected to be paid within one year of December 31, 2022.

Advance From/To Other Funds

Advances From/To Other Funds as of December 31, 2022

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

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

Interfund Transfers

Interfund Transfers as of December 31, 2022

	Interfund Transfer In	Interfund Transfer Out
General Fund	\$ 316,208 ^{1,3}	\$ 18,110 ²
Land Management Special Revenue Fund	-	261,648 ¹
Solid Waste Special Revenue Fund	18,110 ²	-
Heritage Community Enterprise Fund	-	54,560 ³
Total	\$ 334,318	\$ 334,318

Transfers were for:

¹Land management sale proceeds

²Matching grant funds

³Remaining cash

Hubbard County Park Rapids, Minnesota

Liabilities

Leases

Governmental Activities

The County has entered into lease agreements as a lessee for financing vehicles. Lease agreements range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid by the General Fund, Road and Bridge Special Revenue Fund, and Land Management Special Revenue Fund.

**Future Minimum Lease Obligations and Net Present
Value of Minimum Lease Payments
As of December 31, 2022**

Year Ending December 31	Principal	Interest
2023	\$ 170,120	\$ 14,897
2024	140,063	6,641
2025	49,415	1,456
2026	6,568	70
Total governmental activities lease payments	<u>\$ 366,166</u>	<u>\$ 23,064</u>

Business-Type Activities

Heritage Community leases copiers, scanners, postage and fax machines at various terms under long-term noncancelable lease agreements. The leases expire at various dates through December 2029 and provide varying renewal options. Implied interest rates range from approximately 11.24 percent to 16.82 percent.

**Future Minimum Lease Obligations and Net Present
Value of Minimum Lease Payments
As of September 30, 2022**

Year Ending December 31	Principal	Interest
2023	\$ 8,355	\$ 2,862
2024	9,248	2,862
2025	10,221	2,452
2026	11,254	2,008
2027	12,200	1,600
Thereafter	31,307	5,273
Total business-type activities lease payments	<u>\$ 82,585</u>	<u>\$ 17,057</u>

Hubbard County Park Rapids, Minnesota

Long-Term Debt

Governmental Activities

General Obligation Bonds

Hubbard County General Obligation Refunding Bonds, Series 2020A, represent debt incurred to refund the General Obligation Correctional Facility Refunding Bonds, Series 2012, and the General Obligation Capital Improvement Plan Bonds, Series 2013, on February 1, 2021. These bonds, dated December 10, 2020, have an original issue amount of \$4,065,000. They carry a net interest rate of 4.00 percent and are due in annual installments of \$190,000 to \$760,000 beginning February 1, 2022, through February 2031. As a result of the refunding, the County realized a substantial interest rate reduction, a gross savings of approximately \$272,340 and a present value savings of approximately \$263,631. The principal balance and bond premium due on these bonds are \$3,425,000 and \$454,962, respectively, as of December 31, 2022.

Debt Service Requirements

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Refunding Bonds, Series 2020A	
	Principal	Interest
2023	\$ 695,000	\$ 123,100
2024	725,000	94,700
2025	760,000	65,000
2026	190,000	46,000
2027	195,000	38,300
2028-2031	860,000	70,800
Subtotal	\$ 3,425,000	\$ 437,900
Bond premium	454,962	-
Total	\$ 3,879,962	\$ 437,900

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2022, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation refunding bonds, series 2020A	\$ 4,065,000	\$ -	\$ 640,000	\$ 3,425,000	\$ 695,000
Add: bond premium	511,245	-	56,283	454,962	56,284
Leases	449,501	96,066	179,401	366,166	170,120
Compensated absences	1,579,182	1,259,838	1,247,864	1,591,156	990,153
Governmental Activities Long-Term Liabilities	\$ 6,604,928	\$ 1,355,904	\$ 2,123,548	\$ 5,837,284	\$ 1,911,557

Hubbard County Park Rapids, Minnesota

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

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 \$140,000 to \$160,000, with interest from 2.0 percent to 3.0 percent through August 2027. The balance due on these bonds is \$765,000 as of September 30, 2022.

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 \$370,000 to \$715,000, with interest from 1.5 percent to 4.5 percent through October 2039. The balance due on these bonds is \$8,940,000 as of September 30, 2022.

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 \$85,000 to \$115,000, with 3.0 percent interest through October 2034. These bonds were issued during fiscal year 2018 to defease the Series 2008 Bonds. The proceeds were put into an escrow account and then used to defease the Series 2008 Bonds on October 1, 2018. The balance due on these bonds is \$1,160,000 as of September 30, 2022.

Debt Service Requirements

Debt service requirements for business-type activities at September 30, 2022, are as follows:

Debt Service Requirements as of September 30, 2022

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2023	\$ 140,000	\$ 212,507
2024	605,000	397,303
2025	635,000	378,553
2026	655,000	357,640
2027	675,000	335,340
2028-2032	2,865,000	1,348,690
2033-2037	5,290,000	826,035
Total	<u>\$ 10,865,000</u>	<u>\$ 3,856,068</u>

Hubbard County Park Rapids, Minnesota

Changes in Long-Term Liabilities

Long-term liability activity for the business-type activities for the year ended September 30, 2022, was as follows:

Changes in Long-Term Liabilities for the Year Ended September 30, 2022

	Beginning Balance, as Restated*	Additions	Reductions	Ending Balance	Due Within One Year
General obligation revenue bonds, series 2014	\$ 910,000	\$ -	\$ 145,000	\$ 765,000	\$ 140,000
General obligation nursing home revenue bonds, series 2014	9,275,000	-	335,000	8,940,000	-
General obligation revenue bonds, series 2017	1,240,000	-	80,000	1,160,000	-
Add: bond premium (discount)	(47,079)	-	(4,471)	(42,608)	-
Leases	90,406	-	7,821	82,585	8,356
Compensated absences	201,314	-	7,235	194,079	135,288
Business-Type Activities Long- Term Liabilities	<u>\$ 11,669,641</u>	<u>\$ -</u>	<u>\$ 570,585</u>	<u>\$ 11,099,056</u>	<u>\$ 283,644</u>

* - See change in Accounting Principles note in Note 1.

Hubbard County Park Rapids, Minnesota

Fund Balances

Fund balances at year-end December 31, 2022, were as follows:

Fund Balances as of December 31, 2022					
	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Nonspendable for					
Inventories	\$ -	\$ 353,982	\$ -	\$ -	\$ 353,982
Endowments	-	-	-	467,280	467,280
Total nonspendable	\$ -	\$ 353,982	\$ -	\$ 467,280	\$ 821,262
Restricted for					
AIS prevention	\$ 649,916	\$ -	\$ -	\$ -	\$ 649,916
Attorney forfeitures	64,956	-	-	-	64,956
Attorney pretrial diversion program	7,640	-	-	-	7,640
Conceal and carry permits	170,412	-	-	-	170,412
Drug education	25,212	-	-	-	25,212
DWI assessment	64,858	-	-	-	64,858
DWI forfeitures	25,963	-	-	-	25,963
Enhanced 911	402,642	-	-	-	402,642
Government forfeitures	4,155	-	-	-	4,155
Law library	37,336	-	-	-	37,336
Missing heirs	826	-	-	-	826
Natural resources	38,345	-	-	13,277	51,622
Parks and recreation	529,174	-	-	-	529,174
Probation	43,349	-	-	-	43,349
Recorder's equipment	561,035	-	-	-	561,035
Recorder's technology	374,720	-	-	-	374,720
Sheriff's contingent fund	5,000	-	-	-	5,000
K-9 unit	27,095	-	-	-	27,095
Sentence to serve	121,292	-	-	-	121,292
Sheriff operations	7,542	-	-	-	7,542
Transit Tax projects	-	2,090,793	-	-	2,090,793
Fuel facility	-	102,412	-	-	102,412
Transit system	-	-	308,551	-	308,551
Opioid remediation	-	-	198,973	-	198,973
Forest development	-	-	-	868,534	868,534
Memorial forest	-	-	-	181,375	181,375
Debt service	-	-	-	1,462,495	1,462,495
Total restricted	\$ 3,161,468	\$ 2,193,205	\$ 507,524	\$ 2,525,681	\$ 8,387,878

Hubbard County Park Rapids, Minnesota

Fund Balances as of December 31, 2022 (Continued)

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Committed for					
Building maintenance	\$ 3,118,213	\$ -	\$ -	\$ -	\$ 3,118,213
Building replacement	-	800,000	-	-	800,000
Capital outlay	-	950,000	-	-	950,000
County cars	117,032	-	-	-	117,032
County road projects	-	2,900,000	-	-	2,900,000
Departmental designations	1,015,471	-	-	-	1,015,471
Emergency management	1,086	-	-	-	1,086
Employee benefits/severance	825,849	287,374	264,628	213,305	1,591,156
Employee flex plan	32,645	-	-	-	32,645
Employee group health	228,928	-	-	-	228,928
Investigations	85,634	-	-	-	85,634
SWAT team	732	-	-	-	732
Survey re-monumentation	134,856	-	-	-	134,856
Total committed	\$ 5,560,446	\$ 4,937,374	\$ 264,628	\$ 213,305	\$ 10,975,753
Assigned to					
Highways and streets	\$ -	\$ 1,504,535	\$ -	\$ -	\$ 1,504,535
Equipment purchases	-	530,138	-	-	530,138
Human services	-	-	3,370,193	-	3,370,193
Conservation of natural resources	-	-	-	604,700	604,700
Sanitation	-	-	-	1,922,072	1,922,072
Total assigned	\$ -	\$ 2,034,673	\$ 3,370,193	\$ 2,526,772	\$ 7,931,638
Unassigned	\$ 2,956,831	\$ -	\$ -	\$ -	\$ 2,956,831
Total Fund Balances	\$11,678,745	\$ 9,519,234	\$ 4,142,345	\$ 5,733,038	\$ 31,073,362

Other Postemployment Benefits (OPEB)

Plan Description

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

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

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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.

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

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

Employees Covered by the OPEB Benefit Terms

	Governmental Activities	Business-Type Activities	Total
Actuarial valuation date	January 1, 2021	October 1, 2021	
Inactive employees or beneficiaries currently receiving benefit payments	6	-	6
Active plan participants	197	36	233
Total	203	36	239

Total OPEB Liability

The governmental activities total OPEB liability of \$1,042,547 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2021. The business-type activities total OPEB liability of \$68,573 was measured as of October 1, 2021, 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, 2022, and September 30, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Governmental Activities

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (12.25 percent for public safety) to 3.00 percent for 27 or more years of service (3.25 percent for public safety)
Health care cost trend	6.25 percent, decreasing to 5.00 percent over 5 years and then to 4.00 percent over the next 48 years

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Business-Type Activities

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	10.25 percent for 1 year of service decreasing to 3.00 percent for 26 or more years of service
Health care cost trend	6.50 percent, decreasing to 5.00 percent over 6 years and then to 4.00 percent over the next 54 years

For the governmental activities, the current year discount rate is 2.00 percent, which did not change from the prior year rate. For the business-type activities, the current year discount rate is 2.30 percent, which is a change from the prior year rate of 3.00 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability

Total OPEB liability	Governmental Activities December 31, 2022	Business-Type Activities September 30, 2022	Total
Balance – Beginning of Year	\$ 958,806	\$ 109,385	\$ 1,068,191
Changes for the year			
Service cost	117,305	5,615	122,920
Interest	20,979	3,386	24,365
Assumption Changes	-	(600)	(600)
Differences between expected and actual experience	-	(44,942)	(44,942)
Benefit payments	(54,543)	(4,271)	(58,814)
Net change	\$ 83,741	\$ (40,812)	\$ 42,929
Balance – End of Year	\$ 1,042,547	\$ 68,573	\$ 1,111,120

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OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

	Governmental Activities December 31, 2022		Business-Type Activities September 30, 2022	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 1,116,977	1.30%	\$ 73,160
Current	2.00%	1,042,547	2.30%	68,573
1% Increase	3.00%	972,536	3.30%	64,127

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

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates

	Governmental Activities December 31, 2022		Business-Type Activities September 30, 2022	
	Health Care Trend Rate	Total OPEB Liability	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 923,069	5.50% Decreasing to 4.00%	\$ -
Current	6.25% Decreasing to 5.00%	1,042,547	6.50% Decreasing to 5.00%	68,573
1% Increase	7.25% Decreasing to 6.00%	1,185,173	7.50% Decreasing to 6.00%	-

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

Governmental Activities

For the year ended December 31, 2022, the governmental activities recognized OPEB expense of \$111,459. The governmental activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 30,210	\$ 32,506
Differences between expected and actual experience	-	109,195
Contributions made subsequent to the measurement date	64,505	-
Total	\$ 94,715	\$ 141,701

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The \$64,505 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	\$ (26,825)
2024	(26,825)
2025	(26,820)
2026	(11,738)
2027	(19,283)

Business-Type Activities

For the year ended September 30, 2022, the business-type activities recognized OPEB expense of \$(11,000). The business-type activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of September 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ -	\$ 8,383
Difference between actual and expected results	-	43,000
Contributions made subsequent to the measurement date	2,336	-
Total	\$ 2,336	\$ 51,383

The \$2,336 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended September 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of September 30, 2022

Year Ended September 30	OPEB Expense Amount
2023	\$ (20,001)
2024	(19,998)
2025	(11,384)

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Total OPEB Expense

The total OPEB expense recognized by the County for the year ended December 31, 2022, was \$100,459.

Changes in Actuarial Methods and Assumptions

The following changes in plan provisions, actuarial methods, and assumptions occurred in 2022:

Governmental Activities

- No changes occurred in 2022.

Business-Type Activities

- The health care trend rates and salary rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 3.00 percent to 2.30 percent.

Pension Plans

Defined Benefit Pension Plans

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 the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Hubbard County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the 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.

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual

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rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire 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.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

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

Employer Contributions For the Year Ended December 31, 2022

General Employees Plan	\$ 937,710
Police and Fire Plan	327,751
Correctional Plan	196,778

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of \$12,719,572 for its proportionate share of the General Employees Plan's net pension liability of which \$2,787,851 was the Heritage Community's portion as of September 30, 2022. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's

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proportion was 0.1653 percent. It was 0.1672 percent measured as of June 30, 2021. The County recognized pension expense of \$1,679,323 for its proportionate share of the General Employees Plan's pension expense, of which \$98,800 was the Heritage Community's expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$55,717 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability

	Governmental Activities	Business-Type Activities	Total
The County's proportionate share of the net pension liability	\$ 9,931,721	\$ 2,787,851	\$ 12,719,572
State of Minnesota's proportionate share of the net pension liability associated with the County	290,996	81,885	372,881
Total	<u>\$ 10,222,717</u>	<u>\$ 2,869,736</u>	<u>\$ 13,092,453</u>

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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	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	\$ 82,957	\$ 102,142	\$ 23,286	\$ 29,782	\$ 106,243	\$ 131,924
Changes in actuarial assumptions	2,176,459	37,012	630,939	11,339	2,807,398	48,351
Difference between projected and actual investment earnings	264,598	-	48,358	-	312,956	-
Changes in proportion	383,987	-	-	490,772	383,987	490,772
Contributions paid to PERA subsequent to the measurement date	407,031	-	48,917	-	455,948	-
Total	\$ 3,315,032	\$ 139,154	\$ 751,500	\$ 531,893	\$ 4,066,532	\$ 671,047

The \$455,948 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources

Year Ended December 31	Governmental Activities	Business-Type Activities	Total
	Pension Expense Amount	Pension Expense Amount	Pension Expense Amount
2023	\$ 1,063,504	\$ 68,727	\$ 1,132,231
2024	1,038,540	87,555	1,126,095
2025	(231,373)	(237,718)	(469,091)
2026	898,176	252,126	1,150,302

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$7,206,258 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1656 percent. It was 0.1477 percent measured as of June 30, 2021. The County recognized pension expense of \$807,958 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$61,053 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 7,206,258
State of Minnesota's proportionate share of the net pension liability associated with the County	314,747
Total	<u>\$ 7,521,005</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$14,904 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.

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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:

**Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 418,487	\$ -
Changes in actuarial assumptions	4,079,535	36,180
Difference between projected and actual investment earnings	282,200	-
Changes in proportion	205,128	-
Contributions paid to PERA subsequent to the measurement date	175,238	-
Total	<u>\$ 5,160,588</u>	<u>\$ 36,180</u>

The \$175,238 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022**

Year Ended December 31	Pension Expense Amount
2023	\$ 978,571
2024	976,191
2025	890,958
2026	1,480,846
2027	622,604

Correctional Plan

At December 31, 2022, the County reported a liability of \$3,301,397 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.9932 percent. It was 0.9140 percent measured as of June 30, 2021. The County recognized pension expense of \$1,147,269 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:

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Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 102,708
Changes in actuarial assumptions	2,083,781	4,152
Difference between projected and actual investment earnings	161,207	-
Changes in proportion	10,608	8,674
Contributions paid to PERA subsequent to the measurement date	108,155	-
Total	\$ 2,363,751	\$ 115,534

The \$108,155 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 954,719
2024	982,573
2025	(62,452)
2026	265,222

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$3,535,750.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

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

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Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability rates were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 position of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years

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of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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:

Sensitivity of the Employer's Proportionate Share of the General Employees Plan Net Pension Liability to Changes in the Discount Rate			
	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
General Employees Plan net pension liability			
Governmental activities	\$ 15,687,674	\$ 9,931,721	\$ 5,210,952
Business-Type activities	4,403,558	2,787,851	1,462,723
Total General Employees Plan net pension liability	\$ 20,091,232	\$ 12,719,572	\$ 6,673,675

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Sensitivity of the Employer's Proportionate Share of the Police and Fire Plan Net Pension Liability to Changes in the Discount Rate

	1% Decrease in Discount Rate 4.40%	Discount Rate 5.40%	1% Increase in Discount Rate 6.40%
Police and Fire Plan net pension liability	\$ 10,905,747	\$ 7,206,258	\$ 4,215,442

Sensitivity of the Employer's Proportionate Share of the Correctional Plan Net Pension Liability to Changes in the Discount Rate

	1% Decrease in Discount Rate 4.42%	Discount Rate 5.42%	1% Increase in Discount Rate 6.42%
Correctional Plan net pension liability	\$ 5,815,246	\$ 3,301,397	\$ 1,324,949

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.

Defined Contribution Plan

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

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

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	\$6,632	\$6,632
Percentage of covered payroll	5.00%	5.00%

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Note 4 – Summary of Significant Contingencies and Other Items

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.

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.

Management Agreement

The Heritage Community is managed by Ecumen. All three facilities are under an agreement which automatically renews for one year, unless 90 days' notice is given by either party. On March 31, 2023, Ecumen gave notice to the Heritage Community that they plan to terminate the contract effective July 31, 2023. Effective September 28, 2021, Heritage Living Center, Heritage Manor, and Heritage Cottages each incur a monthly fee of \$18,000, \$2,500, and \$3,000, respectively. Subsequent to year-end, Ecumen notified Hubbard County that Ecumen will not be renewing the management contract, and the current contract expires September 28, 2023. Hubbard County is reviewing proposals and plans to have a management company engaged by September 2023. Management fees amounted to approximately \$272,900 for the year ended September 30, 2022.

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, 2022.

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 2022 and 2023. 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.

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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.

Joint Ventures

Hubbard County Family Services Collaborative

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

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

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

Financing is provided by state grants and contributions from its members. Hubbard County, in an agent capacity, reports the cash transactions of the Hubbard County Family Services Collaborative as a custodial fund on the County's financial statements. During 2022, Hubbard County contributed \$124,426 to the Collaborative.

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board, consisting of one County Commissioner and one lay person. Hubbard County appropriated \$216,750 to the Library for the year ended December 31, 2022. Separate financial information can be obtained from the Kitchigami Regional Library, PO Box 84, Pine River, Minnesota 56474, or www.krls.org.

Mississippi Headwaters Board

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

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Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Hubbard County provided \$1,500 to this organization during 2022. 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.

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

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

Hubbard County did not contribute to the Health Service for the year ended December 31, 2022. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

Northwest Minnesota Regional Emergency Communication Board

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

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

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

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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 2022. 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.

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, 2022. Clearwater County is the fiscal agent and reports the cash transactions of the NCDPSA appropriately on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621.

Northwestern Minnesota Juvenile Center

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

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

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Adequate rates are charged so that the member counties do not experience any additional financial benefit or burden. Hubbard County made \$248,205 in payments to the Center in 2022. Beltrami County is the fiscal agent and reports the cash transactions of the Center appropriately on its financial statements. Complete financial

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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.

Paul Bunyan Drug Task Force

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

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

The Paul Bunyan Drug Task Force has no long-term debt. During 2022, Hubbard County contributed \$2,500 to the Paul Bunyan Drug Task Force. Financing is provided by the proceeds from forfeitures and seizures pursuant to Minn. Stat. § 609.531. Beltrami County, in an agent capacity, reports the cash transactions of the Paul Bunyan Drug Task Force on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer, Beltrami County Administration Building, 701 Minnesota Avenue Northwest, 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.

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

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

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Hubbard County did not contribute to PrimeWest Health during 2022. Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

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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.

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 2022, Hubbard County expended \$112,626 to the MCCC.

Opioid Settlement Funds

Hubbard County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive \$1,517,262 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of the MOA the county created a special revenue fund. The County has combined the Opioid Settlement Fund with the Social Service Special Revenue Fund for their financial statements. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 31, 2022, the County received \$198,973 as part of the settlement.

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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.

Condensed Statement of Net Position

	Heritage Living Center	Heritage Manor	Heritage Cottages
Assets			
Current assets	\$ 603,092	\$ 23,089	\$ 30,260
Interfund receivables	-	50,110	58,121
Restricted assets	21,606	11,896	-
Capital assets	12,823,660	399,099	1,093,044
Total Assets	\$ 13,448,358	\$ 484,194	\$ 1,181,425
Deferred Outflows of Resources	\$ 753,836	\$ -	\$ -
Liabilities			
Current liabilities payable from restricted assets	\$ 14,689	\$ 11,619	\$ -
Interfund payables	108,231	-	-
Other current liabilities	1,764,337	749,370	347,264
Noncurrent liabilities	11,829,094	651,875	1,187,064
Total Liabilities	\$ 13,716,351	\$ 1,412,864	\$ 1,534,328
Deferred Inflows of Resources	\$ 583,276	\$ -	\$ -
Net Position			
Net investment in capital assets	\$ 3,898,335	\$ (393,188)	\$ (94,321)
Unrestricted	(3,995,768)	(535,482)	(258,582)
Total Net Position	\$ (97,433)	\$ (928,670)	\$ (352,903)

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Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Heritage Living Center	Heritage Manor	Heritage Cottages
Operating Revenues			
Charges for services	\$ 4,061,540	\$ -	\$ -
Rental income	-	411,710	994,440
Intergovernmental	12,235	-	-
Miscellaneous	148,442	-	79,157
Total Operating Revenues	\$ 4,222,217	\$ 411,710	\$ 1,073,597
Operating Expenses			
Depreciation expense	\$ (213,511)	\$ (89,644)	\$ (68,018)
Other operating expenses	(5,832,397)	(707,882)	(1,160,423)
Total Operating Expenses	\$ (6,045,908)	\$ (797,526)	\$ (1,228,441)
Operating Income (Loss)	\$ (1,823,691)	\$ (385,816)	\$ (154,844)
Nonoperating Revenues (Expenses)			
Investment earnings	\$ 1,776	\$ 439	\$ 348
Interest expense	(134,473)	(22,816)	(35,269)
Noncapital grant revenue	1,357,995	-	-
Loss on disposal of assets	(55,479)	-	-
Total Nonoperating Revenues (Expenses)	\$ 1,169,819	\$ (22,377)	\$ (34,921)
Net capital contribution	3,576,681	-	-
Change in Net Position	\$ 2,922,809	\$ (408,193)	\$ (189,765)
Beginning Net Position	(3,020,242)	(520,477)	(163,138)
Ending Net Position	\$ (97,433)	\$ (928,670)	\$ (352,903)

Uncertainty Regarding Going Concern

During the years ended September 30, 2022, and 2021, Heritage Community experienced operating losses of approximately \$2,364,400 and \$1,260,300 and deficit of revenues under expenses of approximately \$2,234,900 and \$145,500, respectively, resulting in a net deficit of approximately \$1,379,000 and \$3,703,900 as of September 30, 2022, and 2021, respectively. The operating losses are the result of continued declines in occupancy, increases in the cost of providing resident care, and staffing challenges.

Heritage Community has \$200 in cash and cash equivalents at September 30, 2022, and September 30, 2021. Overall, the lower occupancy, higher costs of care, and staffing challenges contributed to an increase in current liabilities, decrease of current assets, and inability to build cash reserves. Heritage Community is continuing efforts to increase skilled nursing occupancy and expects increased Medicaid and private pay reimbursement rates, which will result in improvement in the Heritage Community's operations and cash position. There is no assurance about Heritage Community's ability to continue as a going concern. The combined financial statements do not include any adjustments that might be necessary if Heritage Community were unable to continue as a going concern.

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Note 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.

Summary of Significant Accounting Policies

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.

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.

The estimated useful lives for depreciable assets are as follows:

Estimated Useful Lives of Capital Assets

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

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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.

Detailed Notes on All Funds

Deposits and Investments

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

Cash and Investments Composition as of December 31, 2022	
Deposits	<u>\$ 642,250</u>

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.

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

The custodial credit risk for deposits is the risk that in the event of a bank failure, the HRA's deposits may not be recovered. The HRA's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the HRA's deposits to be protected by insurance, surety bond, or pledged collateral. As of December 31, 2022, the HRA's deposits were not exposed to custodial credit risk.

Investments

The HRA had no investments as of December 31, 2022.

Contracts Receivable

Contracts receivable consists of amounts due from borrowers for the purchase or remodel of housing. The terms of the receivables range from zero to four percent, maturing from March 1, 2023, to July 1, 2033. At December 31, 2022, the HRA reported contracts receivable of \$615,204.

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Capital Assets

The HRA's capital asset activity for the year ended December 31, 2022, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 537,040	\$ -	\$ -	\$ 537,040
Capital assets depreciated				
Buildings	\$ 5,116,583	\$ 7,413	\$ -	\$ 5,123,996
Equipment	158,858	8,028	-	166,886
Total capital assets depreciated	\$ 5,275,441	\$ 15,441	\$ -	\$ 5,290,882
Less: accumulated depreciation for				
Buildings	\$ 562,483	\$ 164,033	\$ -	\$ 726,516
Equipment	84,538	24,562	-	109,100
Total accumulated depreciation	\$ 647,021	\$ 188,595	\$ -	\$ 835,616
Total capital assets depreciated, net	\$ 4,628,420	\$ (173,154)	\$ -	\$ 4,455,266
Total Capital Assets, Net	\$ 5,165,460	\$ (173,154)	\$ -	\$ 4,992,306

Long-Term Debt

Long-term debt outstanding at December 31, 2022, for the HRA consists of the following:

Long-Term Debt as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2022
SCDP Mortgage	2023	on demand	-	\$ 968
Bank Mortgage	2032	\$2,637/month	5.00%	251,349
Bank Mortgage	2044	\$9,786/month	4.13%	1,610,314
Bank Mortgage	2045	\$11,139/month	3.75%	2,022,009
Total Long-Term Debt				<u>\$ 3,884,640</u>

Hubbard County Park Rapids, Minnesota

Debt Service Requirements

Debt service requirements as of December 31, 2022, are as follows:

Debt Service Requirements as of December 31, 2022

Year Ended December 31	Principal	Interest
2023	\$ 131,370	\$ 148,568
2024	135,302	143,667
2025	140,344	138,173
2026	145,187	132,696
2027	150,872	127,012
2028-2032	825,366	542,222
2033-2037	850,217	380,972
2038-2042	1,034,306	196,884
2043-2045	471,676	20,566
Total	<u>\$ 3,884,640</u>	<u>\$ 1,830,760</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SCDP Mortgage	\$ 2,626	\$ -	\$ 1,658	\$ 968	\$ 968
Bank Mortgage	272,908	-	21,559	251,349	23,249
Bank Mortgage	1,655,240	-	44,926	1,610,314	48,244
Bank Mortgage	2,077,637	-	55,628	2,022,009	58,909
Long-Term Liabilities	<u>\$ 4,008,411</u>	<u>\$ -</u>	<u>\$ 123,771</u>	<u>\$ 3,884,640</u>	<u>\$ 131,370</u>

Conduit Debt Obligation

Not included in the financial statements are various conduit debt obligations issued under the name of the 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, 2022, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,925,000.

Required Supplementary Information

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 10,503,171	\$ 10,503,171	\$ 9,833,871	\$ (669,300)
Licenses and permits	149,709	149,709	283,675	133,966
Intergovernmental	2,976,094	2,976,094	4,381,847	1,405,753
Charges for services	1,186,590	1,186,590	1,010,709	(175,881)
Fines and forfeitures	30,400	30,400	74,256	43,856
Investment earnings	150,500	150,500	257,632	107,132
Gifts and contributions	166,000	166,000	173,137	7,137
Miscellaneous	531,333	531,333	1,461,668	930,335
Total Revenues	\$ 15,693,797	\$ 15,693,797	\$ 17,476,795	\$ 1,782,998
Expenditures				
Current				
General government				
Commissioners	\$ 276,818	\$ 276,818	\$ 251,690	\$ 25,128
District court	111,500	111,500	97,294	14,206
Law library	18,750	18,750	14,011	4,739
Administrator	698,839	698,839	700,406	(1,567)
County auditor/treasurer	578,560	578,560	518,083	60,477
Elections	127,000	127,000	159,116	(32,116)
Purchasing	20,750	20,750	20,555	195
Data processing	807,895	807,895	671,132	136,763
Attorney	847,014	847,014	843,073	3,941
Recorder	303,842	303,842	419,176	(115,334)
Surveyor	201,538	201,538	183,946	17,592
Assessor	640,766	640,766	611,704	29,062
Passports	3,300	3,300	2,267	1,033
Motor pool	57,317	57,317	29,186	28,131
Buildings and grounds	892,502	892,502	564,343	328,159
Veterans service officer	158,059	158,059	143,463	14,596
Insurance	-	-	61,863	(61,863)
Other general government	619,645	619,645	472,485	147,160
Total general government	\$ 6,364,095	\$ 6,364,095	\$ 5,763,793	\$ 600,302

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,370,641	\$ 3,370,641	\$ 3,265,953	\$ 104,688
Boat and water safety	38,800	38,800	49,532	(10,732)
Emergency services	57,510	57,510	47,147	10,363
Coroner	60,000	60,000	36,073	23,927
SWAT Team	-	-	7,606	(7,606)
Enhanced 911	86,544	86,544	54,803	31,741
Community corrections	3,175,933	3,175,933	3,676,663	(500,730)
Building and grounds	325,416	325,416	394,829	(69,413)
Jail canteen	-	-	21,059	(21,059)
Sentence to serve	159,524	159,524	144,851	14,673
Probation and parole	164,550	164,550	66,792	97,758
Total public safety	\$ 7,438,918	\$ 7,438,918	\$ 7,765,308	\$ (326,390)
Human services				
Mahube Community Council	\$ -	\$ -	\$ 870,664	\$ (870,664)
Public health				
Nursing home	\$ -	\$ -	\$ 51,826	\$ (51,826)
Culture and recreation				
Historical society	\$ 13,000	\$ 13,000	\$ 20,996	\$ (7,996)
Parks	201,294	201,294	185,979	15,315
Agricultural society	260,180	260,180	260,180	-
Snowmobile and ski trails	165,000	165,000	132,772	32,228
Total culture and recreation	\$ 639,474	\$ 639,474	\$ 599,927	\$ 39,547
Conservation of natural resources				
County extension	\$ 160,508	\$ 160,508	\$ 152,874	\$ 7,634
Aquatic invasive species	408,681	408,681	389,131	19,550
Soil and water conservation	44,566	44,566	44,566	-
Environmental services	784,856	784,856	660,491	124,365
Natural resources grant	38,348	38,348	38,348	-
Total conservation of natural resources	\$ 1,436,959	\$ 1,436,959	\$ 1,285,410	\$ 151,549

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				
Current (Continued)				
Economic development				
Economic development	\$ 72,000	\$ 72,000	\$ 72,000	\$ -
Debt service				
Principal	\$ -	\$ -	\$ 131,650	\$ (131,650)
Interest	-	-	16,462	(16,462)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,112</u>	<u>\$ (148,112)</u>
Total Expenditures	<u>\$ 15,951,446</u>	<u>\$ 15,951,446</u>	<u>\$ 16,557,040</u>	<u>\$ (605,594)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (257,649)</u>	<u>\$ (257,649)</u>	<u>\$ 919,755</u>	<u>\$ 1,177,404</u>
Other Financing Sources (Uses)				
Transfers in	\$ 275,000	\$ 275,000	\$ 316,208	\$ 41,208
Transfers out	(17,423)	(17,423)	(18,110)	(687)
Leases issued	-	-	80,754	80,754
Total Other Financing Sources (Uses)	<u>\$ 257,577</u>	<u>\$ 257,577</u>	<u>\$ 378,852</u>	<u>\$ 121,275</u>
Net Change in Fund Balance	<u>\$ (72)</u>	<u>\$ (72)</u>	<u>\$ 1,298,607</u>	<u>\$ 1,298,679</u>
Fund Balance – January 1	<u>10,380,138</u>	<u>10,380,138</u>	<u>10,380,138</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 10,380,066</u></u>	<u><u>\$ 10,380,066</u></u>	<u><u>\$ 11,678,745</u></u>	<u><u>\$ 1,298,679</u></u>

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,200,000	\$ 4,200,000	\$ 5,003,910	\$ 803,910
Intergovernmental	7,958,961	7,958,961	6,245,919	(1,713,042)
Charges for services	-	-	1,301,745	1,301,745
Investment earnings	-	-	16,861	16,861
Miscellaneous	2,016,880	2,016,880	86,009	(1,930,871)
Total Revenues	\$ 14,175,841	\$ 14,175,841	\$ 12,654,444	\$ (1,521,397)
Expenditures				
Current				
Highways and streets				
Administration	\$ 681,341	\$ 681,341	\$ 659,884	\$ 21,457
Maintenance	2,763,887	2,763,887	2,465,961	297,926
Construction	8,933,066	8,933,066	7,443,882	1,489,184
Equipment maintenance and shop	1,283,171	1,283,171	1,389,237	(106,066)
Fuel facility	14,996	14,996	48,720	(33,724)
Materials for resale	1,973,415	1,973,415	1,160,961	812,454
Other highways and streets	19,625	19,625	25,679	(6,054)
Total highways and streets	\$ 15,669,501	\$ 15,669,501	\$ 13,194,324	\$ 2,475,177
Intergovernmental				
Highways and streets	\$ 376,613	\$ 376,613	\$ 561,603	\$ (184,990)
Debt service				
Principal	\$ -	\$ -	\$ 19,807	\$ (19,807)
Interest	-	-	3,972	(3,972)
Total debt service	\$ -	\$ -	\$ 23,779	\$ (23,779)
Total Expenditures	\$ 16,046,114	\$ 16,046,114	\$ 13,779,706	\$ 2,266,408
Excess of Revenues Over (Under)				
Expenditures	\$ (1,870,273)	\$ (1,870,273)	\$ (1,125,262)	\$ 745,011
Other Financing Sources (Uses)				
Leases issued	-	-	942	942
Net Change in Fund Balance	\$ (1,870,273)	\$ (1,870,273)	\$ (1,124,320)	\$ 745,953
Fund Balance – January 1	10,603,258	10,603,258	10,603,258	-
Increase (decrease) in inventories	-	-	40,296	40,296
Fund Balance – December 31	\$ 8,732,985	\$ 8,732,985	\$ 9,519,234	\$ 786,249

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Social Services Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,315,000	\$ 2,315,000	\$ 2,336,769	\$ 21,769
Intergovernmental	3,786,351	3,786,351	4,451,032	664,681
Charges for services	473,500	473,500	753,139	279,639
Investment earnings	-	-	214	214
Settlements	-	-	198,973	198,973
Miscellaneous	483,228	483,228	395,106	(88,122)
Total Revenues	\$ 7,058,079	\$ 7,058,079	\$ 8,135,233	\$ 1,077,154
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,311,952	\$ 2,311,952	\$ 2,271,375	\$ 40,577
Social services	6,601,048	6,601,048	6,163,976	437,072
Transportation	-	-	603,224	(603,224)
Total Expenditures	\$ 8,913,000	\$ 8,913,000	\$ 9,038,575	\$ (125,575)
Net Change in Fund Balance	\$ (1,854,921)	\$ (1,854,921)	\$ (903,342)	\$ 951,579
Fund Balance – January 1	5,045,687	5,045,687	5,045,687	-
Fund Balance – December 31	\$ 3,190,766	\$ 3,190,766	\$ 4,142,345	\$ 951,579

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-4

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 122,920	\$ 122,997	\$ 110,222	\$ 97,669	\$ 82,486
Interest	24,365	34,935	41,464	34,714	32,469
Changes of benefit terms	-	-	-	92,123	-
Differences between expected and actual experience	(44,942)	(105,732)	(23,235)	(78,577)	-
Changes of assumption or other inputs	(600)	(29,285)	33,032	(27,041)	-
Benefit payments	(58,814)	(64,836)	(86,383)	(59,269)	(65,444)
Adoption of Accounting Principle	-	-	-	-	30,830
Net change in total OPEB liability	\$ 42,929	\$ (41,921)	\$ 75,100	\$ 59,619	\$ 80,341
Total OPEB Liability – Beginning	<u>1,068,191</u>	<u>1,110,112</u>	<u>1,035,012</u>	<u>975,393</u>	<u>895,052</u>
Total OPEB Liability – Ending	<u>\$ 1,111,120</u>	<u>\$ 1,068,191</u>	<u>\$ 1,110,112</u>	<u>\$ 1,035,012</u>	<u>\$ 975,393</u>
 Covered-employee payroll	 \$ 15,436,892	 \$ 15,640,685	 \$ 14,437,555	 \$ 13,887,636	 \$ 13,363,027
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 7.20%	 6.83%	 7.69%	 7.45%	 7.30%

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-5

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022**

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
2022	0.1653 %	\$ 12,719,572	\$ 372,881	\$ 13,092,453	\$ 12,459,375	102.09 %	76.67 %
2021	0.1672	7,140,615	218,039	7,358,654	12,364,844	57.75	87.00
2020	0.1620	9,712,640	299,332	10,011,972	12,160,591	79.87	79.06
2019	0.1581	8,740,994	271,655	9,012,649	11,528,130	75.82	80.23
2018	0.1572	8,720,811	285,959	9,006,770	11,284,201	77.28	79.53
2017	0.1533	9,786,570	123,006	9,909,576	10,320,226	94.83	75.90
2016	0.1499	12,171,137	159,004	12,330,141	9,618,314	126.54	68.91
2015	0.1478	7,659,764	N/A	7,659,764	9,012,354	84.99	78.19

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

The measurement date for each year is June 30.

N/A – Not Applicable

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-6

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022**

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)
2022	\$ 937,710	\$ 937,710	\$ -	\$ 12,933,549	7.25 %
2021	921,584	921,584	-	12,651,430	7.28
2020	915,057	915,057	-	12,811,274	7.14
2019	850,550	850,550	-	11,692,992	7.27
2018	820,478	820,478	-	11,661,024	7.04
2017	758,901	758,901	-	10,567,075	7.18
2016	718,199	718,199	-	9,887,946	7.26
2015	655,012	655,012	-	9,097,536	7.20

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-7

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2022**

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
2022	0.1656 %	\$ 7,206,258	\$ 314,747	\$ 7,521,005	\$ 2,011,166	358.31 %	70.53 %
2021	0.1477	1,140,087	51,242	1,191,329	1,745,294	65.32	93.66
2020	0.1400	1,845,350	43,474	1,888,824	1,579,319	116.84	87.19
2019	0.1387	1,476,602	N/A	1,476,602	1,462,514	100.96	89.26
2018	0.1350	1,438,961	N/A	1,438,961	1,423,030	101.12	88.84
2017	0.1340	1,809,159	N/A	1,809,159	1,375,562	131.52	85.43
2016	0.1330	5,337,521	N/A	5,337,521	1,277,137	417.93	63.88
2015	0.1290	1,465,742	N/A	1,465,742	1,177,598	124.47	86.61

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-8

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022**

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)
2022	\$ 327,751	\$ 327,751	\$ -	\$ 1,851,700	17.70 %
2021	352,408	352,408	-	1,991,009	17.70
2020	301,756	301,756	-	1,704,840	17.70
2019	255,882	255,882	-	1,509,998	16.95
2018	232,512	232,512	-	1,435,259	16.20
2017	227,351	227,351	-	1,403,400	16.20
2016	215,093	215,093	-	1,327,734	16.20
2015	195,192	195,192	-	1,204,889	16.20

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-9

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

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
2022	0.9932 %	\$ 3,301,397	\$ 2,155,614	153.15 %	74.58 %
2021	0.9140	(150,152)	1,997,648	(7.52)	101.61
2020	0.8400	227,926	1,827,913	12.47	96.67
2019	0.8236	114,027	1,742,719	6.54	98.17
2018	0.8483	139,520	1,713,791	8.14	97.64
2017	0.7600	2,166,008	1,524,580	142.07	67.89
2016	0.7900	2,885,981	1,481,175	194.84	58.16
2015	0.7700	119,042	1,382,657	8.61	96.95

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit A-10

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

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)
2022	\$ 196,778	\$ 196,778	\$ -	\$ 2,248,885	8.75 %
2021	182,233	182,233	-	2,082,661	8.75
2020	175,932	175,932	-	2,010,655	8.75
2019	153,098	153,098	-	1,749,697	8.75
2018	154,077	154,077	-	1,760,884	8.75
2017	142,684	142,684	-	1,630,677	8.75
2016	131,469	131,469	-	1,502,504	8.75
2015	123,408	123,408	-	1,410,377	8.75

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

Hubbard County

Park Rapids, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2022

Note 1 – General Budget Policies

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. 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.

Note 2 – Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2022:

Excess of Expenditures Over Budget for the Year Ended December 31, 2022

	Expenditures	Final Budget	Excess
General Fund			
Current			
General Government			
Administrator	\$ 700,406	\$ 698,839	\$ 1,567
Elections	159,116	127,000	32,116
Recorder	419,176	303,842	115,334
Insurance	61,863	-	61,863
Public Safety			
Boat and water safety	49,532	38,800	10,732
SWAT Team	7,606	-	7,606
Community corrections	3,676,663	3,175,933	500,730
Building and grounds	394,829	325,416	69,413
Jail canteen	21,059	-	21,059
Human services			
Mahube Community Council	870,664	-	870,664
Public health			
Nursing home	51,826	-	51,826
Culture and recreation			
Historical society	20,996	13,000	7,996

Hubbard County Park Rapids, Minnesota

Excess of Expenditures Over Budget for the Year Ended December 31, 2022 (Continued)

	Expenditures	Final Budget	Excess
General Fund (Continued)			
Debt service			
Principal	131,650	-	131,650
Interest	16,462	-	16,462
Road and Bridge Special Revenue Fund	7,939,690	7,864,310	75,380
Current			
Highway and streets			
Equipment maintenance and shop	1,389,237	1,283,171	106,066
Fuel facility	48,720	14,996	33,724
Other highway and streets	25,679	19,625	6,054
Intergovernmental			
Highways and Streets	561,603	376,613	184,990
Debt service			
Principal	19,807	-	19,807
Interest	3,972	-	3,972
Social Service Special Revenue Fund			
Current			
Human services			
Transportation	603,224	-	603,224

Note 3 – Employer Contributions to Other Postemployment Benefits

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

Governmental Activities

2022

- No changes occurred in 2022.

2021

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

2020

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

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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 fire 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.

Business-Type Activities

2022

- The health care trend rates and salary increase rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 3.00 percent to 2.30 percent.

2021

- No changes occurred in 2021.

2020

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

Hubbard County Park Rapids, Minnesota

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.

Note 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

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

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- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.

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- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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- 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.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Supplementary Information

**Hubbard County
Park Rapids, Minnesota**

Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

Solid Waste Special Revenue Fund – to account 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.

Nonmajor Debt Service Fund

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

Nonmajor Permanent Fund

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

**Hubbard County
Park Rapids, Minnesota**

Exhibit B-1

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022**

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
<u>Assets</u>					
Cash and pooled investments	\$ 1,933,678	\$ 2,302,324	\$ 1,462,495	\$ 20,436	\$ 5,718,933
Investment	-	-	-	467,280	467,280
Taxes receivable – delinquent	-	-	19,762	-	19,762
Accounts receivable	-	175,806	-	2,049	177,855
Contracts receivable	916,512	-	-	-	916,512
Due from other governments	-	24,258	-	-	24,258
Advance to other funds	9,208	-	-	-	9,208
Total Assets	<u>\$ 2,859,398</u>	<u>\$ 2,502,388</u>	<u>\$ 1,482,257</u>	<u>\$ 489,765</u>	<u>\$ 7,333,808</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 6,582	\$ 60,393	\$ -	\$ -	\$ 66,975
Salaries payable	24,885	41,964	-	-	66,849
Due to other funds	264,109	16,481	-	-	280,590
Due to other governments	21,658	232,559	-	-	254,217
Advance from other funds	-	-	-	9,208	9,208
Total Liabilities	<u>\$ 317,234</u>	<u>\$ 351,397</u>	<u>\$ -</u>	<u>\$ 9,208</u>	<u>\$ 677,839</u>
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	\$ -	\$ -	\$ 19,762	\$ -	\$ 19,762
Charges for services	-	112,253	-	-	112,253
Land and timber sales	766,737	-	-	-	766,737
Grants	-	24,179	-	-	24,179
Total Deferred Inflows of Resources	<u>\$ 766,737</u>	<u>\$ 136,432</u>	<u>\$ 19,762</u>	<u>\$ -</u>	<u>\$ 922,931</u>
Fund Balances					
Nonspendable	\$ -	\$ -	\$ -	\$ 467,280	\$ 467,280
Restricted	1,049,909	-	1,462,495	13,277	2,525,681
Committed	120,818	92,487	-	-	213,305
Assigned	604,700	1,922,072	-	-	2,526,772
Total Fund Balances	<u>\$ 1,775,427</u>	<u>\$ 2,014,559</u>	<u>\$ 1,462,495</u>	<u>\$ 480,557</u>	<u>\$ 5,733,038</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,859,398</u>	<u>\$ 2,502,388</u>	<u>\$ 1,482,257</u>	<u>\$ 489,765</u>	<u>\$ 7,333,808</u>

**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, 2022**

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Revenues					
Taxes	\$ -	\$ -	\$ 785,917	\$ -	\$ 785,917
Licenses and permits	-	525	-	-	525
Intergovernmental	135,127	276,053	6,214	-	417,394
Charges for services	-	3,926,772	-	-	3,926,772
Investment earnings	-	-	10,636	1,885	12,521
Land and timber sales	1,092,726	-	-	-	1,092,726
Miscellaneous	18,562	53,632	-	3,035	75,229
Total Revenues	\$ 1,246,415	\$ 4,256,982	\$ 802,767	\$ 4,920	\$ 6,311,084
Expenditures					
Current					
Sanitation	\$ -	\$ 4,259,517	\$ -	\$ -	\$ 4,259,517
Conservation of natural resources	1,135,292	-	-	634	1,135,926
Debt service					
Principal	14,449	-	640,000	-	654,449
Interest	2,709	-	150,300	-	153,009
Total Expenditures	\$ 1,152,450	\$ 4,259,517	\$ 790,300	\$ 634	\$ 6,202,901
Excess of Revenues Over (Under)					
Expenditures	\$ 93,965	\$ (2,535)	\$ 12,467	\$ 4,286	\$ 108,183
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 18,110	\$ -	\$ -	\$ 18,110
Transfers out	(261,648)	-	-	-	(261,648)
Leases issued	14,370	-	-	-	14,370
Total Other Financing Sources (Uses)	\$ (247,278)	\$ 18,110	\$ -	\$ -	\$ (229,168)
Net Change in Fund Balance	\$ (153,313)	\$ 15,575	\$ 12,467	\$ 4,286	\$ (120,985)
Fund Balance – January 1	1,928,740	1,998,984	1,450,028	476,271	5,854,023
Fund Balance – December 31	\$ 1,775,427	\$ 2,014,559	\$ 1,462,495	\$ 480,557	\$ 5,733,038

**Hubbard County
Park Rapids, Minnesota**

Exhibit B-3

**Budgetary Comparison Schedule
Land Management Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 135,000	\$ 135,000	\$ 135,127	\$ 127
Charges for services	1,000	1,000	-	(1,000)
Land and timber sales	1,583,800	1,583,800	1,092,726	(491,074)
Miscellaneous	8,000	8,000	18,562	10,562
Total Revenues	\$ 1,727,800	\$ 1,727,800	\$ 1,246,415	\$ (481,385)
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	\$ 835,150	\$ 835,150	\$ 838,901	\$ (3,751)
Access road	47,000	47,000	8,809	38,191
Forest development	230,000	230,000	278,426	(48,426)
Miscellaneous	19,200	19,200	9,156	10,044
Total conservation of natural resources	\$ 1,131,350	\$ 1,131,350	\$ 1,135,292	\$ (3,942)
Debt service				
Principal	\$ -	\$ -	\$ 14,449	\$ (14,449)
Interest	-	-	2,709	(2,709)
Total debt service	\$ -	\$ -	\$ 17,158	\$ (17,158)
Total Expenditures	\$ 1,131,350	\$ 1,131,350	\$ 1,152,450	\$ (21,100)
Excess of Revenues Over (Under)				
Expenditures	\$ 596,450	\$ 596,450	\$ 93,965	\$ (502,485)
Other Financing Sources (Uses)				
Transfers out	\$ (455,000)	\$ (455,000)	\$ (261,648)	\$ 193,352
Leases issued	-	-	14,370	14,370
Total Other Financing Sources (Uses)	\$ (455,000)	\$ (455,000)	\$ (247,278)	\$ 207,722
Net Change in Fund Balance	\$ 141,450	\$ 141,450	\$ (153,313)	\$ (294,763)
Fund Balance – January 1	1,928,740	1,928,740	1,928,740	-
Fund Balance – December 31	\$ 2,070,190	\$ 2,070,190	\$ 1,775,427	\$ (294,763)

**Hubbard County
Park Rapids, Minnesota**

Exhibit B-4

**Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	\$ 700	\$ 700	\$ 525	\$ (175)
Intergovernmental	75,000	75,000	276,053	201,053
Charges for services	3,827,500	3,827,500	3,926,772	99,272
Miscellaneous	265,000	265,000	53,632	(211,368)
Total Revenues	\$ 4,168,200	\$ 4,168,200	\$ 4,256,982	\$ 88,782
Expenditures				
Current				
Sanitation				
Solid waste	\$ 2,991,198	\$ 2,991,198	\$ 2,741,314	\$ 249,884
Recycling	1,087,518	1,087,518	1,374,513	(286,995)
Demolition landfill	300,000	300,000	143,690	156,310
Total Expenditures	\$ 4,378,716	\$ 4,378,716	\$ 4,259,517	\$ 119,199
Excess of Revenues Over (Under) Expenditures	\$ (210,516)	\$ (210,516)	\$ (2,535)	\$ 207,981
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	18,110	(1,890)
Net Change in Fund Balance	\$ (190,516)	\$ (190,516)	\$ 15,575	\$ 206,091
Fund Balance – January 1	1,998,984	1,998,984	1,998,984	-
Fund Balance – December 31	\$ 1,808,468	\$ 1,808,468	\$ 2,014,559	\$ 206,091

**Hubbard County
Park Rapids, Minnesota**

Exhibit B-5

**Budgetary Comparison Schedule
Building Bonds Debt Service Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 789,800	\$ 789,800	\$ 785,917	\$ (3,883)
Intergovernmental	-	-	6,214	6,214
Investment earnings	-	-	10,636	10,636
Total Revenues	\$ 789,800	\$ 789,800	\$ 802,767	\$ 12,967
Expenditures				
Debt service				
Principal	\$ 789,800	\$ 789,800	\$ 640,000	\$ 149,800
Interest	-	-	150,300	(150,300)
Total Expenditures	\$ 789,800	\$ 789,800	\$ 790,300	\$ (500)
Net Change in Fund Balance	\$ -	\$ -	\$ 12,467	\$ 12,467
Fund Balance – January 1	1,450,028	1,450,028	1,450,028	-
Fund Balance – December 31	\$ 1,450,028	\$ 1,450,028	\$ 1,462,495	\$ 12,467

**Hubbard County
Park Rapids, Minnesota**

Exhibit B-6

**Budgetary Comparison Schedule
Environmental Trust Permanent Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Investment earnings	\$ 8,000	\$ 8,000	\$ 1,885	\$ (6,115)
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>3,035</u>	<u>(6,965)</u>
Total Revenues	\$ 18,000	\$ 18,000	\$ 4,920	\$ (13,080)
Expenditures				
Current				
Conservation of natural resources				
Natural resources	<u>15,700</u>	<u>15,700</u>	<u>634</u>	<u>15,066</u>
Net Change in Fund Balance	\$ 2,300	\$ 2,300	\$ 4,286	\$ 1,986
Fund Balance – January 1	<u>476,271</u>	<u>476,271</u>	<u>476,271</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 478,571</u>	<u>\$ 478,571</u>	<u>\$ 480,557</u>	<u>\$ 1,986</u>

**Hubbard County
Park Rapids, Minnesota**

Fiduciary Funds

Custodial Funds

Taxes and Penalties Custodial Fund – to account for the collection and settlement of taxes and penalties to various other governmental units.

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

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

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

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

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

**Hubbard County
Park Rapids, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 294,535	\$ 67,967
Due from other governments	266,418	-
Taxes and special assessments receivable for other governments	1,416,582	-
Accounts receivable	-	32,738
Contracts receivable	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,977,535</u>	<u>\$ 100,705</u>
<u>Liabilities</u>		
Due to others	\$ 207	\$ -
Due to other governments	652,815	39,481
	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 653,022</u>	<u>\$ 39,481</u>
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	\$ 60,141	\$ -
	<u> </u>	<u> </u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 1,264,372</u>	<u>\$ 61,224</u>

Exhibit C-1

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Total Custodial Funds
\$ 22,655	\$ 214,076	\$ 270,022	\$ 869,255
-	-	-	266,418
-	-	-	1,416,582
-	-	-	32,738
-	167,743	-	167,743
\$ 22,655	\$ 381,819	\$ 270,022	\$ 2,752,736
\$ -	\$ -	\$ -	\$ 207
-	214,076	-	906,372
\$ -	\$ 214,076	\$ -	\$ 906,579
\$ -	\$ -	\$ -	\$ 60,141
\$ 22,655	\$ 167,743	\$ 270,022	\$ 1,786,016

**Hubbard County
Park Rapids, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ -
Interest earnings	-	-
Property tax collections for other governments	19,863,103	-
Fees collected for state	3,412,993	1,649,683
Payments from state	-	-
Payments from other entities	85,850	-
	<u>85,850</u>	<u>-</u>
Total Additions	\$ 23,361,946	\$ 1,649,683
<u>Deductions</u>		
Payments of property tax to other governments	\$ 19,427,684	\$ -
Payments to state	3,342,867	1,588,459
Payments to other individuals/entities	22,562	-
	<u>22,793,113</u>	<u>1,588,459</u>
Total Deductions	\$ 22,793,113	\$ 1,588,459
Change in Net Position	\$ 568,833	\$ 61,224
Net Position – January 1	<u>695,539</u>	<u>-</u>
Net Position – December 31	<u><u>\$ 1,264,372</u></u>	<u><u>\$ 61,224</u></u>

Exhibit C-2

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Civil Process	Total Custodial Funds
\$ 324,899	\$ -	\$ -	\$ -	\$ 324,899
-	-	254	-	254
-	-	-	-	19,863,103
-	-	-	-	5,062,676
-	-	123,896	-	123,896
-	241,369	964	153,440	481,623
\$ 324,899	\$ 241,369	\$ 125,114	\$ 153,440	\$ 25,856,451
\$ -	\$ -	\$ -	\$ -	\$ 19,427,684
-	-	-	-	4,931,326
312,549	214,076	95,180	153,440	797,807
\$ 312,549	\$ 214,076	\$ 95,180	\$ 153,440	\$ 25,156,817
\$ 12,350	\$ 27,293	\$ 29,934	\$ -	\$ 699,634
10,305	140,450	240,088	-	1,086,382
\$ 22,655	\$ 167,743	\$ 270,022	\$ -	\$ 1,786,016

Other Schedules

**Hubbard County
Park Rapids, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022**

	Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 6,218,981
Market value credit	126,276
Police aid	207,006
County program aid	997,010
Enhanced 911	190,094
Out of home placement aid	20,833
Select Committee on Recycling and the Environment (SCORE)	72,440
Riparian protection aid	40,000
Aquatic invasive species aid	263,133
Total appropriations and shared revenue	\$ 8,135,773
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 1,075,161
Payments	
Local	
Payments in lieu of taxes	\$ 912,246
Grants	
State	
Minnesota Department of Corrections	\$ 15,395
Human Services	2,095,820
Natural Resources	196,643
Supreme Court	40,000
Transportation	343,293
Veterans Affairs	16,459
Board of Water and Soil Resources	65,382
Historical Society	71,199
Pollution Control Agency	203,613
Secretary of State	22,228
Total state	\$ 3,070,032

**Hubbard County
Park Rapids, Minnesota**

Exhibit D-1
(Continued)

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 296,430
Justice	46,000
Transportation	142,186
Health and Human Services	1,745,382
Homeland Security	43,944
Election Assistance Commission	29,038
Total federal	<u>\$ 2,302,980</u>
Total state and federal grants	<u>\$ 5,373,012</u>
Total Intergovernmental Revenue	<u><u>\$ 15,496,192</u></u>

**Hubbard County
Park Rapids, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	\$ 296,430
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2020-HUBBARAO	\$ 57,500
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1048092	\$ 171,455
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC22-2022-HUBBSO	2,681
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Highway Safety Cluster	20.608	F-ENFRC22-2022-HUBBSO	3,102
National Priority Safety Programs	20.616	F-ENFRC22-2022-HUBBSO	<u>2,069</u>
Total U.S. Department of Transportation			\$ 179,307
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,000,000
U.S. Election Assistance Commission			
Passed Through Office of the Minnesota Secretary of State 2018 HAVA Election Security Grants	90.404	Not Provided	\$ 29,038
U.S. Department of Health and Human Services			
Direct			
COVID-19 – Provider Relief Fund	93.498		\$ 212,852
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPS	5,149
Temporary Assistance for Needy Families	93.558	2201MNTANF	229,137
Child Support Enforcement	93.563	2201MNCSES	55,334
Child Support Enforcement	93.563	2201MNCES	194,307
(Total Child Support Enforcement 93.563 \$249,641)			
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2201MNRCA	485
Child Care and Development Block Grant	93.575	2201MNCDF	8,934
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	4,576
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	4,125
Foster Care – Title IV-E	93.658	2201MNFOS	188,971
Social Services Block Grant	93.667	2201MNSOSR	142,232
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	9,402

**Hubbard County
Park Rapids, Minnesota**

Exhibit D-2
(Continued)

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	500
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	1,987
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$2,487)			
Children's Health Insurance Program	93.767	2205MN5021	1,591
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	818,625
Medical Assistance Program	93.778	2205MN5MAP	10,768
(Total Medical Assistance Program 93.778 \$829,393)			
Total U.S. Department of Health and Human Services			\$ 1,888,975
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	HUBBARD FBE	\$ 17,657
Boating Safety Financial Assistance	97.012	HUBBARD FBP	5,000
(Total Boating Safety Financial Assistance 97.012 \$22,657)			
Emergency Management Performance Grants	97.042	F-EMPG-2020-HUBBARCO	21,287
Total U.S. Department of Homeland Security			\$ 43,944
Total Federal Awards			\$ 3,495,194

Hubbard County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 296,430
Total expenditures for Highway Safety Cluster	4,750
Total expenditures for CCDF Cluster	8,934
Total expenditures for Medicaid Cluster	829,393

**Hubbard County
Park Rapids, Minnesota**

Notes to the Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

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.

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, 2022. 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.

Note 2 – De Minimis Cost Rate

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

**Hubbard County
Park Rapids, Minnesota**

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,302,980
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Crime Victim Assistance (AL No. 16.575)	11,500
Formula Grants for Rural Areas and Tribal Transit Program (AL No. 20.509)	37,121
Promoting Safe and Stable Families (AL No. 93.556)	1,308
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	1,315
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	2,331
Unavailable revenue in 2021, recognized as revenue in 2022	
Promoting Safe and Stable Families (AL No. 93.556)	(846)
Temporary Assistance for Needy Families (AL No. 93.558)	(66,961)
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(1,297)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(770)
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(1,704)
Child Abuse and Neglect State Grants (AL No. 93.669)	(1,696)
Children’s Health Insurance Program (AL No. 93.767)	(939)
Grants receipted into the Heritage Community Enterprise Fund	
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds (AL No. 21.027)	1,000,000
COVID-19 – Provider Relief Fund (AL No. 93.498)	212,852
Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,495,194

Management and Compliance Section



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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, 2022, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2023. Our report includes a reference to other auditors who audited the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, included in the Heritage Community Enterprise Fund, and the Hubbard County Housing and Redevelopment Authority discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider

the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, and 2022-003 through 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Hubbard County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

December 12, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hubbard County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Hubbard County's major federal programs for the year ended December 31, 2022, except for the major program listed below:

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

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

In our opinion, based on our audit and the audit of other auditors, Hubbard County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hubbard County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Hubbard County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hubbard County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-006 and 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-006 and 2022-007 to be significant deficiencies.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

December 12, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Hubbard County Park Rapids, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **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 federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

Identification of the major federal programs:

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

The threshold used to distinguish between Type A and B programs was \$750,000.

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

Section II – Financial Statement Findings

2022-001 Documenting and Monitoring Internal Controls

Prior Year Finding Number: 2021-001

Repeat Finding Since: 2007

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: County management is responsible for developing and monitoring its internal controls. This responsibility requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls established by management are

Hubbard County Park Rapids, Minnesota

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

View of Responsible Official: Acknowledge

2022-002 Audit Adjustments

Prior Year Finding Number: 2021-002

Repeat Finding Since: 2021

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

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

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

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

Hubbard County Park Rapids, Minnesota

- The General Fund required an adjustment of \$261,648 to increase due from other funds and transfers in to record additional receivables from the Land Management Special Revenue Fund, and an adjustment of \$1,967,490 to increase due from other funds to account for the reimbursement due from the Heritage Community Enterprise Fund for expenditures that were covered by the General Fund.
- The Social Services Special Revenue Fund required an adjustment to increase receivables by \$331,502, increase unavailable revenue by \$273,444, and increase intergovernmental revenue by \$58,058 to record additional receivables. In addition, accounts payable and restricted fund balance were reduced by \$326,394 to correct 2022 beginning balances.

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

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

View of Responsible Official: Acknowledge

2022-003 Journal Entry Approval

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: The County's procedures related to its journal entry process requires all journal entries to include documentation of approval by the appropriate accounting personnel.

Condition: Three of the four journal entries tested did not have documentation of review.

Context: During the training process, the procedure to have the employee sign the entries after review was overlooked.

Effect: Without proper review and approval of journal entries, there is an increased risk that errors or irregularities may not be detected in a timely manner.

Cause: The County indicated journal entries were reviewed by a new staff person who overlooked signing to document their review.

Recommendation: We recommend the County review and approve journal entries and retain documentation of the review.

View of Responsible Official: Acknowledge

Hubbard County Park Rapids, Minnesota

2022-004 Bank Reconciliation

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented and detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

Condition: During review of the County's December 2022 bank reconciliation, a number of adjustments were identified by the client to correct timing delays and errors in recorded cash in the general ledger, some of which were delayed as long as eight months. In addition, the bank reconciliation included an unreconciled difference of approximately \$714.

Context: The unreconciled difference is minimal. Ninety percent of the identified adjustments were related to tax collections.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner.

Cause: The County informed us there was turnover in experienced staff and they have not been able to investigate and correct the differences.

Recommendation: We recommend the County review procedures in place over preparation of the bank reconciliation as well as the timeliness of its completion. Necessary adjustments should be made to the general ledger in a timely manner to ensure bank records reconcile to the County's general ledger.

View of Responsible Official: Acknowledge

2022-005 Taxes and Penalties Custodial Fund Reconciliation

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be detected in a timely manner. A reconciliation of the cash balance in the Taxes and Penalties Custodial Fund should be performed periodically to ensure tax collections, settlements, and other activities are being accurately accounted for.

Condition: The County did not complete a year-end reconciliation of the cash balance for the Taxes and Penalties Custodial Fund and did not identify accounting errors made during the year.

Context: During review of the Taxes and Penalties Custodial Fund, the following issues were noted:

- overpayments in tax settlements to other governments totaling approximately \$266,418;

Hubbard County Park Rapids, Minnesota

- inaccuracies in the monthly tax receipts recorded to the general ledger resulting in a difference between general ledger receipt amounts and bank deposits of approximately \$68,000;
- an error in the settlement of prepaid taxes resulting in a reduction of funds settled to the County General Fund totaling \$61,292; and
- a remaining unidentified balance of approximately \$95,000 at December 31, 2022.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner. Unidentified balances at year-end are an indication that amounts distributed to the County or another district may have been inaccurate.

Cause: The County indicated they have not been able to reconcile the Taxes and Penalties Custodial Fund due to time constraints and limited personnel.

Recommendation: We recommend the County 1) review all identified errors and make the necessary corrections, 2) investigate the unidentified December 31, 2022, balance in the Taxes and Penalties Custodial Fund and make corrections as necessary, and 3) perform periodic reconciliations of the cash balance for the Taxes and Penalties Custodial Fund to ensure that any errors are discovered and corrected in a timely manner.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2022-006 Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting

Prior Year Finding Number: 2021-003

Repeat Finding Since: 2021

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2205MN5ADM; 2022

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

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

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

Hubbard County Park Rapids, Minnesota

Condition: For a portion of the year, salary and benefits for the Office Support Specialist position were allocated 30 percent to Income Maintenance costs on the DHS-2550 reports and 59 percent to Social Services costs on the DHS-2556 reports when the County's support indicated that it should have been allocated 33 percent and 53 percent, respectively. Additionally, revenues reported in the fourth quarter DHS-2556 report were understated.

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 and provide detailed information necessary for maintaining proper oversight over federal programs.

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

Effect: Errors in the submission of costs on the quarterly reports can impair DHS's ability to provide required oversight over federal programs and can result in the County receiving either more or less federal funds than can be justified based on the actual underlying activity. For the year, the errors identified resulted in expenditures on the DHS-2550 reports being understated approximately \$4,100 and expenditures on DHS-2556 reports being overstated approximately \$7,800. Revenues on the fourth quarter DHS-2556 report were understated by approximately \$90,000.

Cause: The expenditure allocation rates for the Office Support Specialist position were not updated in the payroll system at the beginning of the year and the support for the fourth quarter DHS-2556 revenues was generated before all receipts had been posted to the County general ledger.

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

View of Responsible Official: Acknowledge

2022-007 Reporting – LCTS Spending Report

Prior Year Finding Number: 2021-004

Repeat Finding Since: 2021

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2205MN5ADM; 2022

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.

Hubbard County Park Rapids, Minnesota

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

Condition: During the review of the 2022 LCTS Annual Spending Report, it was 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 Social Services' behalf. The classification of reported amounts into the specific spending categories was estimated based on set allocation rates rather than the actual uses of the funds. Support for the allocation rates used could not be provided.

Questioned Costs: None

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

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

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

Cause: The County's method for reporting funds spent is based on past practice. Procedures have not been put in place to obtain necessary spending information from the LCTS funding recipients.

Recommendation: We recommend the County develop a process to collect the necessary spending information from the various LCTS funding recipients to facilitate completion of the LCTS Annual Spending Report in accordance with DHS instructions.

View of Responsible Official: Acknowledge



Hubbard County Auditor-Treasurer

301 Court Avenue
Park Rapids, MN 56470

Email: kay.rave@co.hubbard.mn.us
Phone: 218.732.3196 Fax: 218.732.3645

Representation of Hubbard County Park Rapids, Minnesota

Corrective Action Plan For the Year Ended December 31, 2022

Finding Number: 2022-001**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: 2022-002**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:

This is an ongoing task with no completion date.



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Finding Number: 2022-003**Finding Title: Journal Entry Approval**Name of Contact Person Responsible for Corrective Action:

Kay Rave for all funds except Fund 11; Brian Ophus for Fund 11

Corrective Action Planned:

Review and approve journal entries and retain documentation of the review.

Anticipated Completion Date:

December 2023 and on-going.

Finding Number: 2022-004**Finding Title: Bank Reconciliation**Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

All accounts will be reconciled monthly to Trial Balance Cash Balance. Differences will be investigated as discovered and corrected.

Anticipated Completion Date:

Ongoing – completed each month after bank reconciliations are complete. Estimated completion dates are 15th to the last day of each month.

Finding Number: 2022-005**Finding Title: Taxes and Penalties Custodial Fund Reconciliation**Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

Settlements have been reconciled to each school district; these reconciliations will be used in the future to maintain and prove accuracy.

Anticipated Completion Date:

November 22, 2023

Kay Rave, Auditor-Treasurer

Marie Knutson- Finance Coordinator

Hope Brown, Dep. Auditor

Sara Blaeser, Dep. Treasurer

Nikki Gack, Dep. Treasurer

Lauri Savoie, Dep. Treasurer

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Finding Number: 2022-006

Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Social Services Director

Corrective Action Planned:

Staff allocations have been re calculated per DHS guidelines in the new County Payroll system.

Anticipated Completion Date:

November 1, 2023

Finding Number: 2022-007

Finding Title: Reporting – LCTS Spending Report
Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Brian Ophus, Social Services Director

Corrective Action Planned:

LCTS recipients have been given education on the importance of timely reporting, Hubbard County has provided recipients with the proper tools and timelines in order to meet the deadlines. DHS was notified of the tardiness from recipients and issued a warning to them.

Anticipated Completion Date:

October 1, 2023



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Representation of Hubbard County Park Rapids, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2015-010

Year of Finding Origination: 2015

Finding Title: Procurement, Suspension, and Debarment

Program: Medical Assistance Program (Assistance Listing #93.778)

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

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

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2019-005

Year of Finding Origination: 2019

Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting

Program: Medical Assistance Program (Assistance Listing #93.778)

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

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

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

Kay Rave, Auditor-Treasurer

Marie Knutson- Finance Coordinator

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Lauri Savoie, Dep. Treasurer

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Status: Not Corrected. See Finding 2021-004 on this schedule for the current status. For the 2022 audit, this finding is reported as 2022-007.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-001

Year of Finding Origination: 2007

Finding Title: Documenting and Monitoring Internal Controls

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

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

Status: Not Corrected. We are in the process of reviewing and formalizing our policies and procedures for internal controls and monitoring.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002

Year of Finding Origination: 2021

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. Corrective action is ongoing as staff turnover has been significant due to retirements and replacement and training of new staff.

Corrective action taken was not significantly different than the action previously reported.

Kay Rave, Auditor-Treasurer

Marie Knutson- Finance Coordinator

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Finding Number: 2021-003

Year of Finding Origination: 2021

**Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Reporting
Program: Medical Assistance Program (Assistance Listing #93.778)**

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

Summary of Corrective Action Previously Reported: County will implement controls that ensure that costs submitted on the quarterly reports are accurate and consistent with DHS guidance.

Status: Partially Correct. Staff allocations have been re-calculated per DHS guidelines in the new County Payroll system.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-004

Year of Finding Origination: 2021

Finding Title: Reporting – LCTS Spending Report

Program: Medical Assistance Program (Assistance Listing #93.778)

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

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

Status: Partially Corrected. LCTS recipients have been given education on the importance of timely reporting, Hubbard County has provided recipients with the proper tools and timelines in order to meet the deadlines. DHS was notified of the tardiness from recipients and issued a warning to them.

Corrective action taken was not significantly different than the action previously reported.

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