

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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### **Mahnomen County Mahnomen, Minnesota**

Year Ended December 31, 2021

## Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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# **Mahnomen County Mahnomen, Minnesota**

Year Ended December 31, 2021



**Office of the State Auditor**

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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MAHNOMEN, MINNESOTA**

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## **INTRODUCTORY SECTION**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2021**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Darvin Schoenborn <sup>1</sup>	January 2025
2nd District	Scott McCollum	January 2023
3rd District	Larry Olson	January 2023
4th District	Karen Ahmann	January 2025
5th District	David Geray <sup>2</sup>	January 2025
<b>Officials</b>		
<b>Elected</b>		
Attorney	Julie Bruggeman <sup>3</sup>	January 2023
Auditor	James Lee	January 2023
County Recorder	Susan Bendickson	January 2023
Registrar of Titles	Susan Bendickson	January 2023
Sheriff	Josh Guenther	January 2023
Treasurer	Brenda Lundon	January 2023
<b>Appointed</b>		
Assessor	Jeff Bjerk	December 2024
County Administrator	CJ Holl	Indefinite
Court Administrator	Carrisa Scholz	Indefinite
Highway Engineer	Jonathan Large	May 2025
Veterans Service Officer	John Nelson	Indefinite
Medical Examiner	Dr. Mary Ann Sens	Indefinite
Solid Waste Officer	Vacant <sup>4</sup>	Indefinite
Social Services Director	Julie Hanson	Indefinite

<sup>1</sup>Chair

<sup>2</sup>Vice Chair

<sup>3</sup>Mitch Schulter, previous County Attorney, resigned October 17, 2021. Julie Bruggeman was appointed as Mahnomen County Attorney for the remainder of the term.

<sup>4</sup>Mark Diekman, previous Solid Waste Officer, retired September 30, 2020. The position has not been filled. CJ Holl, County Administrator, has assumed the duties of the Solid Waste Officer position.



**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Mahnomen County  
Mahnomen, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mahnomen County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Mahnomen County as of December 31, 2021, and the respective changes in financial position 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 Mahnomen Health Center, the discretely presented component unit, as of December 31, 2021, 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 Mahnomen Health Center, 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.

### ***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, the Budgetary Comparison Schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Mahanomen County's basic financial statements. The nonmajor funds combining statements, the Budgetary Comparison Schedules for each nonmajor special revenue fund, fiduciary funds combining statements, Schedule of Deposits and Investments, Balance Sheet by Ditch – Ditch Special Revenue Fund, 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, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

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

*/s/Julie Blaha*

*/s/Dianne Syverson*

JULIE BLAHA  
STATE AUDITOR

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

December 5, 2022

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

**INTRODUCTION**

Mahnomen County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on the current year and past year's activities, resulting changes, and known facts, it should be read in conjunction with Mahnomen County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities: total net position is \$41,770,298, of which Mahnomen County has a net investment in capital assets of \$36,563,218; \$6,341,628 is restricted to specific purposes/uses; and (\$1,134,548) is classified as unrestricted by the County.
- The County's net position increased by \$1,784,954 for the year ended December 31, 2021.
- The net costs (expenses) of Mahnomen County's governmental activities for the year ended December 31, 2021, were \$5,226,635. General property tax revenues and other revenue sources funded those costs.
- Mahnomen County's total governmental funds' fund balances increased by \$1,971,005.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

<b>Management’s Discussion and Analysis</b> (Required Supplementary Information)
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<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

<b>Required Supplementary Information</b> (Other than Management’s Discussion and Analysis)
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Mahnomen County presents two government-wide financial statements. They are the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of the County’s finances. Mahnomen County’s fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how the County financed services in the short term as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide statements by providing information about the County’s most significant/major funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

**Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about Mahnomen County as a whole and about its activities in a way that helps the reader determine whether the County’s financial condition has improved or declined as a result of the current year’s activities. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Mahnomen County’s current year revenues and expenses regardless of when the County receives the revenue or pays the expenditure. These two statements report Mahnomen County’s net position and changes in net position. You can think of the County’s net position as the difference between assets and liabilities. This is one way to measure the County’s financial health or financial position. Over time, increases or decreases in the County’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the County’s property tax base and the general economic conditions of the state and County, in order to assess the overall financial health of Mahnomen County.



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

- Governmental activities – Mahnomen County reports its basic services in the “Governmental Activities” column of these reports. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Mahnomen County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Component unit – The County includes a separate legal entity in its report. This entity is the Mahnomen Health Center. Although legally separate, this component unit is important because the County is financially accountable for it.

### **Fund Financial Statements**

Mahnomen County’s fund financial statements provide detailed information about the significant funds—not the County as a whole. Funds may be established by the County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose.

### **Governmental Funds**

The County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Mahnomen County reports these funds in its financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The County’s governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps determine whether financial resources are available that the County can spend in the near future to finance various programs within the County. Mahnomen County has described the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

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

Mahnomen County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries, based on the trust arrangement. The County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

Mahnomen County's combined total net position, as reported for the year ended December 31, 2021, was \$41,770,298. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

**Table 1  
Net Position**

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 13,166,749	\$ 9,632,050
Capital assets	<u>37,129,580</u>	<u>37,430,831</u>
Total Assets	<u>\$ 50,296,329</u>	<u>\$ 47,062,881</u>
Deferred Outflows of Resources		
Deferred pension outflows	\$ 2,502,300	\$ 782,785
Deferred other postemployment benefits outflows	<u>181,996</u>	<u>157,036</u>
Total Deferred Outflows of Resources	<u>\$ 2,684,296</u>	<u>\$ 939,821</u>
Liabilities		
Long-term liabilities	\$ 6,658,368	\$ 5,909,939
Other liabilities	<u>1,032,651</u>	<u>920,917</u>
Total Liabilities	<u>\$ 7,691,019</u>	<u>\$ 6,830,856</u>
Deferred Inflows of Resources		
Deferred pension inflows	\$ 3,352,270	\$ 987,428
Deferred other postemployment benefits inflows	164,503	198,825
Prepaid property taxes	<u>2,535</u>	<u>249</u>
Total Deferred Inflows of Resources	<u>\$ 3,519,308</u>	<u>\$ 1,186,502</u>
Net Position		
Net investment in capital assets	\$ 36,563,218	\$ 37,168,117
Restricted	6,341,628	3,582,302
Unrestricted	<u>(1,134,548)</u>	<u>(765,075)</u>
Total Net Position	<u>\$ 41,770,298</u>	<u>\$ 39,985,344</u>

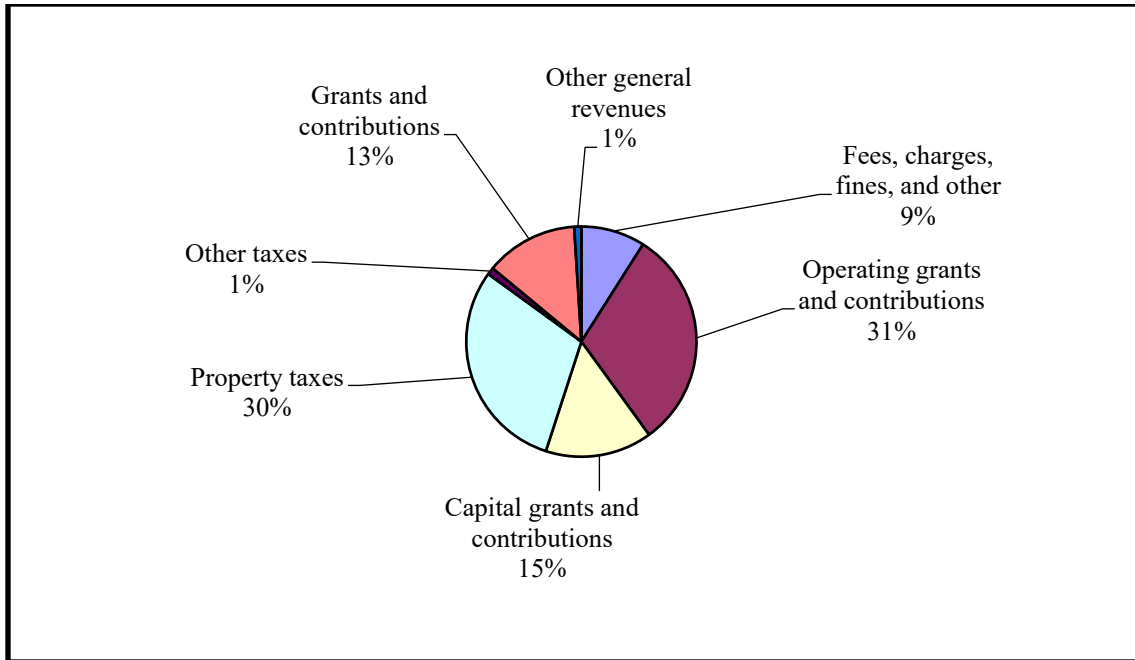
Unrestricted net assets at year-end are (\$1,134,548) and, therefore, are not available to finance day-to-day operations.

**Table 2**  
**Change in Net Position**

	2021	2020
<b>Revenues</b>		
Program revenues		
Fees, charges, fines, and other	\$ 1,377,336	\$ 1,013,268
Operating grants and contributions	4,753,366	5,796,219
Capital grants and contributions	2,330,905	1,804,174
General revenues		
Property taxes	4,678,790	4,474,334
Other taxes	124,335	123,716
Grants and contributions	2,035,189	2,059,048
Other general revenues	173,275	190,901
<b>Total Revenues</b>	<b>\$ 15,473,196</b>	<b>\$ 15,461,660</b>
<b>Expenditures</b>		
Program expenses		
General government	\$ 2,428,705	\$ 3,158,210
Public safety	3,477,461	2,832,250
Highways and streets	3,444,871	3,536,214
Sanitation	211,562	209,708
Human services	2,721,609	3,332,870
Health	144,959	114,430
Culture and recreation	151,790	152,133
Conservation of natural resources	291,420	259,973
Economic development	699,356	151,350
Interest	116,509	11,059
<b>Total Expenditures</b>	<b>\$ 13,688,242</b>	<b>\$ 13,758,197</b>
<b>Change in Net Position</b>	<b>\$ 1,784,954</b>	<b>\$ 1,703,463</b>
<b>Net Position – January 1</b>	<b>39,985,344</b>	<b>38,281,881</b>
<b>Net Position – December 31</b>	<b>\$ 41,770,298</b>	<b>\$ 39,985,344</b>

Mahnomen County's total revenues for the year ended December 31, 2021, were \$15,473,196. The total cost of County programs and services for the year ended December 31, 2021, was \$13,688,242. The net position for governmental activities increased by \$1,784,954. The following pie chart depicts those revenues in seven categories.

**Total County Revenues  
(Percent of Total)**



**Governmental Activities**

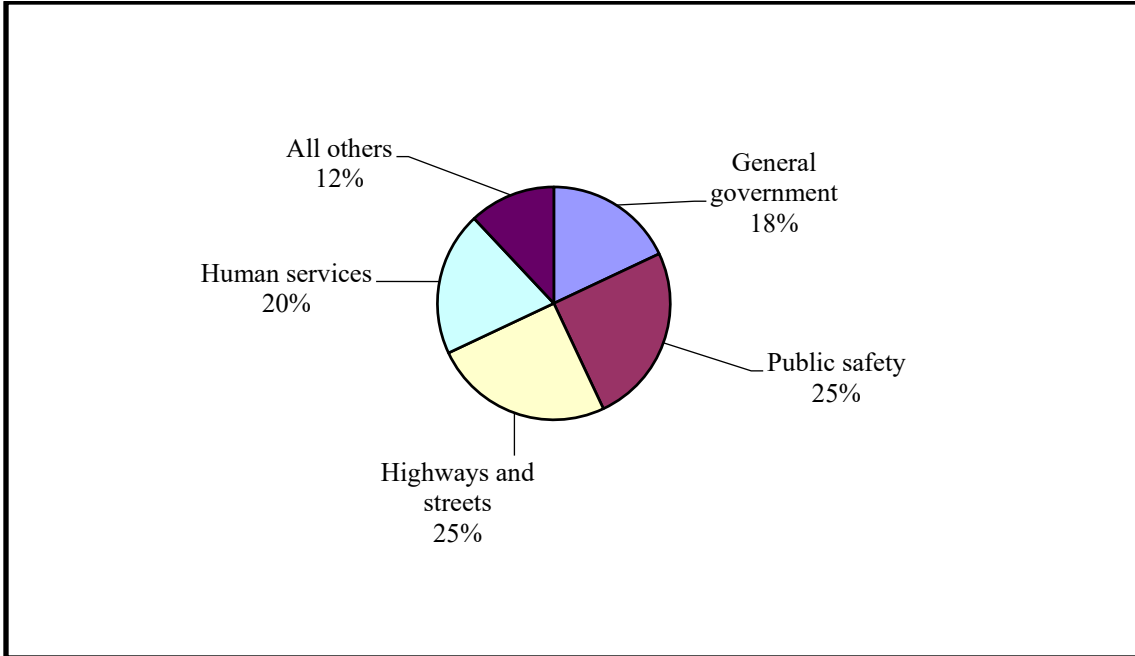
Mahnomen County’s costs for all governmental activities for the year ended December 31, 2021, were \$13,688,242, as shown on the Statement of Activities. The net cost of services was ultimately funded through local property taxes and applicable offsetting revenues such as fees, fines, interest income, and grants.

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

**Table 3  
Governmental Activities**

	2021	
	Total Cost of Services	Net Cost of Services
Program Expenses		
General government	\$ 2,428,705	\$ 2,020,317
Public safety	3,477,461	2,930,855
Highways and streets	3,444,871	(670,722)
Human services	2,721,609	402,806
All others	1,615,596	543,379
	<hr/>	<hr/>
Totals	\$ 13,688,242	\$ 5,226,635

**Governmental Activities' Expenses  
(Percent of Total)**



**The County's Funds**

As Mahanomen County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$8,310,375, which is above last year's total combined fund balance of \$6,339,370. This increase of \$1,971,005 represents a 31.09 percent total increase. Included in this total fund balance is the County's General Fund balance of \$2,345,285. The General Fund's change in fund balance (a decrease of \$634,349 from 2020) represented a 21.29 percent decrease in the General Fund balance. The General Fund's decrease was due to excess expenditures over revenues of \$667,338 and an other financing source in the amount of \$32,989. The Road and Bridge Special Revenue Fund balance increased by \$455,357, or 20.87 percent, and the Social Services Special Revenue Fund balance was increased by \$405,226, or 88.57 percent.

**General Fund Budgetary Highlights**

The Mahanomen County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget; however, in 2021, the County Board of Commissioners did not make any budgetary amendments/revisions. If the County Board of Commissioners had made changes to the budget as originally adopted on Tuesday, December 22, 2020, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the County’s General Fund, the actual revenues were over the budgeted revenues by \$368,321. The total actual expenditures in the County’s General Fund were over the budgeted expenditures by \$536,483. The actual General Fund balance decreased by a total of \$634,349.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2021, Mahnomen County had \$37,129,580 invested in a broad range of capital assets including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net decrease (including additions and deductions) of \$301,251, or 0.805 percent, from last year.

**Table 4  
Capital Assets at Year-End  
(Net of Depreciation)**

	2021	2020
Land	\$ 534,639	\$ 534,639
Construction in progress	494,499	2,096,839
Land improvements	517,988	536,324
Buildings and improvements	1,737,061	1,834,864
Machinery, furniture, and equipment	1,271,060	1,639,530
Infrastructure	32,574,333	30,788,635
<b>Totals</b>	<b>\$ 37,129,580</b>	<b>\$ 37,430,831</b>

Mahnomen County’s fiscal year 2021 capital budget plans did not call for any other major expenditures outside of the normal equipment, vehicles, and road construction projects. More detailed information about the County’s capital assets can be found in Note 3.A.3 to the Mahnomen County financial statements.

**Debt**

At the end of the current fiscal year, the County has outstanding debt of \$2,283,030. This is made up of general obligation bonds, a Minnesota Housing Finance Agency – revolving loan, and capital leases for a copy machine and various vehicles.

Information on the County’s other long-term obligations can be found in Note 3.C to the financial statements in this report.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees that will be charged for governmental activities.

- The State of Minnesota is addressing its budget surplus issues. This may or may not have a significant impact on future Mahnomen County budgets. Major revenue sources for the County are state-paid aids, credits, and grants.
- Mahnomen County's average net tax capacity rates have remained relatively consistent. The County also has a good seasonal, residential, commercial/industrial, and agricultural base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- Mahnomen County's annual unemployment rate for 2021 averaged 5.9 percent. The County's unemployment rate for 2020 averaged 10.8 percent according to the Minnesota Department of Employment and Economic Development.
- The Minnesota state demographer's census data has estimated Mahnomen County's 2021 population at 5,404 residents, which is a decrease of 0.129 percent from the 2020 actual census of 5,411.
- The 2022 net property tax levies are established as of the time of this printing and increased by \$242,047, which is an increase of 5.0 percent from 2021.
- Planning and financing for facility space needs and the possibility of a new public safety facility center project are continuing to be monitored by the County Board.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Mahnomen County programs and services will influence the development of future budgets.

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

Mahnomen County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances, and it shows the County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact James Lee, Mahnomen County Auditor, (218) 935-5669, at 311 North Main Street, PO Box 379, Mahnomen, Minnesota 56557.

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	<u>Primary Government Governmental Activities</u>	<u>Mahnomen Health Center Component Unit</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and pooled investments	\$ 8,834,021	\$ 2,301,723
Taxes receivable – delinquent	87,322	-
Special assessments receivable		
Delinquent	302	-
Noncurrent	251,161	-
Accounts receivable – net	537,055	3,173,942
Accrued interest receivable	1,514	-
Due from other governments	3,349,123	-
Inventories	79,900	135,003
Prepaid items	-	34,726
<b>Noncurrent assets</b>		
Other long-term investments	-	400,000
Investment in joint venture	-	210,628
<b>Capital assets</b>		
Non-depreciable	1,029,138	44,229
Depreciable – net of accumulated depreciation	36,100,442	3,762,975
Net pension asset	26,351	-
<b>Total Assets</b>	<b><u>\$ 50,296,329</u></b>	<b><u>\$ 10,063,226</u></b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	\$ 2,502,300	\$ 1,601,699
Deferred other postemployment benefits outflows	181,996	14,454
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 2,684,296</u></b>	<b><u>\$ 1,616,153</u></b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	<b>Primary Governmental Activities</b>	<b>Mahnomen Health Center Component Unit</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 162,245	\$ 1,131,675
Salaries payable	348,434	198,242
Compensated absences/vacation/sick payable – current	-	198,653
Contracts payable	2,759	-
Due to other governments	156,321	-
Accrued interest payable	9,745	-
Unearned revenue	353,147	192,825
Residents' personal funds	-	5,298
Gross revenue bonds – current	-	22,189
Capital leases payable – current	-	46,685
Long-term liabilities		
Long-term debt payable – noncurrent	-	36,148
Due within one year	307,341	-
Due in more than one year	2,278,405	-
Net pension liability	2,386,031	2,263,337
Other postemployment benefits liability	1,686,591	106,057
	<b>\$ 7,691,019</b>	<b>\$ 4,201,109</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred pension inflows	\$ 3,352,270	\$ 2,093,161
Deferred other postemployment benefits inflows	164,503	3,250
Prepaid property taxes	2,535	-
	<b>\$ 3,519,308</b>	<b>\$ 2,096,411</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 36,563,218	\$ 3,702,182
Restricted for		
General government	107,008	-
Public safety	63,123	-
Highways and streets	3,167,018	-
Social services	330,089	-
Sanitation	131,170	-
Capital projects	1,692,375	-
Culture and recreation	119,075	-
Conservation of natural resources	731,270	-
Held in trust for other purposes	500	-
Unrestricted	(1,134,548)	1,679,677
	<b>\$ 41,770,298</b>	<b>\$ 5,381,859</b>

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

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**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 2,428,705	\$ 196,866
Public safety	3,477,461	159,857
Highways and streets	3,444,871	133,823
Sanitation	211,562	201,397
Human services	2,721,609	242,750
Health	144,959	67,525
Culture and recreation	151,790	-
Conservation of natural resources	291,420	125,028
Economic development	699,356	250,090
Interest	116,509	-
	<u>\$ 13,688,242</u>	<u>\$ 1,377,336</u>
<b>Total Primary Government</b>	<b>\$ 13,688,242</b>	<b>\$ 1,377,336</b>
<b>Component unit</b>		
Mahnomen Health Center	<b>\$ 11,079,084</b>	<b>\$ 10,428,970</b>

**General Revenues**

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

**Total general revenues**

**Change in net position**

**Net Position – Beginning**

**Net Position – Ending**

**EXHIBIT 2**

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Mahnomen Health Center Component Unit</u>
\$ 399,621	\$ -	\$ (1,832,218)	
386,749	-	(2,930,855)	
1,683,920	2,297,850	670,722	
71,066	-	60,901	
2,076,053	-	(402,806)	
-	-	(77,434)	
106,634	-	(45,156)	
29,323	-	(137,069)	
-	33,055	(416,211)	
-	-	(116,509)	
<u>\$ 4,753,366</u>	<u>\$ 2,330,905</u>	<u>\$ (5,226,635)</u>	
<u>\$ 2,838,540</u>	<u>\$ 13,031</u>		<u>\$ 2,201,457</u>
		\$ 4,678,790	\$ -
		-	54,709
		4,286	-
		2,035,189	-
		120,049	7,657
		(1,642)	23,199
		174,917	-
		<u>\$ 7,011,589</u>	<u>\$ 85,565</u>
		\$ 1,784,954	\$ 2,287,022
		<u>39,985,344</u>	<u>3,094,837</u>
		<u>\$ 41,770,298</u>	<u>\$ 5,381,859</u>

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and pooled investments	\$ 3,052,775	\$ 2,479,613
Petty cash and change funds	1,700	-
Taxes receivable – delinquent	59,604	12,571
Special assessments		
Delinquent	-	110
Noncurrent	218,161	-
Accounts receivable	27,144	-
Accrued interest receivable	1,514	-
Due from other funds	30,680	1,355
Due from other governments	120,870	2,990,597
Inventories	-	79,900
	<b>\$ 3,512,448</b>	<b>\$ 5,564,146</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 72,587	\$ 12,498
Salaries payable	222,834	42,225
Contracts payable	-	2,759
Due to other funds	48,411	6,464
Due to other governments	86,957	27
Unearned revenue	353,147	-
	<b>\$ 783,936</b>	<b>\$ 63,973</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	\$ 381,479	\$ 2,863,021
Prepaid property taxes	1,748	341
	<b>\$ 383,227</b>	<b>\$ 2,863,362</b>



**EXHIBIT 3**

<u>Social Services</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 807,539	\$ 1,709,525	\$ 782,869	\$ 8,832,321
-	-	-	1,700
15,147	-	-	87,322
-	-	192	302
-	-	33,000	251,161
181,321	-	328,590	537,055
-	-	-	1,514
-	-	-	32,035
235,256	-	2,400	3,349,123
-	-	-	79,900
<u><b>\$ 1,239,263</b></u>	<u><b>\$ 1,709,525</b></u>	<u><b>\$ 1,147,051</b></u>	<u><b>\$ 13,172,433</b></u>
\$ 74,936	\$ 62	\$ 2,162	\$ 162,245
81,878	-	1,497	348,434
-	-	-	2,759
17,425	17,088	753	90,141
287	-	10,944	98,215
-	-	-	353,147
<u><b>\$ 174,526</b></u>	<u><b>\$ 17,150</b></u>	<u><b>\$ 15,356</b></u>	<u><b>\$ 1,054,941</b></u>
\$ 201,606	\$ -	\$ 358,476	\$ 3,804,582
389	-	57	2,535
<u><b>\$ 201,995</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 358,533</b></u>	<u><b>\$ 3,807,117</b></u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 79,900
Missing heirs	500	-
Restricted for		
Minnesota Housing Finance Agency – Revolving Fund	50,681	-
Recorder's technology equipment	66,250	-
E-911	-	25,255
Recorder's compliance	40,758	-
Capital projects	-	-
Child protection services	-	-
Extension youth program	395	-
Administering the carrying of weapons	32,089	-
SCORE	-	-
Highway projects	-	295,222
Gravel pit restoration	-	19,770
Ditch maintenance and construction	-	-
DARE	378	-
Timber development	204,577	-
K-9	2,966	-
Parks and recreation	119,075	-
Riparian protection	242,476	-
Aquatic invasive species prevention	28,844	-
Sheriff's contingencies	2,435	-
Assigned to		
Highways and streets	-	2,216,664
Social services	-	-
Solid waste	-	-
Hospital reserve	-	-
Unassigned	1,553,861	-
<b>Total Fund Balances</b>	<b>\$ 2,345,285</b>	<b>\$ 2,636,811</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,512,448</b>	<b>\$ 5,564,146</b>

**EXHIBIT 3  
(Continued)**

<u>Social Services</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 79,900
-	-	-	500
-	-	-	50,681
-	-	-	66,250
-	-	-	25,255
-	-	-	40,758
-	1,692,375	-	1,692,375
15,626	-	-	15,626
-	-	-	395
-	-	-	32,089
-	-	131,170	131,170
-	-	-	295,222
-	-	-	19,770
-	-	254,978	254,978
-	-	-	378
-	-	-	204,577
-	-	-	2,966
-	-	-	119,075
-	-	-	242,476
-	-	-	28,844
-	-	-	2,435
-	-	-	2,216,664
847,116	-	-	847,116
-	-	353,722	353,722
-	-	33,292	33,292
-	-	-	1,553,861
<b>\$ 862,742</b>	<b>\$ 1,692,375</b>	<b>\$ 773,162</b>	<b>\$ 8,310,375</b>
<b>\$ 1,239,263</b>	<b>\$ 1,709,525</b>	<b>\$ 1,147,051</b>	<b>\$ 13,172,433</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances – total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>8,310,375</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		37,129,580
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds		2,502,300
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,804,582
Net pension assets are not available to pay for current period expenditures and, therefore, are not reflected in the governmental funds.		26,351
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (2,015,000)	
Bond premium	(62,260)	
Capital leases	(262,349)	
Due to Minnesota Housing Finance Agency – Revolving Fund	(50,681)	
Accrued interest payable	(9,745)	
Compensated absences	(195,456)	
Other postemployment benefits liability	(1,686,591)	
Net pension liability	<u>(2,386,031)</u>	(6,668,113)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,352,270)
Deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		(164,503)
Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		<u>181,996</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>41,770,298</u></b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,219,985	\$ 671,633
Special assessments	-	3
Licenses and permits	20,304	-
Intergovernmental	2,643,687	3,130,016
Charges for services	303,962	130,891
Fines and forfeits	11,533	-
Gifts and contributions	9,618	-
Investment earnings	(754)	-
Miscellaneous	306,628	61,689
	<b>\$ 6,514,963</b>	<b>\$ 3,994,232</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 2,791,963	\$ -
Public safety	3,243,981	-
Highways and streets	-	3,429,355
Sanitation	-	-
Human services	-	-
Health	144,959	-
Culture and recreation	106,165	-
Conservation of natural resources	244,851	-
Economic development	324,664	-
<b>Intergovernmental</b>		
Highways and streets	-	164,603
Culture and recreation	45,625	-
<b>Debt service</b>		
Principal	264,204	20,307
Interest	15,889	5,900
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 7,182,301</b>	<b>\$ 3,620,165</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (667,338)</b>	<b>\$ 374,067</b>

**EXHIBIT 5**

<u>Social Services</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 790,375	\$ -	\$ -	\$ 4,681,993
-	-	53,090	53,093
-	-	-	20,304
2,186,925	-	71,066	8,031,694
67,691	-	189,470	692,014
-	-	-	11,533
-	-	-	9,618
-	-	-	(754)
172,456	-	4,075	544,848
<b>\$ 3,217,447</b>	<b>\$ -</b>	<b>\$ 317,701</b>	<b>\$ 14,044,343</b>
\$ -	\$ 10,000	\$ -	\$ 2,801,963
-	277,043	-	3,521,024
-	-	-	3,429,355
-	-	209,247	209,247
2,806,513	16,220	-	2,822,733
-	-	-	144,959
-	-	-	106,165
-	-	47,646	292,497
-	-	-	324,664
-	-	-	164,603
-	-	-	45,625
4,258	-	6,509	295,278
1,450	-	1,903	25,142
-	81,647	-	81,647
-	750	-	750
<b>\$ 2,812,221</b>	<b>\$ 385,660</b>	<b>\$ 265,305</b>	<b>\$ 14,265,652</b>
<b>\$ 405,226</b>	<b>\$ (385,660)</b>	<b>\$ 52,396</b>	<b>\$ (221,309)</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Other Financing Sources (Uses)</b>		
Bonds issued	\$ -	\$ -
Premium on bonds issued	-	-
Proceeds from MHFA loan	7,152	-
Proceeds from capital lease	25,837	80,977
	<b>\$ 32,989</b>	<b>\$ 80,977</b>
<b>Total Other Financing Sources (Uses)</b>		
	<b>\$ (634,349)</b>	<b>\$ 455,044</b>
<b>Net Change in Fund Balance</b>		
	<b>2,979,634</b>	<b>2,181,454</b>
<b>Fund Balance – January 1</b>	<b>-</b>	<b>313</b>
<b>Increase (decrease) in inventories</b>		
	<b>\$ 2,345,285</b>	<b>\$ 2,636,811</b>
<b>Fund Balance – December 31</b>		

**EXHIBIT 5**  
**(Continued)**

<u>Social Services</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ 2,015,000	\$ -	\$ 2,015,000
-	63,035	-	63,035
-	-	-	7,152
-	-	-	106,814
<u>\$ -</u>	<u>\$ 2,078,035</u>	<u>\$ -</u>	<u>\$ 2,192,001</u>
\$ 405,226	\$ 1,692,375	\$ 52,396	\$ 1,970,692
457,516	-	720,766	6,339,370
-	-	-	313
<u>\$ 862,742</u>	<u>\$ 1,692,375</u>	<u>\$ 773,162</u>	<u>\$ 8,310,375</u>



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT 6**

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

**Net change in fund balance – total governmental funds (Exhibit 5) \$ 1,970,692**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Unavailable revenue – December 31	\$ 3,804,582	
Unavailable revenue – January 1	<u>(2,371,514)</u>	1,433,068

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 1,888,896	
Current year depreciation	<u>(2,190,147)</u>	(301,251)

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net 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 net position.

Proceeds of new debt		
General obligation bonds issued	\$ (2,015,000)	
Minnesota Housing Finance Agency – Revolving Fund	(7,152)	
Capital lease	(106,814)	
Premium on bonds issued	<u>(63,035)</u>	(2,192,001)

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

Principal repayments		
Minnesota Housing Finance Agency – Revolving Fund	\$ 188,099	
Capital lease	<u>107,179</u>	295,278

**MAHNOMEN COUNTY  
MAHNOMEN, 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, 2021**

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

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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 the governmental funds.

Change in accrued interest payable	\$	(9,745)	
Change in compensated absences		12,249	
Change in other postemployment benefits liability		(102,158)	
Change in net pension asset		26,351	
Change in net pension liability		1,237,428	
Change in deferred pension outflows of resources		1,719,515	
Change in deferred pension inflows of resources		(2,364,842)	
Change in deferred other postemployment benefits outflows		24,960	
Change in deferred other postemployment benefits inflows		34,322	
Change in inventories		313	
		578,393	
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>			<b>\$ 1,784,954</b>

**FIDUCIARY FUNDS**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2021**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 42,426	\$ 202,458
Taxes receivable for other governments	-	85,342
Accounts receivable	-	8,274
Due from other funds	-	58,106
Due from other governments	-	214
Accrued interest receivable	-	5
<b>Total Assets</b>	<b>\$ 42,426</b>	<b>\$ 354,399</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 854	\$ -
Due to other governments	897	70,439
<b>Total Liabilities</b>	<b>\$ 1,751</b>	<b>\$ 70,439</b>
<b><u>Deferred Inflows of Resources</u></b>		
Prepaid taxes	\$ -	\$ 1,339
<b><u>Net Position</u></b>		
Restricted for Individuals, organizations, other governments	<b>\$ 40,675</b>	<b>\$ 282,621</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT 8*

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

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<b>Additions</b>		
Contributions		
Individuals	\$ 212,444	\$ 70,113
Investment earnings		
Interest, dividends, and other	-	2,190
Property tax collections for other governments	-	9,368,824
Contributions from participants	-	306,451
Licenses and fees collected for state	-	117,323
	<hr/>	<hr/>
<b>Total Additions</b>	<b>\$ 212,444</b>	<b>\$ 9,864,901</b>
<b>Deductions</b>		
Beneficiary payments to individuals	\$ 204,398	\$ -
Payments of property tax to other governments	-	9,310,926
Payments to other governments	-	256,250
Payments to state	-	187,355
Administrative expense	-	7,500
Distributions to participants	-	2,577
	<hr/>	<hr/>
<b>Total Deductions</b>	<b>\$ 204,398</b>	<b>\$ 9,764,608</b>
<b>Change in net position</b>	<b>\$ 8,046</b>	<b>\$ 100,293</b>
<b>Net Position – January 1</b>	<b>32,629</b>	<b>182,328</b>
	<hr/>	<hr/>
<b>Net Position – December 31</b>	<b>\$ 40,675</b>	<b>\$ 282,621</b>
	<hr/> <hr/>	<hr/> <hr/>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Mahnomen County was established December 27, 1906, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Mahnomen County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Mahnomen County is discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements Available at</u>
Mahnomen Health Center	The County appoints a majority of the Mahnomen Health Center Board and may be obliged to finance a deficit or debt of the Health Center.	Mahnomen Health Center 414 West Jefferson PO Box 396 Mahnomen, Minnesota 56557

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations, which are described in Notes 5.B and 5.C, respectively.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net 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 activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function, segment, or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs. Sources of revenues include property taxes, intergovernmental revenues, and charges for services.

The Capital Projects Fund is used to account for the funds used in connection with the Capital Improvement Plan for the renovation of a bank building for Social Services, Courthouse improvements, and a Sheriff's Office radio dispatch console.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes.

The Private-Purpose Trust Fund accounts for funds held in trust that the County acts on behalf of individuals as representative payee.

Custodial funds are custodial in nature. These funds account for activity that the County holds for others in an agent capacity.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide 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. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Mahnomen County considers all revenues as available if 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 susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

The County reports negative pooled investment earnings of \$754 due to a decrease in the market value of investments.

2. Receivables and Payables

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

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

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

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2021 and noncurrent special assessments payable in 2021 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments. Special assessments receivable also consist of a special assessment authorized by the County as a pass-through entity for the St. Paul Port Authority to administer the Property Assessed Clean Energy (PACE) financing program. As part of the agreement, the County levies special assessments on each parcel each year and sends the payment to the St. Paul Port Authority to pay the debt service. No provision has been made for an estimated uncollectible amount for the PACE-related special assessments. All other special assessments receivable are shown net of allowance for uncollectibles.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. 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 at the government-wide level are recorded as expenses when consumed.

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The County's capitalization threshold for capital assets is as follows:

<u>Assets</u>	<u>Capitalization Threshold</u>
Land	\$ 1
Buildings	5,000
Building improvements	5,000
Public domain infrastructure	1
Furniture, equipment, and vehicles	5,000

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Building improvements	10 - 30
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 15

6. Unearned Revenue

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both 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 financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based upon what the employee can accrue within one year, or the balance, whatever is smaller. The noncurrent portion consists of the remaining amount of vacation leave. Compensated absences are liquidated through the General Fund and other governmental funds that have personal services.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Pension Plan

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a 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 defined benefit 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 net 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. Currently, the County has four types of deferred inflows – prepaid property taxes, unavailable revenue, deferred pension inflows, and deferred OPEB inflows. Prepaid property taxes represent the County's share of tax collections collected 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 amounts arise under both the modified accrual and the full accrual basis of accounting and are reported in both the governmental

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

fund balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, and grant and allotments receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 an other financing source. 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.

11. Classification of Net Position

Net position in the government-wide statements is classified in the following components:

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classification of Net Position (Continued)

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

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

12. Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form, or 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 – amounts in which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

12. Classifications of Fund Balances (Continued)

Assigned – amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor, who has been delegated that authority by Board resolution.

Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

13. Minimum Fund Balance

The fund balance policy establishes a minimum unrestricted fund balance equal to 16 percent of total General Fund expenditures. In the event that the balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established minimum level within two years.

14. 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



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

14. Use of Estimates (Continued)

outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
Ditch Special Revenue Fund	\$ 47,646	\$ 33,000	\$ 14,646

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 8,834,021
Statement of fiduciary net position	
Cash and pooled investments	
Fiduciary funds	244,884
Total Cash and Investments	\$ 9,078,905

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

a. Deposits

Mahnomen County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect County 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize its exposure to custodial credit risk by requiring all deposits to be insured or collateralized in accordance with Minn. Stat. § 118A.03. As of December 31, 2021, the County's deposits were not exposed to custodial credit risk.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

b. 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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 policy is to diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The County invests in both short-term and long-term investments and times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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. It is the County's policy to invest 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. As of December 31, 2021, the County's investments were not exposed to custodial credit risk.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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. The County's policy is to diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities.

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

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank Bonds	AA+	S&P		6/30/2026	\$ 98,578
Negotiable certificates of deposit					
Wells Fargo Advisors	N/A	N/A	95.62%	Varies	<u>2,153,681</u>
Total investments					\$ 2,252,259
Deposits					6,824,946
Change funds					<u>1,700</u>
Total Cash and Investments					<u>\$ 9,078,905</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2021, the County had the following recurring fair value measurements.

	December 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Federal Home Loan Bank Bonds	\$ 98,578	\$ -	\$ 98,578	\$ -
Negotiable certificates of deposit	2,153,681	-	2,153,681	-
<b>Total Investments</b>	<b>\$ 2,252,259</b>	<b>\$ -</b>	<b>\$ 2,252,259</b>	<b>\$ -</b>

Level 2 debt securities are valued using a matrix yield-based pricing technique based on the securities' relationship to benchmark quoted prices.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2021, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectible Amounts	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 87,322	\$ -	\$ 87,322	\$ -
Special assessments – delinquent	302	-	302	-
Special assessments – noncurrent	251,161	-	251,161	198,379
Accounts	780,047	242,992	537,055	-
Accrued interest	1,514	-	1,514	-
Due from other governments	3,349,123	-	3,349,123	-
Total Governmental Activities	<u>\$ 4,469,469</u>	<u>\$ 242,992</u>	<u>\$ 4,226,477</u>	<u>\$ 198,379</u>

The County currently has one agreement with the St. Paul Port Authority to administer PACE improvement financing, and to impose special assessments on participating properties that are collected by the County and remitted to the St. Paul Port Authority as repayment of the loan agreement entered into between the property owner and the St. Paul Port Authority. The agreements have varying terms. The final special assessment payment is scheduled to be received in 2030.

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 534,639	\$ -	\$ -	\$ 534,639
Construction in progress	2,096,839	474,499	2,076,839	494,499
Total capital assets not depreciated	<u>\$ 2,631,478</u>	<u>\$ 474,499</u>	<u>\$ 2,076,839</u>	<u>\$ 1,029,138</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	\$ 849,138	\$ 23,863	\$ -	\$ 873,001
Buildings	4,546,521	-	-	4,546,521
Machinery, furniture, and equipment	4,774,891	161,491	261,410	4,674,972
Infrastructure	53,271,662	3,305,882	-	56,577,544
	<u>\$ 63,442,212</u>	<u>\$ 3,491,236</u>	<u>\$ 261,410</u>	<u>\$ 66,672,038</u>
Total capital assets depreciated				
Less: accumulated depreciation for				
Land improvements	\$ 312,814	\$ 42,199	\$ -	\$ 355,013
Buildings	2,711,657	97,803	-	2,809,460
Machinery, furniture, and equipment	3,135,361	529,961	261,410	3,403,912
Infrastructure	22,483,027	1,520,184	-	24,003,211
	<u>\$ 28,642,859</u>	<u>\$ 2,190,147</u>	<u>\$ 261,410</u>	<u>\$ 30,571,596</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 34,799,353</u>	<u>\$ 1,301,089</u>	<u>\$ -</u>	<u>\$ 36,100,442</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 37,430,831</u>	<u>\$ 1,775,588</u>	<u>\$ 2,076,839</u>	<u>\$ 37,129,580</u>

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

Governmental Activities	
General government	\$ 50,115
Public safety	207,077
Highways and streets, including depreciation of infrastructure assets	1,720,032
Sanitation	8,520
Human services	15,673
Conservation	2,137
Economic development	186,593
	<u>186,593</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,190,147</u>



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund	\$ 6,464
	Social Services Special Revenue Fund	7,021
	Solid Waste Special Revenue Fund	107
	Capital Projects Fund	17,088
Total General Fund		\$ 30,680
Road and Bridge Special Revenue Fund	General Fund	\$ 709
	Solid Waste Special Revenue Fund	646
Total Road and Bridge Special Revenue Fund		\$ 1,355
Family Services Collaborative Custodial Fund	Social Services Special Revenue Fund	\$ 10,404
School District Custodial Fund	General Fund	\$ 31,785
Townships and Cities Custodial Fund	General Fund	\$ 15,892
State Revenue Custodial Fund	General Fund	\$ 25
Total Due To/From Other Funds		\$ 90,141

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2021, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 162,245
Salaries	348,434
Contracts	2,759
Due to other governments	156,321
Accrued interest	<u>9,745</u>
Total Payables	<u>\$ 679,504</u>

2. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Solid Waste Special Revenue Fund. These capital leases consist of various vehicles and a copier machine. The leases mature between the years of 2022 and 2026. Original balances for these range from \$7,343 to \$50,487, with outstanding balances ranging from \$428 to \$40,566. The total outstanding balance of the remaining leases at year-end is \$262,349.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

Year Ending December 31	Governmental Activities
2022	\$ 132,815
2023	107,862
2024	55,542
2025	28,324
2026	5,369
Total minimum lease payments	\$ 329,912
Less: amount representing interest	(67,563)
Present Value of Minimum Lease Payments	\$ 262,349

3. Long-Term Debt

Bond payments are made from the General Fund, the Road and Bridge Special Revenue Fund, and the Ditch Special Revenue Fund. Information on individual bonds payable follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2021
General obligation bonds					
2021A G.O. Capital Improvement Plan Bonds	2042	\$70,000 - \$120,000	2.000 - 2.125	\$ 2,015,000	\$ 2,015,000

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

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

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ -	\$ 32,482
2023	70,000	40,044
2024	85,000	38,494
2025	85,000	36,794
2026	90,000	35,044
2027 - 2031	470,000	147,719
2032 - 2036	520,000	98,219
2037 - 2041	575,000	43,078
2042	120,000	1,275
Total	<u>\$ 2,015,000</u>	<u>\$ 473,149</u>

5. Revolving Loan Account

In 2021, the County continued to administer the Minnesota Housing Finance Agency's (MHFA) Minnesota Urban and Rural Homestead Program (MURL). The intent of the program is to maintain and/or increase the supply of affordable, owner-occupied, single family housing by providing the County with financing to assist in the acquisition, construction, and/or rehabilitation of single family residential properties to be owned by a low-to-moderate income owner-occupant. The County had established a Revolving Loan Program into which all contract for deed repayments, sales proceeds, or other recaptured grant funds must be deposited. The final contract for deed payment was received, and the County is required to pay all remaining funds in their Revolving Loan Program back to the MHFA. This resulted in a due to the MHFA – Revolving Fund payable at December 31, 2021, of \$50,681. This liability will be paid from the General Fund.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Revolving Loan Account (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
Minnesota Housing Finance Agency	2022	N/A	N/A	\$ 188,100	\$ 50,681

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ -	\$ 2,015,000	\$ -	\$ 2,015,000	\$ -
Add: unamortized premium	-	63,035	775	62,260	-
Total bonds payable	\$ -	\$ 2,078,035	\$ 775	\$ 2,077,260	\$ -
Minnesota Housing Finance Agency	231,628	7,152	188,099	50,681	50,681
Capital leases	262,714	106,814	107,179	262,349	107,239
Compensated absences	207,705	229,995	242,244	195,456	149,421
Total Long-Term Liabilities	<u>\$ 702,047</u>	<u>\$ 2,421,996</u>	<u>\$ 538,297</u>	<u>\$ 2,585,746</u>	<u>\$ 307,341</u>

7. Deferred Inflows of Resources – Unavailable Revenue and Prepaid Taxes

Deferred inflows of resources – unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources – prepaid property taxes consist of the County’s share of 2022 property taxes collected in advance. Deferred inflows of resources at December 31, 2021, are summarized by fund.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Deferred Inflows of Resources – Unavailable Revenue and Prepaid Taxes  
(Continued)

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 44,237	\$ 218,161	\$ 120,286	\$ 543	\$ 383,227
Special Revenue					
Road and Bridge	9,809	110	2,852,859	584	2,863,362
Social Services	11,870	-	27,642	162,483	201,995
Nonmajor governmental funds					
Special Revenue					
Solid Waste	57	10,841	-	-	10,898
Ditch	-	33,172	-	-	33,172
Opioid Settlement	-	-	-	314,463	314,463
Total	<u>\$ 65,973</u>	<u>\$ 262,284</u>	<u>\$ 3,000,787</u>	<u>\$ 478,073</u>	<u>\$ 3,807,117</u>

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Mahnomen 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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 Mahnomen County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

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

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

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

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



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high five salary.

c. Contributions

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

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

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

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

General Employees Plan	\$	231,303
Police and Fire Plan		151,498
Correctional Plan		31,901

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

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

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$1,861,915 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0436 percent. It was 0.0434 percent measured as of June 30, 2020. The County recognized pension expense of (\$83,847) for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$4,584 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 1,861,915
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>56,819</u>
Total	<u>\$ 1,918,734</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,072	\$ 56,950
Changes in actuarial assumptions	1,136,847	40,637
Difference between projected and actual investment earnings	-	1,615,005
Changes in proportion	42,165	36,059
Contributions paid to PERA subsequent to the measurement date	115,477	-
Total	\$ 1,305,561	\$ 1,748,651

The \$115,477 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (98,248)
2023	(8,711)
2024	(11,795)
2025	(439,813)

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$524,116 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0679 percent. It was 0.0746 percent measured as of June 30, 2020. The County recognized pension expense of (\$47,659) 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, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$4,288 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 524,116
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>23,545</u>
Total	<u>\$ 547,661</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

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 \$6,111 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 102,540	\$ -
Changes in actuarial assumptions	770,313	301,487
Difference between projected and actual investment earnings	-	990,338
Changes in proportion	61,395	81,694
Contributions paid to PERA subsequent to the measurement date	77,778	-
Total	\$ 1,012,026	\$ 1,373,519

The \$77,778 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	\$ (343,435)
2023	(70,680)
2024	(66,702)
2025	(112,370)
2026	153,916

Correctional Plan

At December 31, 2021, the County reported an asset of \$26,351 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1604 percent. It was 0.1405 percent measured as of June 30, 2020. The County recognized pension expense of (\$63,382) 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:

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 13,741
Changes in actuarial assumptions	164,947	2,173
Difference between projected and actual investment earnings	-	213,977
Changes in proportion	4,050	209
Contributions paid to PERA subsequent to the measurement date	15,716	-
	<u>\$ 184,713</u>	<u>\$ 230,100</u>
Total	<u>\$ 184,713</u>	<u>\$ 230,100</u>

The \$15,716 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (7,144)
2023	(629)
2024	4,174
2025	(57,504)



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was (\$194,888).

e. Actuarial Assumptions

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

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
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%

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

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

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

f. Discount Rate

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

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

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

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

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

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

	<u>General Employees Plan</u>		<u>Proportionate Share of the Police and Fire Plan</u>		<u>Correctional Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% Decrease	5.50%	\$ 3,797,357	5.50%	\$ 1,663,980	5.50%	\$ 274,237
Current	6.50	1,861,915	6.50	524,116	6.50	(26,351)
1% Increase	7.50	273,767	7.50	(410,290)	7.50	(264,899)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

2. Defined Contribution Plan

Four Board members of Mahnomen 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

D. Pension Plans

2. Defined Contribution Plan (Continued)

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 Mahnomen County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,786	\$ 3,786
Percentage of covered payroll	5.00%	5.00%

E. Other Postemployment Benefits

1. Plan Description

Mahnomen County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Detailed Notes on All Funds

E. Other Postemployment Benefits

1. Plan Description (Continued)

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active plan participants	<u>81</u>
Total	<u><u>87</u></u>

2. Total OPEB Liability

The County's total OPEB liability of \$1,686,591 was determined by an actuarial valuation as of January 1, 2021, and measured as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services expenditures.

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

Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.25 percent, grading to 5.00 percent over five years, and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the current valuation, the discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits

2. Total OPEB Liability (Continued)

The actuarial assumptions are currently based on a combination of historical information, projected future data, and the most recent actuarial experience studies for PERA.

The method to develop starting claims costs, by age adjusting the premium information, was done under the Alternative Measurement Method.

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2021	\$ 1,584,433
Changes for the year	
Service cost	\$ 106,604
Interest	47,327
Changes in assumptions	67,226
Benefit payments	(118,999)
Net change	\$ 102,158
Balance at December 31, 2021	\$ 1,686,591

4. 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:

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 1,778,611
Current	2.00	1,686,591
1% Increase	3.00	1,596,975

**MAHNOMEN COUNTY  
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3. Detailed Notes on All Funds

E. Other Postemployment Benefits

4. OPEB Liability Sensitivity (Continued)

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:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 1,531,620
Current	6.25% Decreasing to 5.00%	1,686,591
1% Increase	7.25% Decreasing to 6.00%	1,865,087

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$40,208. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 87,096	\$ 28,405
Liability gains	-	136,098
Contributions made subsequent to the measurement date	94,900	-
Total	\$ 181,996	\$ 164,503

The \$94,900 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022.

**MAHNOMEN COUNTY  
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3. Detailed Notes on All Funds

E. Other Postemployment Benefits

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>OPEB Expense Amount</u>
2022	\$ (18,823)
2023	(18,823)
2024	(18,823)
2025	(18,820)
2026	(11,720)
Thereafter	9,602

6. Change in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2021:

- The discount rate was changed from 2.90 percent to 2.00 percent.

4. 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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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4. Risk Management (Continued)

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

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

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

B. Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Mahnomen County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Counties Providing Technology (Continued)

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2021, Mahnomen County contributed \$76,282 to CPT.

Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

Joint County Natural Resources Board

The Joint County Natural Resources Board was formed in 1985 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Aitkin, Beltrami, Clearwater, Koochiching, Lake of the Woods, Mahnomen, Marshall, and Roseau Counties.

The purpose of the Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in northern Minnesota, and to ensure that there is an interrelated plan for the use and protection of both public and private resources.

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

In the event of dissolution of the Joint County Natural Resources Board, the net assets of the Natural Resources Board at that time shall be distributed to the respective member counties in proportion to the contribution of each. Mahnomen County's contribution for 2021 was \$500.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Joint County Natural Resources Board (Continued)

The Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties.

Complete financial information can be obtained from the Natural Resources Board's fiscal host, Marshall County, at 208 East Colvin Avenue, Suite 11, Warren, Minnesota 56762.

Mahnomen County Interagency Collaborative

The Mahnomen County Interagency Collaborative (MCIC) was established in 1998, pursuant to Minn. Stat. § 124D.23, between Mahnomen County Human Services, Mahnomen County Sheriff's Department, Independent School District Nos. 432 and 435, Minnesota Department of Corrections, Multi-County Nursing Service (now Polk-Norman-Mahnomen Public Health), Northwestern Mental Health Center, Steller Human Services, University of Minnesota Mahnomen County Extension Office, Mahnomen Health Center, Mahube-OTWA Community Council, White Earth Human Services, and White Earth Mental Health. Mahnomen County Human Services is the acting fiscal agent of the MCIC. The purpose of the MCIC is to provide healthier communities and families and to reduce the number of out-of-home placements.

The management of the MCIC is vested in the interagency agreements. Each participating agency is granted one vote upon the receipt of a resolution from its governing board. Mahnomen County is granted two votes.

In the event of dissolution of the MCIC, the withdrawing party shall give a 30-day notice. Should the MCIC cease to exist, all property, real and personal, held by the MCIC at the time of termination shall be distributed by resolution of the MCIC in accordance with law and in a manner to best accomplish the continuing purposes of the MCIC.

Financing is provided by state and federal grants. During 2021, Mahnomen County contributed \$48,519 to the MCIC.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Emergency Communications Board

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

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

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

The Northwest Minnesota Regional Emergency Communications Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. During 2021, Mahnomen County did not contribute any funds to this organization.

Complete financial information can be obtained from Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Regional Development Commission

The Northwest Regional Development Commission provides services to Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties in Northwest and West Central Minnesota. Through the Dancing Sky Area Agency on Aging program, the Northwest Regional Development Commission serves 21 counties in Regions I, II, and IV. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

Control is vested in the Northwest Regional Development Commission Board. The Board consists of one Commissioner from each of the seven counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. The Northwest Regional Development Commission Board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Financing is provided by appropriations from member parties and by state and federal grants. During 2021, Mahnomen County provided \$988 to this organization.

Complete financial information can be obtained from the Northwest Regional Development Commission, 109 South Minnesota Street, Warren, Minnesota 56762.

Paul Bunyan Task Force

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



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Paul Bunyan Task Force (Continued)

Control of the Paul Bunyan 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 Paul Bunyan 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 Task Force has no long-term debt. During 2021, Mahnomen County contributed \$1,900 to the Paul Bunyan Task Force. Financing is provided by the profits from forfeitures and seizures pursuant to Minn. Stat. § 609.531.

Beltrami County, in an agent capacity, reports the cash transactions of the Paul Bunyan Drug Task Force on its financial statements. Complete financial information can be obtained from Beltrami County Auditor/Treasurer at the Beltrami County Administration Building, 701 Minnesota Avenue Northwest, Suite 220, Bemidji, Minnesota 56601.

Polk-Norman-Mahnomen Community Health Board

The Polk-Norman-Mahnomen Community Health Board was established in 2012 under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59. The Community Health Board includes the Polk County Local Board of Health and the Norman County Local Board of Health, which is part of Norman County. The purpose of the Community Health Board is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control of the Community Health Board is vested in a seven-member Board, with Polk, Norman, and Mahnomen Counties each appointing one County Board member; the Polk County Local Board of Health and the Norman County Local Board of Health each appointing two members; one County Board member; and one community member. The Norman County Local Board of Health appoints one of the members from Norman County and one of the members from Mahnomen County.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk-Norman-Mahnomen Community Health Board (Continued)

In the event of withdrawal from the Community Health Board, the withdrawing party shall give a one-year notice. Should the Community Health Board cease to exist, all property, real and personal, held by the Community Health Board at the time of termination shall be distributed to each joint participant in proportion to its relative financial contribution.

Financing is provided by state and federal grants. Polk County is the fiscal agent for the Community Health Board. During 2021, Mahnomen County did not contribute to the Community Health Board.

C. Jointly-Governed Organizations

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, which is composed of seven members appointed by the County Commissioners of Clay, Mahnomen, and Norman Counties. Clay County appoints two members, Mahnomen County appoints two members, and Norman County appoints three members. During 2021, Mahnomen County contributed \$304,555 to the Watershed District.

Complete financial information can be obtained from the Wild Rice Watershed District Office, 11 East 5th Avenue, Ada, Minnesota 56510.

**MAHNOMEN COUNTY  
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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Lake Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2021, Mahnomen County provided \$45,625 in the form of an appropriation.

Minnesota Red River Basin of the North Joint Powers Board

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Mahnomen County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2021, Mahnomen County contributed \$130 to the Joint Powers Board.

Complete financial statements can be obtained from, The International Coalition for Land – Water, Stewardship in the Red River Basin, 119 – 5th Street South, Moorhead, Minnesota 56560.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties

The Minnesota Rural Counties (formerly Minnesota Rural Counties Caucus) was established in 1997 and includes Aitkin, Becker, Big Stone, Clay, Cottonwood, Douglas, Grant, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Mower, Murray, Norman, Pennington, Pine, Pipestone, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, Wilkin, and Wright Counties. Control is vested in the Minnesota Rural Counties Executive Committee, which is composed of 12 appointees, each with an alternate, who are appointed annually by each respective County Board. Mahnomen County's responsibility does not extend beyond making this appointment.

During 2021, Mahnomen County did not contribute to this organization.

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. Mahnomen County's responsibility does not extend beyond making this appointment.

6. Subsequent Events

COVID Pandemic

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America.

**MAHNOMEN COUNTY  
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6. Subsequent Events

COVID Pandemic (Continued)

The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. Mahnomen County’s projected allocation of the State and Local Coronavirus Recovery Funds is \$1,073,555. The first tranche of \$536,777.50 was received on June 7, 2021.

Opioid Settlement

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Mahnomen County, the amount to be received as a result of this litigation is \$314,463, to be received over 18 years, which has been recorded as an accounts receivable in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

7. Mahnomen Health Center

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

A. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Mahnomen Health Center consists of a hospital and nursing home located in Mahnomen, Minnesota. The Health Center is an operating entity under the ownership of Mahnomen County (County) and the City of Mahnomen (City), Minnesota, and is a component unit of Mahnomen County. The Health Center is governed under a Joint Powers Agreement between the County and City. For the year ended December 31, 2021, the County owned 78 percent of the Health Center, while the City owned 22 percent of the Health Center. The County and City each appoint Mahnomen Health Center Commission members who are responsible for the operation of the hospital and nursing home. The Mahnomen Health Center Commission (the Commission) consists of nine members. The Commission is the ultimate governing body of the Health Center.

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity (Continued)

The Commission shall acquire the necessary property to establish, construct, enlarge, improve, maintain, equip, operate, and control the facilities subject to the other terms of the Joint Powers Agreement.

For financial reporting purposes, the Health Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Health Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Health Center are such that the exclusion would cause the Health Center's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Health Center to impose its will on that organization, or (2) the potential for the Health Center to provide specific benefits to or impose specific financial burdens on the Health Center. The Health Center does not have a component unit which meets the GASB criteria.

Basis of Accounting and Enterprise Fund Accounting

The Health Center's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying financial statements have been prepared on the accrual basis of accounting. The Health Center uses enterprise fund accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

Use of Estimates

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)

Risk Management

The Health Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness, and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, including noncurrent cash and investments.

Patient and Resident Receivables, Net

Patient and resident receivables are uncollateralized customer and third-party obligations. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. At December 31, 2021, the allowance for doubtful accounts was approximately \$916,000. When all collection efforts have been exhausted, the account is written off against the related allowance.

Supplies

Supplies are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation and have estimated asset lives as follows:

Land improvements	15 - 20 years
Buildings	20 - 40 years
Movable equipment	3 - 15 years

Noncurrent Cash and Investments

Noncurrent cash and investments are recorded at cost, if purchased, or at fair market value on the date received, if by gift or bequest. All investments are carried at market value which approximates cost. Noncurrent cash and investments that are required for obligations classified as current liabilities are reported as current assets.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense or other postemployment benefits and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Investment in Joint Venture

The Health Center reports its investment in Central Minnesota Diagnostic, Inc. (CMDI), on the equity method of accounting, which approximates the Health Center's equity in the underlying book value based on its most recent December 31 fiscal year-end. The Health Center's shares of net income from these investments are recognized as equity earnings from joint venture.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)

Vacation and Sick Leave

The Health Center's employees earn paid-time-off days at varying rates depending on years of service. Employees may accumulate paid time off up to a specified maximum. Employees are paid for accumulated paid time off if they leave the Health Center. The liability for compensated absences is included with accrued vacation and sick leave in the accompanying statement of net position.

Net Position

Net position of the Health Center is classified in two components. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* is remaining net position that does not meet the definition of net investment in capital assets.

Net Patient and Resident Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**MAHNOMEN COUNTY  
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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)

Charity Care

To fulfill its mission of community service, the Health Center provides care to patients and residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue. There were no charges foregone for charity care for the year ended December 31, 2021.

Operating Revenues and Expenses

The Health Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services—the Health Center's principal activity. Nonexchange revenues, including assessments, grants, and contributions received for the purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Health Center receives grants from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized as revenue when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants receivable are reported in the balance sheets at net realizable value.

Advertising Costs

The Health Center expenses advertising costs as they are incurred.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERA, and additions to/deductions from PERA's fiduciary net position, have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension-related deferred inflows and postemployment-related deferred inflows.

Fair Value Measurements

To the extent available, the Health Center's investments are recorded at fair value. GASB Statement 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

**MAHNOMEN COUNTY  
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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies

Fair Value Measurements (Continued)

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health Center has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Unearned Revenue

Due to the coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Additionally, the State of Minnesota, City of Mahnomen, and Mahnomen County made available multiple preparedness and response grants. Total coronavirus grant funds approved and received by the Health Center were \$4,141,663. The grant funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and may be subject to audit. At December 31, 2021, the Health Center recognized \$2,803,430 as nonoperating revenue in the statement of revenues, expenses, and changes in net position, and \$192,825 as unearned revenue on the statement of net position.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

A. Description of Reporting Entity and Summary of Significant Accounting Policies

Unearned Revenue (Continued)

Management believes the amounts have been recorded appropriately as of December 31, 2021.

Additionally, as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Centers for Medicare & Medicaid Services (CMS) administered an Accelerated and Advanced Payment Program to provide additional relief funds to providers. The Health Center received total advanced funds of \$1,657,873. The funds were recouped in full by CMS during the year ended December 31, 2021.

Specific to the Health Center, COVID-19 may impact various parts of its 2022 operations and financial results including, but not limited to, additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Health Center is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

Subsequent Events

In preparing these financial statements, the Health Center has considered events and transactions that have occurred through September 16, 2022, the date in which the financial statements were available to be issued.

B. Net Patient and Resident Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

B. Net Patient and Resident Service Revenue (Continued)

Medicare

The Health Center became a Critical Access Hospital (CAH) as of April 1999 for Medicare reimbursement purposes. There are certain criteria that the Health Center must meet to be a CAH. Once met, the reimbursement method changed to cost based for both inpatient and outpatient services. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient fee schedule amounts or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Nursing Home Medicare

Under the Medicare program, payment for resident services is made on a prospectively determined per diem rate that varies based on a case-mix adjusted resident classification system. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses underlying complexity and clinical needs of a resident as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

B. Net Patient and Resident Service Revenue (Continued)

Nursing Home Medicaid

Routine services are rendered to nursing home residents who are beneficiaries of the Medicaid program or who pay from private resources; services are paid according to a schedule of prospectively determined daily rates determined by Minnesota's Medicaid program. A rate is assigned to each nursing home resident based on the resident's ability to perform certain activities of daily living and on certain other clinical factors. Payments are made for each case mix category and are adjusted each year by an inflation index.

Other Payors

The Health Center has entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from Medicare and Medicaid programs accounted for approximately 36 percent and 40 percent, respectively, of the Health Center's net patient revenue for the year ended December 31, 2021.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The December 31, 2021, net patient service revenue increased approximately \$138,590 due to prior-year retroactive adjustments in excess of amounts previously estimated as a result of final settlements and years that are no longer subject to audits, reviews, and investigations.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

B. Net Patient and Resident Service Revenue

Other Payors (Continued)

Patient and resident service revenue and contractual adjustments for the year ended December 31, 2021, are as follows:

Total patient service revenue	\$ 18,152,042
Contractual adjustments	
Medicare	\$ (3,094,093)
Medicaid	(2,311,285)
Other	(1,974,332)
Provision for bad debts	<u>(554,546)</u>
Total contractual adjustments	\$ <u>(7,934,256)</u>
Net Patient and Resident Service Revenue	\$ <u><u>10,217,786</u></u>

C. Noncurrent Cash and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Health Center's deposits may not be returned to it in full. The Health Center follows Minnesota statutes for deposits.

In accordance with Minnesota statutes, the Health Center maintains deposits at financial institutions that are authorized by the Mahnomen Health Center's Commission members.

Minnesota statutes require that all the Health Center's deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

C. Noncurrent Cash and Investments

Deposits

Custodial Credit Risk (Continued)

Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minn. Stat. § 118.A.03. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the treasurer or in a financial institution other than that furnishing collateral.

The Health Center's deposits in banks at December 31, 2021, were covered by federal depository insurance or by collateral held by the Health Center's custodial bank in the Health Center's name.

Interest Rate Risk

The Health Center does not have an investment policy. There is no current provision the Health Center has that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Noncurrent cash and investments consist of certificates of deposit. The Health Center has no other investments as of December 31, 2021. All of the Health Center's deposits are insured or registered in the Health Center's name and held in safekeeping by the treasurer or in a financial institution other than that furnishing collateral.

The Health Center does not hold any investments which meet the definition of Level 2 or Level 3 inputs.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

7. Mahnomen Health Center (Continued)

D. Accounts Receivable

Patient and resident receivables reported as current assets by the Health Center at December 31, 2021, consist of these amounts:

Receivables from patients and their insurance carriers	\$ 1,851,122
Receivables from Medicare	1,202,307
Receivables from Medicaid	<u>718,072</u>
 Total patient and resident receivables	 \$ 3,771,501
 Less: Allowance for uncollectible amounts	 <u>(916,000)</u>
 Total Patient and Resident Receivables, Net	 <u>\$ 2,855,501</u>

E. Capital Assets

Capital asset additions, retirements, and balances for the year ended December 31, 2021, are as follows:

	Balance December 31, 2020	Additions	Retirements/ Transfers	Balance December 31, 2021
Land	\$ 44,229	\$ -	\$ -	\$ 44,229
Land improvements	307,897	-	-	307,897
Buildings	6,011,878	-	-	6,011,878
Movable equipment	3,213,670	1,556,919	-	4,770,589
Construction in progress	<u>-</u>	<u>86,718</u>	<u>-</u>	<u>86,718</u>
 Totals at historical cost	 <u>\$ 9,577,674</u>	 <u>\$ 1,643,637</u>	 <u>\$ -</u>	 <u>\$ 11,221,311</u>
Less: accumulated depreciation for				
Land improvements	\$ 237,603	\$ 7,147	\$ -	\$ 244,750
Buildings	4,396,621	225,166	-	4,621,787
Movable equipment	<u>2,335,207</u>	<u>212,363</u>	<u>-</u>	<u>2,547,570</u>
 Total accumulated depreciation	 <u>\$ 6,969,431</u>	 <u>\$ 444,676</u>	 <u>\$ -</u>	 <u>\$ 7,414,107</u>
 Capital Assets, Net	 <u>\$ 2,608,243</u>	 <u>\$ 1,198,961</u>	 <u>\$ -</u>	 <u>\$ 3,807,204</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

7. Mahnomen Health Center

E. Capital Assets (Continued)

Construction in progress relates to costs incurred for future facility updates and expansion. The anticipated cost and completion date of the project is unknown.

F. Long-Term Debt

The Health Center leases equipment under a noncancelable long-term lease agreement. The capitalized leased assets consist of:

Movable equipment	\$	486,385
Less: accumulated depreciation		<u>(405,321)</u>
Total Capital Assets, Net	\$	<u>81,064</u>

Long-term debt as of December 31, 2021, consists of the following:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
Note payable <sup>1</sup>	\$ 46,467	\$ -	\$ 24,278	\$ 22,189
Capital lease obligations <sup>2</sup>	<u>127,011</u>	<u>-</u>	<u>44,178</u>	<u>82,833</u>
Total long-term debt	<u>\$ 173,478</u>	<u>\$ -</u>	<u>\$ 68,456</u>	\$ 105,022
Less: current maturities				<u>(68,874)</u>
Total Long-Term Debt, Net of Current Maturities				<u>\$ 36,148</u>

<sup>1</sup>The Health Center has a note payable with its power company for energy efficiency improvements. The Note carries an interest rate of 1.90 percent and is payable through November 2022.

<sup>2</sup>The Health Center has various capital leases outstanding with varying terms and interest rates.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

7. Mahnomen Health Center

F. Long-Term Debt (Continued)

The following is a maturity schedule of long-term debt and capital lease obligations as of December 31, 2021:

Year Ending December 31	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 22,189	\$ 214	\$ 46,685	\$ 3,086
2023	-	-	36,148	762
Total	<u>\$ 22,189</u>	<u>\$ 214</u>	<u>\$ 82,833</u>	<u>\$ 3,848</u>

G. Investment in Joint Venture

The Health Center and other hospitals (all of which are unrelated parties to the Health Center) formed a nonprofit corporation known as Central Minnesota Diagnostic, Inc. (CMDI). CMDI was organized to provide certain agreed-upon shared services to those hospitals who are members of this corporation.

CMDI provides the equipment for CT scans for the Health Center's patients. The Health Center billed and collected the revenue for these services to patients and paid CMDI \$113,386 for the use of the equipment as of December 31, 2021. Accounts payable to CMDI for these services at December 31, 2021, amounted to \$25,632. At December 31, 2021, the Health Center owned 0.48 percent of CMDI.

Summarized financial information from the financial statements of CMDI at December 31, 2021, and for the year then ended, is presented below:

Total Assets	<u>\$ 54,188,890</u>
Total liabilities	\$ 10,139,555
Members' equity	
Retained earnings	<u>44,049,335</u>
Total Liabilities and Members' Equity	<u>\$ 54,188,890</u>
Total Operating Revenue	<u>\$ 42,764,717</u>
Net Income	<u>\$ 3,936,070</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center (Continued)

H. Defined Benefit Pension Plan

Plan Description

The Health Center participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension 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.

All full-time and certain part-time employees of the Health Center are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989.

Under Method 1, the accrual rate for Coordinated Plan members is 1.20 percent for each of the first ten years of service and 1.70 percent for each remaining year. Under Method 2, the accrual rate for Coordinated Plan members is 1.70 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65.

For General Employees Plan members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the Social Security

**MAHNOMEN COUNTY  
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7. Mahnomen Health Center

H. Defined Benefit Pension Plan

Benefits Provided (Continued)

Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

Contributions

Minn. Stat. ch. 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in 2021. In 2021, The Health Center was required to contribute 7.5 percent of pay for Coordinated Plan members. The Health Center's contributions to the General Employees Plan for the year ended December 31, 2021, were \$287,489. The Health Center's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs

At December 31, 2021, the Health Center reported a liability of \$2,263,337 for its proportionate share of the General Employees Plan's net pension liability. The Health Center's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2021. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Health Center totaled \$69,221. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health

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7. Mahnomen Health Center

H. Defined Benefit Pension Plan

Pension Costs (Continued)

Center's proportion of the net pension liability was based on the Health Center's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the Health Center's proportionate share was 0.0530 percent, which was a decrease of 0.0003 percent from its proportionate share measured as of June 30, 2020.

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2021, the Health Center recognized pension expense of \$49,772. This amount consisted of the Health Center's proportionate share of the General Employees Plan's pension expense, plus additional amortized net expenses associated with differences between estimated and actual experience of various actuarial assumptions associated with the plan. The Health Center recognized an additional \$5,585 during the year ended December 31, 2021, as pension expense (and other revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

At December 31, 2021, the Health Center 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,905	\$ 69,265
Changes of assumptions	1,381,947	50,065
Net difference between projected and actual earnings on pension plan investments	-	1,960,144
Changes in proportion and differences between the Health Center's contributions and proportionate share of contributions	61,411	13,687
Health Center's contributions subsequent to the measurement date	144,436	-
Total	\$ 1,601,699	\$ 2,093,161

**MAHNOMEN COUNTY  
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7. Mahnomen Health Center

H. Defined Benefit Pension Plan

Pension Costs (Continued)

The \$144,436 reported as deferred outflows of resources related to pensions resulting from the Health Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31</u>	
2021	\$ (56,449)
2022	(22,624)
2023	(22,193)
2024	<u>(534,632)</u>
Total	<u>\$ (635,898)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.



**MAHNOMEN COUNTY  
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7. Mahnomen Health Center

H. Defined Benefit Pension Plan

Actuarial Assumptions (Continued)

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

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

There were no changes in plan provisions since the previous valuation.

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

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

H. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates specified in statute. Based on these assumptions, the fiduciary net positions of the General Employees Plan were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.50%)	Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Health Center’s proportionate share of the net pension liability	\$ 4,616,053	\$ 2,263,337	\$ 332,791

Detailed information about each defined benefit 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](http://www.mnpera.org).

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center (Continued)

I. Other Postemployment Benefits

Plan Description and Funding Policy

The Health Center administers a single-employer defined benefit health care plan. The plan provides health care insurance for eligible retirees and their spouses through the Health Center's group health insurance plan, which covers both active and retired members. The health care plan does not issue a publicly available financial report. The Health Center does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per person premium for the entire group, the difference gives rise to an implicit rate subsidy. The Health Center pays the difference between the actual and apparent cost.

Qualified employees may choose to participate in the Health Center's insurance plan after retirement, with no contribution from the Health Center. The Health Center provides these benefits to retirees as required by Minn. Stat. § 471.61, subd. 2b. As of December 31, 2021, there were zero retirees receiving benefits from the Health Center's health plan.

Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the Health Center at December 31, 2021, are as follows:

Total OPEB liability	\$ 106,057
Plan fiduciary net position	<u>-</u>
Health Center's Net OPEB Liability (Asset)	<u>\$ 106,057</u>
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	 0%

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

7. Mahnomen Health Center

I. Other Postemployment Benefits

Net OPEB Liability (Asset) (Continued)

The changes in net OPEB liability (asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at December 31, 2020	\$ 98,221	\$ -	\$ 98,221
Changes for the year			
Service cost	\$ 13,919	\$ -	\$ 13,919
Interest cost	3,049	-	3,049
Changes in assumptions or other input	4,942	-	4,942
Benefit payments	(14,074)	-	(14,074)
Net Changes	\$ 7,836	\$ -	\$ 7,836
Balance at December 31, 2021	\$ 106,057	\$ -	\$ 106,057

The following presents the net OPEB liability (asset) of the Health Center, as well as what the Health Center's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Net OPEB Liability (Asset)	\$ 113,597	\$ 106,057	\$ 98,853

The following presents the net OPEB liability (asset) of the Health Center, as well as what the Health Center's net OPEB liability (asset) would be if it were calculated using a health care trend rate one percentage point lower or one percentage point higher than the current trend rate:

	1% Decrease (5.25%)	Trend Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	\$ 92,893	\$ 106,057	\$ 122,005

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

7. Mahnomen Health Center

I. Other Postemployment Benefits

Net OPEB Liability (Asset) (Continued)

For the year ended December 31, 2021, the Health Center recognized OPEB expenses of \$7,525. At December 31, 2021, the Health Center reported deferred outflows and deferred inflows of resources related to OPEB. The full amount of deferred outflows is related to 2021.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ -	\$ 1,876
Change of assumptions	4,914	1,374
Employer contributions	9,540	-
Total	\$ 14,454	\$ 3,250

Actuarial Methods and Assumptions

Based on the implementation of GASB Statement 75, the actuarial cost method changed from using one of six different actuarial cost methods to the Entry Age Normal cost method on a level percentage of projected salary.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.00%
20-Year Municipal Bond Yield	2.00
Inflation Rate	2.50
Salary Increases	3.00
Health Care Trends	6.25
	Decreasing to 5.00%
	Over 6 Years

Mortality rates were based on Pub-2010 weighted mortality tables, scaled using MP-19 generational scaling factors, applied on a gender-specific basis. The discount rate is used to reflect the time value of money.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

I. Other Postemployment Benefits

Actuarial Methods and Assumptions (Continued)

Discount rates are used in determining the present value as of the valuation date of future cash flows currently expected to be required to satisfy the post-retirement benefit obligation.

Experience gains and losses are amortized over a closed period starting on January 1, 2019, equal to the average remaining service of active and inactive plan members.

Funded Status and Funding Progress

As of January 1, 2020, the most recent valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$106,057 at December 31, 2021, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$106,057. The covered payroll was \$3,023,919, and the ratio of the UAAL to the covered payroll was 3.51 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

J. Concentrations of Credit Risk

The Health Center grants credit without collateral to its patients and residents, most of whom are insured under third-party agreements. The mix of receivables from third-party payors, patients, and residents at December 31, 2021, was as follows:

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

J. Concentrations of Credit Risk (Continued)

Medicare	36%
Blue Cross	5
Medicaid	30
Commercial insurance	10
Other third-party payors, patients, and residents	<u>19</u>
Total	<u>100%</u>

K. Management Service Agreement

The Health Center has a management service agreement with Sanford Health, a nonprofit corporation (Manager). The Manager has the full authority to implement and fulfill the policy decisions of the hospital board. Management fees paid to the Manager and other patient-related purchased services totaled \$1,900,271 for the year ending December 31, 2021. Total management fee expense for the year ended December 31, 2021, was \$301,665. Accounts payable to the Manager for these services at December 31, 2021, amounted to \$254,202.

L. Commitments and Contingencies

Malpractice Claims

The Health Center's malpractice insurance is a claims-made policy subject to a limit of \$1.0 million per claim and an annual aggregate limit of \$5.0 million. The Health Center also has an excess policy for \$1.0 million per occurrence and \$1.0 million in aggregate. Should these policies lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

Litigation, Claims, and Other Disputes

The Health Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the financial position of the Health Center.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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7. Mahnomen Health Center

L. Commitments and Contingencies (Continued)

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- lawsuits alleging negligence in care,
- environmental pollution,
- violation of the regulatory body's rules and regulations, and
- violation of federal and/or state laws.

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.



**REQUIRED SUPPLEMENTARY INFORMATION**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,317,884	\$ 3,317,884	\$ 3,219,985	\$ (97,899)
Licenses and permits	13,560	13,560	20,304	6,744
Intergovernmental	2,272,956	2,272,956	2,643,687	370,731
Charges for services	273,120	273,120	303,962	30,842
Fines and forfeits	8,300	8,300	11,533	3,233
Gifts and contributions	2,000	2,000	9,618	7,618
Investment earnings	85,000	85,000	(754)	(85,754)
Miscellaneous	173,822	173,822	306,628	132,806
<b>Total Revenues</b>	<b>\$ 6,146,642</b>	<b>\$ 6,146,642</b>	<b>\$ 6,514,963</b>	<b>\$ 368,321</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 206,298	\$ 206,298	\$ 195,239	\$ 11,059
Courts	60,120	60,120	51,450	8,670
County administrator	168,875	168,875	127,282	41,593
County auditor	311,887	311,887	310,867	1,020
License bureau	73,435	73,435	67,558	5,877
County treasurer	136,549	136,549	131,136	5,413
County assessor	277,031	277,031	293,984	(16,953)
Elections	2,285	2,285	2,688	(403)
Accounting and auditing	70,000	70,000	96,935	(26,935)
Data processing	180,592	180,592	221,224	(40,632)
County attorney	623,184	623,184	558,896	64,288
Law library	5,000	5,000	4,362	638
County recorder	131,788	131,788	127,998	3,790
Planning and zoning	16,585	16,585	2,453	14,132
Buildings and plant	265,431	265,431	253,428	12,003
Veterans service officer	37,145	37,145	31,718	5,427
Unallocated	354,162	354,162	314,745	39,417
<b>Total general government</b>	<b>\$ 2,920,367</b>	<b>\$ 2,920,367</b>	<b>\$ 2,791,963</b>	<b>\$ 128,404</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
County sheriff	\$ 2,838,172	\$ 2,838,172	\$ 2,934,080	\$ (95,908)
Boat and water safety	6,000	6,000	3,551	2,449
Emergency services	3,400	3,400	9,619	(6,219)
County coroner	25,000	25,000	7,685	17,315
E-911 system	75,000	75,000	123,176	(48,176)
Probation and parole	129,500	129,500	134,586	(5,086)
County safety program	12,658	12,658	10,867	1,791
Snowmobile safety	28,396	28,396	20,417	7,979
<b>Total public safety</b>	<b>\$ 3,118,126</b>	<b>\$ 3,118,126</b>	<b>\$ 3,243,981</b>	<b>\$ (125,855)</b>
<b>Health</b>				
Nursing service	\$ 77,918	\$ 77,918	\$ 77,918	\$ -
Health	820	820	296	524
Health Center	37,000	37,000	66,745	(29,745)
<b>Total health</b>	<b>\$ 115,738</b>	<b>\$ 115,738</b>	<b>\$ 144,959</b>	<b>\$ (29,221)</b>
<b>Culture and recreation</b>				
Snowmobile trails	\$ 107,500	\$ 107,500	\$ 106,165	\$ 1,335
<b>Conservation of natural resources</b>				
County extension	\$ 95,878	\$ 95,878	\$ 93,709	\$ 2,169
Soil and water conservation	62,192	62,192	62,192	-
Agricultural inspections	12,334	12,334	11,438	896
Agricultural society/County fair	7,500	7,500	12,832	(5,332)
Predator control	1,000	1,000	986	14
Water planning	15,838	15,838	15,838	-
Forfeited lands	-	-	47,856	(47,856)
<b>Total conservation of natural resources</b>	<b>\$ 194,742</b>	<b>\$ 194,742</b>	<b>\$ 244,851</b>	<b>\$ (50,109)</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Housing authority	\$ 2,500	\$ 2,500	\$ 264,653	\$ (262,153)
Airport	141,220	141,220	60,011	81,209
<b>Total economic development</b>	<u>\$ 143,720</u>	<u>\$ 143,720</u>	<u>\$ 324,664</u>	<u>\$ (180,944)</u>
<b>Intergovernmental</b>				
Culture and recreation	<u>\$ 45,625</u>	<u>\$ 45,625</u>	<u>\$ 45,625</u>	<u>\$ -</u>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 264,204	\$ (264,204)
Interest	-	-	15,889	(15,889)
<b>Total debt service</b>	<u>\$ 45,625</u>	<u>\$ 45,625</u>	<u>\$ 325,718</u>	<u>\$ (280,093)</u>
<b>Total Expenditures</b>	<u>\$ 6,645,818</u>	<u>\$ 6,645,818</u>	<u>\$ 7,182,301</u>	<u>\$ (536,483)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (499,176)</u>	<u>\$ (499,176)</u>	<u>\$ (667,338)</u>	<u>\$ (168,162)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Proceeds from MHFA loan	-	-	7,152	7,152
Proceeds from capital lease	-	-	25,837	25,837
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 32,989</u>	<u>\$ 12,989</u>
<b>Net Change in Fund Balance</b>	<u>\$ (479,176)</u>	<u>\$ (479,176)</u>	<u>\$ (634,349)</u>	<u>\$ (155,173)</u>
<b>Fund Balance – January 1</b>	<u>2,979,634</u>	<u>2,979,634</u>	<u>2,979,634</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u><u>\$ 2,500,458</u></u>	<u><u>\$ 2,500,458</u></u>	<u><u>\$ 2,345,285</u></u>	<u><u>\$ (155,173)</u></u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-2*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 701,000	\$ 701,000	\$ 671,633	\$ (29,367)
Special assessments	-	-	3	3
Intergovernmental	3,616,840	3,616,840	3,130,016	(486,824)
Charges for services	78,000	78,000	130,891	52,891
Miscellaneous	-	-	61,689	61,689
<b>Total Revenues</b>	<b>\$ 4,395,840</b>	<b>\$ 4,395,840</b>	<b>\$ 3,994,232</b>	<b>\$ (401,608)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 426,105	\$ 426,105	\$ 251,465	\$ 174,640
Maintenance	1,234,466	1,234,466	870,789	363,677
Construction	2,103,804	2,103,804	1,843,143	260,661
Equipment maintenance and shop	409,024	409,024	422,275	(13,251)
Materials and services for resale	84,823	84,823	41,683	43,140
<b>Total highways and streets</b>	<b>\$ 4,258,222</b>	<b>\$ 4,258,222</b>	<b>\$ 3,429,355</b>	<b>\$ 828,867</b>
<b>Intergovernmental</b>	<b>\$ 152,895</b>	<b>\$ 152,895</b>	<b>\$ 164,603</b>	<b>\$ (11,708)</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 20,307	\$ (20,307)
Interest	-	-	5,900	(5,900)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,207</b>	<b>\$ (26,207)</b>
<b>Total Expenditures</b>	<b>\$ 4,411,117</b>	<b>\$ 4,411,117</b>	<b>\$ 3,620,165</b>	<b>\$ 790,952</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (15,277)</b>	<b>\$ (15,277)</b>	<b>\$ 374,067</b>	<b>\$ 389,344</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease	-	-	80,977	80,977
<b>Net Change in Fund Balance</b>	<b>\$ (15,277)</b>	<b>\$ (15,277)</b>	<b>\$ 455,044</b>	<b>\$ 470,321</b>
<b>Fund Balance – January 1</b>	<b>2,181,454</b>	<b>2,181,454</b>	<b>2,181,454</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>313</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,166,177</b>	<b>\$ 2,166,177</b>	<b>\$ 2,636,811</b>	<b>\$ 470,634</b>

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

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**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 824,752	\$ 824,752	\$ 790,375	\$ (34,377)
Intergovernmental	1,959,376	1,959,376	2,186,925	227,549
Charges for services	42,500	42,500	67,691	25,191
Miscellaneous	121,000	121,000	172,456	51,456
<b>Total Revenues</b>	<b>\$ 2,947,628</b>	<b>\$ 2,947,628</b>	<b>\$ 3,217,447</b>	<b>\$ 269,819</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,082,381	\$ 1,082,381	\$ 1,265,513	\$ (183,132)
Social services	1,858,247	1,858,247	1,521,500	336,747
Transportation	7,000	7,000	19,500	(12,500)
<b>Total human services</b>	<b>\$ 2,947,628</b>	<b>\$ 2,947,628</b>	<b>\$ 2,806,513</b>	<b>\$ 141,115</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 4,258	\$ (4,258)
Interest	-	-	1,450	(1,450)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,708</b>	<b>\$ (5,708)</b>
<b>Total Expenditures</b>	<b>\$ 2,947,628</b>	<b>\$ 2,947,628</b>	<b>\$ 2,812,221</b>	<b>\$ 135,407</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 405,226</b>	<b>\$ 405,226</b>
<b>Fund Balance – January 1</b>	<b>457,516</b>	<b>457,516</b>	<b>457,516</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 457,516</b>	<b>\$ 457,516</b>	<b>\$ 862,742</b>	<b>\$ 405,226</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-4*

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 106,604	\$ 90,487	\$ 91,468	\$ 96,272
Interest	47,327	65,616	57,106	56,995
Differences between expected and actual experience	-	(190,538)	-	-
Changes of assumption or other inputs	67,226	41,264	(49,711)	-
Benefit payments	<u>(118,999)</u>	<u>(116,193)</u>	<u>(87,463)</u>	<u>(201,797)</u>
<b>Net change in total OPEB liability</b>	<b>\$ 102,158</b>	<b>\$ (109,364)</b>	<b>\$ 11,400</b>	<b>\$ (48,530)</b>
<b>Total OPEB Liability – Beginning</b>	<b><u>1,584,433</u></b>	<b><u>1,693,797</u></b>	<b><u>1,682,397</u></b>	<b><u>1,730,927</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u><u>\$ 1,686,591</u></u></b>	<b><u><u>\$ 1,584,433</u></u></b>	<b><u><u>\$ 1,693,797</u></u></b>	<b><u><u>\$ 1,682,397</u></u></b>
Covered-employee payroll	\$ 4,157,723	\$ 4,026,850	\$ 4,011,234	\$ 3,894,402
Total OPEB liability (asset) as a percentage of covered-employee payroll	40.57%	39.35%	42.23%	43.20%

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-5*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/ Asset</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Mahnomen County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.0436 %	\$ 1,861,915	\$ 56,819	\$ 1,918,734	\$ 3,138,672	59.32 %	87.00 %
2020	0.0434	2,602,028	80,169	2,682,197	3,092,842	84.13	79.06
2019	0.0422	2,333,143	72,497	2,405,640	2,987,373	78.10	80.23
2018	0.0448	2,485,320	81,577	2,566,897	2,962,751	83.89	79.53
2017	0.0489	3,121,744	39,242	3,160,986	3,147,972	99.17	75.90
2016	0.0458	3,718,732	48,570	3,767,302	2,762,528	134.61	68.91
2015	0.0474	2,456,514	N/A	2,456,514	2,788,456	88.10	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



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-6*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2021	\$ 231,303	\$ 231,303	\$ -	\$ 3,084,035	7.50 %
2020	237,515	237,515	-	3,166,860	7.50
2019	224,646	224,646	-	2,995,277	7.50
2018	223,302	223,302	-	2,977,348	7.50
2017	230,594	230,594	-	3,074,576	7.50
2016	218,524	218,524	-	2,913,649	7.50
2015	210,815	210,815	-	2,810,867	7.50

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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-7*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/Asset</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Mahnomen County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.0679 %	\$ 524,116	\$ 23,545	\$ 547,661	\$ 802,193	65.34 %	93.66 %
2020	0.0746	983,308	23,148	1,006,456	840,979	116.92	87.19
2019	0.0710	759,061	N/A	759,061	751,136	101.06	89.26
2018	0.0690	737,601	N/A	737,601	727,717	101.36	88.84
2017	0.0710	958,584	N/A	958,584	733,272	130.73	85.43
2016	0.0670	2,688,827	N/A	2,688,827	642,431	418.54	63.88
2015	0.0710	806,726	N/A	806,726	649,558	124.20	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.  
N/A – Not Applicable

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-8*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2021	\$ 151,498	\$ 151,498	\$ -	\$ 855,923	17.70 %
2020	144,627	144,627	-	817,103	17.70
2019	133,815	133,815	-	789,469	16.95
2018	118,440	118,440	-	731,108	16.20
2017	120,463	120,463	-	743,597	16.20
2016	106,760	106,760	-	659,004	16.20
2015	108,686	108,686	-	670,901	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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-9*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/ Asset</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2021	0.1604 %	\$ (26,351)	\$ 354,721	(7.43) %	101.61 %
2020	0.1405	38,123	305,803	12.47	96.67
2019	0.1420	19,674	303,106	6.49	98.17
2018	0.1440	23,766	295,104	8.05	97.64
2017	0.1500	427,502	296,592	144.14	67.89
2016	0.1500	547,971	275,991	198.55	58.16
2015	0.1500	23,190	277,931	8.34	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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT A-10*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2021	\$ 31,901	\$ 31,901	\$ -	\$ 364,586	8.75 %
2020	28,188	28,188	-	322,157	8.75
2019	26,971	26,971	-	308,248	8.75
2018	25,911	25,911	-	296,117	8.75
2017	25,810	25,810	-	294,964	8.75
2016	25,104	25,104	-	286,908	8.75
2015	24,302	24,302	-	277,737	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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Hospital Reserve and Opioid Settlement Special Revenue Funds and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and 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 fund level. During the year, the Board made no budgetary amendments.

2. Excess of Expenditures Over Budget

The following major fund had expenditures in excess of budget for the year ended December 31, 2021.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 7,175,149	\$ 6,645,818	\$ 529,331

3. Other Postemployment Benefits Funding Status

See Note 3.E in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

The following changes were reflected in the valuation performed for the County's other postemployment benefits:

2021

- The discount rate was changed from 2.90 percent to 2.00 percent.

2020

- 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 Mortality tables (blue collar for Public Safety, white collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and employee classification.
- The discount rate was changed from 3.80 percent to 2.90 percent.
- These changes increased the liability \$41,264.

2019

- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

- A sunset date was added for the Teamsters – Courthouse employees so only employees hired before February 17, 2009, are eligible for a subsidized postretirement medical benefit.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

2018 (Continued)

- The benefit eligibility for AFSCME – Human Services employees was updated to age 55 with 20 years of service at the last valuation date. However, the current contract still lists eligibility as age 58 with 20 years of service, so we have changed the eligibility back to age 58 to match the contract language.
- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2014 Generational Improvement Scale (with blue collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 4.00 percent to 3.30 percent.

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

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

General Employees Retirement Plan

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- 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 RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2016 (Continued)

- 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

2021

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Police and Fire Plan

2021 (Continued)

- 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- 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.



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- 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.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

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**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Solid Waste Fund accounts for the County's share of operations of the Fosston incinerator and for costs of the Sanitation Department and the demolition site. Financing is provided by special assessments levied against benefiting users, charges for services, and intergovernmental revenues designated for environmental purposes.

The Ditch Fund accounts for the financial transactions of the County drainage systems. Financing is provided by special assessments levied against benefited property owners.

The Hospital Reserve Fund accounts for tax revenues collected and accumulated to fund future needs related to the Mahnomen Health Center.

The Opioid Settlement Fund accounts for funds to be received in a settlement with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2021**

	<u>Solid Waste</u>	<u>Ditch</u>	<u>Hospital Reserve</u>	<u>Opioid Settlement</u>	<u>Total (Exhibit 3)</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 494,619	\$ 254,958	\$ 33,292	\$ -	\$ 782,869
Special assessments receivable					
Delinquent	-	192	-	-	192
Noncurrent	-	33,000	-	-	33,000
Accounts receivable	14,127	-	-	314,463	328,590
Due from other governments	2,400	-	-	-	2,400
<b>Total Assets</b>	<b>\$ 511,146</b>	<b>\$ 288,150</b>	<b>\$ 33,292</b>	<b>\$ 314,463</b>	<b>\$ 1,147,051</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,162	\$ -	\$ -	\$ -	\$ 2,162
Salaries payable	1,497	-	-	-	1,497
Due to other funds	753	-	-	-	753
Due to other governments	10,944	-	-	-	10,944
<b>Total Liabilities</b>	<b>\$ 15,356</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,356</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ 10,841	\$ 33,172	\$ -	\$ 314,463	\$ 358,476
Prepaid property taxes	57	-	-	-	57
<b>Total Deferred Inflows of Resources</b>	<b>\$ 10,898</b>	<b>\$ 33,172</b>	<b>\$ -</b>	<b>\$ 314,463</b>	<b>\$ 358,533</b>
<b>Fund Balances</b>					
Restricted for					
SCORE	\$ 131,170	\$ -	\$ -	\$ -	\$ 131,170
Ditch maintenance and construction	-	254,978	-	-	254,978
Assigned to					
Solid waste	353,722	-	-	-	353,722
Hospital reserve	-	-	33,292	-	33,292
<b>Total Fund Balances</b>	<b>\$ 484,892</b>	<b>\$ 254,978</b>	<b>\$ 33,292</b>	<b>\$ -</b>	<b>\$ 773,162</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 511,146</b>	<b>\$ 288,150</b>	<b>\$ 33,292</b>	<b>\$ 314,463</b>	<b>\$ 1,147,051</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT B-2*

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

	<u>Solid Waste</u>	<u>Ditch</u>	<u>Hospital Reserve</u>	<u>Total (Exhibit 5)</u>
<b>Revenues</b>				
Special assessments	\$ 8,871	\$ 44,219	\$ -	\$ 53,090
Intergovernmental	71,066	-	-	71,066
Charges for services	189,470	-	-	189,470
Miscellaneous	4,075	-	-	4,075
<b>Total Revenues</b>	<b>\$ 273,482</b>	<b>\$ 44,219</b>	<b>\$ -</b>	<b>\$ 317,701</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ 209,247	\$ -	\$ -	\$ 209,247
Conservation of natural resources	-	47,646	-	47,646
<b>Debt service</b>				
Principal	6,509	-	-	6,509
Interest	1,903	-	-	1,903
<b>Total Expenditures</b>	<b>\$ 217,659</b>	<b>\$ 47,646</b>	<b>\$ -</b>	<b>\$ 265,305</b>
<b>Net Change in Fund Balance</b>	<b>\$ 55,823</b>	<b>\$ (3,427)</b>	<b>\$ -</b>	<b>\$ 52,396</b>
<b>Fund Balance – January 1</b>	<b>429,069</b>	<b>258,405</b>	<b>33,292</b>	<b>720,766</b>
<b>Fund Balance – December 31</b>	<b>\$ 484,892</b>	<b>\$ 254,978</b>	<b>\$ 33,292</b>	<b>\$ 773,162</b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT B-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 8,871	\$ 8,871
Intergovernmental	69,692	69,692	71,066	1,374
Charges for services	194,000	194,000	189,470	(4,530)
Miscellaneous	2,700	2,700	4,075	1,375
	<u>266,392</u>	<u>266,392</u>	<u>273,482</u>	<u>7,090</u>
<b>Total Revenues</b>	<b>\$ 266,392</b>	<b>\$ 266,392</b>	<b>\$ 273,482</b>	<b>\$ 7,090</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 241,121	\$ 241,121	\$ 209,247	\$ 31,874
<b>Debt service</b>				
Principal	-	-	6,509	(6,509)
Interest	-	-	1,903	(1,903)
	<u>241,121</u>	<u>241,121</u>	<u>217,659</u>	<u>23,462</u>
<b>Total Expenditures</b>	<b>\$ 241,121</b>	<b>\$ 241,121</b>	<b>\$ 217,659</b>	<b>\$ 23,462</b>
<b>Net Change in Fund Balance</b>	<b>\$ 25,271</b>	<b>\$ 25,271</b>	<b>\$ 55,823</b>	<b>\$ 30,552</b>
<b>Fund Balance – January 1</b>	<b>429,069</b>	<b>429,069</b>	<b>429,069</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 454,340</b>	<b>\$ 454,340</b>	<b>\$ 484,892</b>	<b>\$ 30,552</b>



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT B-4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 33,000	\$ 33,000	\$ 44,219	\$ 11,219
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	33,000	33,000	47,646	(14,646)
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (3,427)	\$ (3,427)
<b>Fund Balance – January 1</b>	<u>258,405</u>	<u>258,405</u>	<u>258,405</u>	<u>-</u>
<b>Fund Balance – December 31</b>	<u>\$ 258,405</u>	<u>\$ 258,405</u>	<u>\$ 254,978</u>	<u>\$ (3,427)</u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

Mahnomen County EDA accounts for the receipts and disbursements of the Mahnomen County Economic Development Authority (EDA), which encourages and promotes commercial and industrial growth and development, housing, and redevelopment in Mahnomen County.

Watersheds accounts for the collection and payment of funds due to the watershed districts.

Townships and Cities accounts for the collection and payment of funds due to towns and cities.

School Districts accounts for the collection and payment of funds due to school districts.

State Revenue accounts for the state's share of fines, delinquent and severed mineral tax, assurance, and mortgage registry tax.

Headwaters Commission accounts for the collection and payment of taxes due to the Headwaters Regional Development Commission.

Advanced Life Support accounts for the collection and payment of funds due to the Mahnomen Health Center for ambulance services.

Family Services Collaborative accounts for the collection and disbursement of funds for the local collaborative.

Mortgage Foreclosures accounts for the collection and payment of mortgage foreclosure sales activity by the County Sheriff's Office.

Social Services Recoveries accounts for the State of Minnesota's share of estate recoveries associated with the Medical Assistance Program; and MAXIS recoveries associated with the Minnesota Family Investment Program, Temporary Assistance for Needy Families, Aid to Families with Dependent Children, General Assistance, General Assistance Medical Care, and Group Residential Housing programs.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

	<b>Mahnomen County EDA</b>	<b>Watersheds</b>	<b>Townships and Cities</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 20,405	\$ 8,629	\$ 28,013
Taxes receivable for other governments	-	6,213	40,992
Accounts receivable	-	-	-
Due from other funds	-	-	15,892
Due from other governments	-	-	-
Accrued interest receivable	-	-	-
	<b>\$ 20,405</b>	<b>\$ 14,842</b>	<b>\$ 84,897</b>
<b><u>Liabilities</u></b>			
Due to other governments	\$ -	\$ -	\$ 15,892
<b><u>Deferred Inflows of Resources</u></b>			
Prepaid taxes	\$ -	\$ 179	\$ 319
<b><u>Net Position</u></b>			
Restricted for Individuals, organizations, and other governments	\$ 20,405	\$ 14,663	\$ 68,686

*EXHIBIT C-1*

<u>School Districts</u>	<u>State Revenue</u>	<u>Headwaters Commission</u>	<u>Advanced Life Support</u>	<u>Family Services Collaborative</u>	<u>Social Services Recoveries</u>	<u>Total Custodial Funds</u>
\$ 42,456	\$ 9,725	\$ 567	\$ 1,449	\$ 82,687	\$ 8,527	\$ 202,458
31,863	862	385	5,027	-	-	85,342
-	5,540	-	-	-	2,734	8,274
31,785	25	-	-	10,404	-	58,106
-	-	-	-	-	214	214
-	-	-	-	5	-	5
<u>\$ 106,104</u>	<u>\$ 16,152</u>	<u>\$ 952</u>	<u>\$ 6,476</u>	<u>\$ 93,096</u>	<u>\$ 11,475</u>	<u>\$ 354,399</u>
<u>\$ 31,785</u>	<u>\$ 11,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,475</u>	<u>\$ 70,439</u>
<u>\$ 706</u>	<u>\$ 104</u>	<u>\$ 12</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,339</u>
<u><u>\$ 73,613</u></u>	<u><u>\$ 4,761</u></u>	<u><u>\$ 940</u></u>	<u><u>\$ 6,457</u></u>	<u><u>\$ 93,096</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 282,621</u></u>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

	<u>Mahnomen County EDA</u>	<u>Watersheds</u>	<u>Townships and Cities</u>	<u>School Districts</u>
<b>Additions</b>				
Contributions				
Individuals	\$ -	\$ -	\$ -	\$ -
Investment earnings				
Interest, dividends, and other	-	-	-	-
Property tax collections for other governments	-	323,893	1,075,185	1,424,136
Contributions from participants	256,250	-	-	-
Licenses and fees collected for the state	-	-	-	-
<b>Total Additions</b>	<b>\$ 256,250</b>	<b>\$ 323,893</b>	<b>\$ 1,075,185</b>	<b>\$ 1,424,136</b>
<b>Deductions</b>				
Payments of property tax to other governments	\$ -	\$ 317,738	\$ 1,053,953	\$ 1,395,717
Payments to other governments	256,250	-	-	-
Payments to the state	-	-	-	-
Administrative expense	7,500	-	-	-
Distributions to participants	-	-	-	-
<b>Total Deductions</b>	<b>\$ 263,750</b>	<b>\$ 317,738</b>	<b>\$ 1,053,953</b>	<b>\$ 1,395,717</b>
<b>Change in net position</b>	<b>\$ (7,500)</b>	<b>\$ 6,155</b>	<b>\$ 21,232</b>	<b>\$ 28,419</b>
<b>Net Position – January 1</b>	<b>27,905</b>	<b>8,508</b>	<b>47,454</b>	<b>45,194</b>
<b>Net Position – December 31</b>	<b>\$ 20,405</b>	<b>\$ 14,663</b>	<b>\$ 68,686</b>	<b>\$ 73,613</b>

**EXHIBIT C-2**

<u>State Revenue</u>	<u>Headwaters Commission</u>	<u>Advanced Life Support</u>	<u>Family Services Collaborative</u>	<u>Mortgage Foreclosures</u>	<u>Social Services Recoveries</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,113	\$ 70,113
-	-	-	49	2,141	-	2,190
252,497	21,250	51,404	-	6,220,459	-	9,368,824
-	-	-	50,201	-	-	306,451
117,323	-	-	-	-	-	117,323
<b>\$ 369,820</b>	<b>\$ 21,250</b>	<b>\$ 51,404</b>	<b>\$ 50,250</b>	<b>\$ 6,222,600</b>	<b>\$ 70,113</b>	<b>\$ 9,864,901</b>
\$ 249,219	\$ 20,670	\$ 51,029	\$ -	\$ 6,222,600	\$ -	\$ 9,310,926
-	-	-	-	-	-	256,250
117,242	-	-	-	-	70,113	187,355
-	-	-	-	-	-	7,500
-	-	-	2,577	-	-	2,577
<b>\$ 366,461</b>	<b>\$ 20,670</b>	<b>\$ 51,029</b>	<b>\$ 2,577</b>	<b>\$ 6,222,600</b>	<b>\$ 70,113</b>	<b>\$ 9,764,608</b>
\$ 3,359	\$ 580	\$ 375	\$ 47,673	\$ -	\$ -	\$ 100,293
1,402	360	6,082	45,423	-	-	182,328
<b>\$ 4,761</b>	<b>\$ 940</b>	<b>\$ 6,457</b>	<b>\$ 93,096</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 282,621</b>

## **OTHER SCHEDULES**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2021**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Cash on hand	N/A	N/A	N/A	\$ 1,700
Noninterest-bearing checking account	Two	N/A	Continuous	46,451
Interest-bearing checking	Four	0.02 to 0.25	Continuous	4,286,672
Passbook savings	One	0.05	Continuous	81,248
Certificates of deposit	Two	0.40 to 1.55	March 2, 2022 to October 16, 2022	96,465
Money market savings	Three	0.05 to 0.25	Continuous	2,314,110
Negotiable certificates of deposit	Twelve	0.40 to 1.54	March 28, 2022 to November 30, 2026	2,153,681
Government bonds	One	0.65	June 30, 2026	98,578
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 9,078,905</u></b>



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT D-2*

**BALANCE SHEET BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2021**

	<u>County Ditch No. 3</u>	<u>Joint Ditch No. 55</u>	<u>County Ditch No. 91-91A</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 10,822	\$ 60,251	\$ 183,885	\$ 254,958
Special assessments receivable				
Delinquent	41	-	151	192
Noncurrent	3,000	-	30,000	33,000
<b>Total Assets</b>	<b><u>\$ 13,863</u></b>	<b><u>\$ 60,251</u></b>	<b><u>\$ 214,036</u></b>	<b><u>\$ 288,150</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	\$ 3,021	\$ -	\$ 30,151	\$ 33,172
<b>Fund Balances</b>				
Restricted for				
Ditch maintenance and construction	10,842	60,251	183,885	254,978
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 13,863</u></b>	<b><u>\$ 60,251</u></b>	<b><u>\$ 214,036</u></b>	<b><u>\$ 288,150</u></b>

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

*EXHIBIT D-3*

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

**Appropriations and Shared Revenue**

**State**

Highway users tax	\$	2,937,755
County program aid		763,118
Disparity reduction aid		63,937
Pension contribution		19,198
Aquatic invasive species aid		26,244
Police aid		115,673
Riparian aid		61,168
Out-of-home placement aid		25,579
Market value credit		111,519
Indian casino aid		58,198
Property tax reimbursement – casino		900,000

**Total appropriations and shared revenue** **\$ 5,082,389**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	775,999
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**Payments**

**Local**

Other contributions	\$	10,360
Local contributions		25,000
Payments in lieu of taxes		120,049

**Total payments** **\$ 155,409**

**Grants**

**State**

Minnesota Department/Board of		
Human Services	\$	300,495
Veterans Affairs		8,810
Public Safety		133,975
Corrections		14,340
Natural Resources		115,091
Water and Soil Resources		127,846
Transportation		33,055
Peace Officer Standards and Training Board		12,364
Pollution Control Agency		71,066

**Total state** **\$ 817,042**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

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

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 108,199
Justice	59,116
Transportation	167,767
Treasury	183,630
Health and Human Services	659,074
Homeland Security	23,069
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**Total federal** **\$ 1,200,855**

**Total state and federal grants** **\$ 2,017,897**

**Total Intergovernmental Revenue** **\$ 8,031,694**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT D-4**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	<b>\$ 108,199</b>
<b>U.S. Department of Justice</b>			
Direct Bulletproof Vest Partnership Program	16.607		\$ 2,294
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2020-MAHNOMCO-151	32,999
Crime Victim Assistance (Total Crime Victim Assistance 16.575 \$52,176)	16.575	A-CVS-2022-MAHNOMCO-091	19,177
Public Safety Partnership and Community Policing Grants	16.710	167088	<u>4,646</u>
<b>Total U.S. Department of Justice</b>			<b>\$ 59,116</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster COVID-19 – Highway Planning and Construction	20.205	8821224	\$ 124,385
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC21-2021-MAHNOMS0-029	1,488
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$5,655)	20.600	A-SPEED21-2021-MAHNOMS0-052	4,167
National Priority Safety Programs	20.616	A-ENFRC21-2021-MAHNOMS0-029	1,637
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC21-2021-MAHNOMS0-029	<u>3,345</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ 135,022</b>
<b>U.S. Department of the Treasury</b>			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<b>\$ 183,630</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2101MNFSS	\$ 1,039
Temporary Assistance for Needy Families	93.558	2101MNTANF	73,668
Child Support Enforcement	93.563	2101MNCEST	89,134
Child Support Enforcement (Total Child Support Enforcement 93.563 \$104,187)	93.563	2101MNCSES	15,053
Refugee and Entrant Assistance – State Administered Programs	93.566	2101MNRCA	224
CCDF Cluster Child Care and Development Block Grant	93.575	2101MNCDF	622
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	370

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

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**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**EXHIBIT D-4  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services (Continued)			
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	438
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	1,209
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 \$1,647)			
Foster Care – Title IV-E	93.658	2101MNFOST	91,846
Social Services Block Grant	93.667	2101MNSOSR	65,385
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	314
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	750
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	5,065
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$5,815)			
Children's Health Insurance Program	93.767	2105MN5021	457
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	316,784
Medical Assistance Program	93.778	2105MN5MAP	1,128
(Total Medical Assistance Program 93.778 \$317,912)			
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 663,486</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2019-MAHNOMCO-045	\$ 11,763
Emergency Management Performance Grants	97.042	A-EMPG-2020-MAHNOMCO-045	11,306
(Total Emergency Management Performance Grants 97.042 \$23,069)			
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 23,069</b>
<b>Total Federal Awards</b>			<b>\$ 1,172,522</b>

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

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 108,199
Total expenditures for Highway Planning and Construction Cluster	124,385
Total expenditures for Highway Safety Cluster	7,292
Total expenditures for CCDF Cluster	622
Total expenditures for Medicaid Cluster	317,912

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Mahnomen County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$3,820,398 in federal awards expended by the Mahnomen Health Center component unit, which had a separate single audit performed by other auditors.

B. Basis of Presentation

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

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

2. De Minimis Cost Rate

Mahnomen County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,200,855
Grants received more than 60 days after year-end, unavailable in 2021	
Airport Improvement Program (AL No. 20.106)	48,927
Promoting Safe and Stable Families (AL No. 93.556)	78
Temporary Assistance for Needy Families (AL No. 93.558)	22,462
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	113
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	71
Child Abuse and Neglect State Grants (AL No. 93.669)	314
Children's Health Insurance Program (AL No. 93.767)	289
Grants unavailable in 2020, recognized as revenue in 2021	
Airport Improvement Program (AL No. 20.106)	(48,927)
Highway Planning and Construction (AL No. 20.205)	(32,745)
Promoting Safe and Stable Families (AL No. 93.556)	(372)
Temporary Assistance for Needy Families (AL No. 93.558)	(18,412)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(131)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,172,522</u>

**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  
Mahnomen County  
Mahnomen, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Mahnomen County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2022. Our report includes a reference to other auditors who audited the financial statements of the Mahnomen Health Center, a 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 Mahnomen County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001, that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mahnomen 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 Mahnomen 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.

### **Mahnomen County's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Mahnomen County's response to the internal control finding 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

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

December 5, 2022



**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  
Mahnomen County  
Mahnomen, Minnesota

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Mahnomen 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 the County's major federal program for the year ended December 31, 2021. Mahnomen County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Mahnomen County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on the 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 Mahnomen 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 the major federal program. Our audit does not provide a legal determination of Mahnomen County's compliance with the compliance requirements referred to above.

#### **Other Matter - Federal Expenditures Not Included in the Compliance Audit**

Mahnomen County's basic financial statements include the operations of the Mahnomen Health Center component unit, which expended \$3,820,398 in federal awards, which are not included in Mahnomen County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2021. Our compliance audit, described in the "Opinion on the Major Federal Program," does not include the operations of the Mahnomen Health Center because other auditors were engaged to perform a single audit in accordance with the Uniform Guidance.

#### ***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 Mahnomen 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 Mahnomen 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 Mahnomen 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 Mahnomen 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 Mahanomen 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 Mahanomen 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.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

December 5, 2022

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over the major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
93.778	Medicaid Cluster

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

Mahnomen County qualified as a low-risk auditee? **Yes**

**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

INTERNAL CONTROL

**2021-001      Segregation of Duties**

**Prior Year Finding Number:** 2020-001

**Repeat Finding Since:** 1996

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Mahnomen County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** This is not unusual in operations the size of Mahnomen County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County informed us that the individual departments collecting fees have direct knowledge of the services provided, making it more efficient for the department providing the service to collect the fees, periodically remitting those fees to the County Treasurer with the proper coding for posting to the County's general ledger. The County stated that the



**MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

department heads are aware that employees collecting those fees and recording those fees have incompatible duties and that they monitor the operations of their respective offices to ensure collections are properly receipted and periodically remitted to the County Treasurer.

**Recommendation:** We recommend Mahnomen County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

**View of Responsible Official:** Concur

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

None.



**REPRESENTATION OF MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Finding Number: 2021-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

James Lee, County Auditor; CJ Holl, County Administrator

Corrective Action Planned:

Where possible, segregation of duties in internal controls will be implemented. As a small county, with limited staff, it is operationally impractical in all cases.

Anticipated Completion Date:

Ongoing throughout 2022.



**REPRESENTATION OF MAHNOMEN COUNTY  
MAHNOMEN, MINNESOTA**

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

**Finding Number: 2020-001**  
**Year of Finding Origination: 1996**  
**Finding Title: Segregation of Duties**

**Summary of Condition:** Due to the limited number of personnel within several Mahnomen County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Summary of Corrective Action Previously Reported:** Where possible, segregation of duties in internal controls will be implemented. As a small county, with limited staff, it is operationally impractical in all cases.

**Status:** Not Corrected. Due to lack of resources, the County has yet to discover a feasible plan, other than what is taking place.

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

**Finding Number: 2020-002**  
**Year of Finding Origination: 2020**  
**Finding Title: Subrecipient Monitoring**  
**Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing #21.019)**

**Summary of Condition:** The County did not document risk assessment procedures performed over its subrecipients. Award information, including CFDA number, was not provided to the subrecipients and there were no signed subrecipient agreements in place. Additionally, the County does not have documented policies and procedures for subrecipient monitoring in place.



**Summary of Corrective Action Previously Reported:** The County will implement a plan to monitor subrecipients to ensure compliance with federal regulations for all federal awards, including the pending ARP award usage.

**Status:** Fully Corrected. Not required for current year federal expenditures.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number:** 2020-003  
**Year of Finding Origination:** 2018  
**Finding Title:** Publication of Board Minutes

**Summary of Condition:** Not all summaries of the County Board minutes for 2020 were published in the County's official newspaper within the 30-day requirement.

**Summary of Corrective Action Previously Reported:** Board minutes for the previous meeting will be approved, signed and forwarded to the legal paper (Mahnomen Pioneer) after each meeting to be published in the following edition. We have spoken to the editor on the need to make sure to publish ASAP in the following edition to meet the statutory 30-day deadline.

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