State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Hubbard County
Park Rapids, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Hubbard County
Park Rapids, Minnesota

Year Ended December 31, 2020

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

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Introductory Section

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2020

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

[1]Resigned effective December 25, 2020.
[2]Resigned effective January 2, 2021.

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2020, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, which statements reflect 26 percent and 98 percent, respectively, of the assets and revenues of both the Heritage Community Enterprise Fund, a major fund, and the business-type activities. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Heritage Manor, and Heritage Cottages, is based solely on the report of the other auditors. We have applied audit procedures on the conversion adjustments to the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the Heritage Living Center, Heritage Manor, and Heritage Cottages, prior to these conversion adjustments, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the Hubbard County Housing and Redevelopment Authority (HRA), which represents the amounts

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shown as the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hubbard County HRA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of December 31, 2020, including the Heritage Community Enterprise Fund as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of Hubbard County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hubbard County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hubbard County's internal control over financial reporting and compliance. It does not include the Heritage Living Center, Heritage Manor, and Heritage Cottages or the Hubbard County HRA, which were audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and is 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 16, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

Hubbard County

301 Court Avenue
Park Rapids, MN 56470

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

The management of Hubbard County offers readers of the County's financial statements this narrative overview and analysis of the financial activities of Hubbard County for the fiscal year ended December 31, 2020. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements and the notes to the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is $108,093,433, of which $86,609,035 is the net investment in capital assets, $10,230,150 is restricted for specific purposes, and $11,254,248 is unrestricted. The total net position of governmental activities increased by $6,871,336 in 2020.

The total net position of business-type activities is ($2,629,801), of which ($444,295) is the net investment in capital assets, $1,119,710 is restricted for specific purposes, and ($3,305,216) is unrestricted. The total net position of business-type activities decreased by $478,737 for the year ended September 30, 2020.

At the close of 2020, the County's governmental funds reported combined ending fund balances of $35,095,158, an increase of $7,828,012 from the prior year. Of the total fund balance amount, $738,166 is nonspendable, $13,001,903 is legally or contractually restricted, $10,445,738 is committed, $8,988,111 is assigned for specific purposes, and $1,921,240 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $105,463,632 at the close of 2020. The largest portion of the County's net position (approximately 82 percent) reflects its net investment in capital assets (i.e., land, permanent right-of-way, construction in progress, infrastructure, buildings and improvements, land improvements, machinery and equipment, and software). It should be noted that this amount is not available for future spending. Approximately eleven percent of the County's net position is restricted and seven percent of the County's net position is unrestricted. The unrestricted net position amount of $7,949,032 as of December 31, 2020, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets and deferred outflows of resources increased by $8,756,329 from the prior year, and total liabilities and deferred inflows of resources increased by $2,363,730 from the prior year, primarily due to increases in cash and pooled investments, capital assets, long-term liabilities due in more than one year, and net pension liability, and decreases in deferred inflows of resources related to other postemployment benefits and pensions in the current year. This resulted in an increase in net position of $6,392,599.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	$ 39,341,066	$ 32,462,781	$ 11,438,111	$ 11,725,948	$ 50,779,177	$ 44,188,729
Capital assets	92,411,287	89,712,101	2,051,848	2,244,062	94,463,135	91,956,163
Total Assets	$ 131,752,353	$ 122,174,882	$ 13,489,959	$ 13,970,010	$ 145,242,312	$ 136,144,892
Deferred outflows of resources	$ 2,064,762	$ 2,361,788	$ 186,998	$ 231,063	$ 2,251,760	$ 2,592,851
Liabilities						
Long-term liabilities	$ 21,882,296	$ 16,104,977	$ 14,998,374	$ 15,204,505	$ 36,880,670	$ 31,309,482
Other liabilities	1,752,484	2,691,528	1,122,222	653,949	2,874,706	3,345,477
Total Liabilities	$ 23,634,780	$ 18,796,505	$ 16,120,596	$ 15,858,454	$ 39,755,376	$ 34,654,959
Deferred inflows of resources	$ 2,088,902	$ 4,518,068	$ 186,162	$ 493,683	$ 2,275,064	$ 5,011,751
Net position						
Net investment in capital assets	$ 86,609,035	$ 83,453,648	$ (444,295)	$ (393,879)	$ 86,164,740	$ 83,059,769
Restricted	10,230,150	9,268,005	1,119,710	824,200	11,349,860	10,092,205
Unrestricted	11,254,248	8,500,444	(3,305,216)	(2,581,385)	7,949,032	5,919,059
Total Net Position	$ 108,093,433	$ 101,222,097	$ (2,629,801)	$ (2,151,064)	$ 105,463,632	$ 99,071,033

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 9,225,003	$ 8,475,661	$ 8,313,454	$ 8,820,438	$ 17,538,457	$ 17,296,099
Operating grants and contributions	12,389,254	11,631,726	304,534	10,006	12,693,788	11,641,732
Capital grants and contributions	306,800	926,171	-	-	306,800	926,171
General revenues						
Property taxes	15,533,015	15,023,885	-	-	15,533,015	15,023,885
Transportation sales tax	1,468,994	1,286,600	-	-	1,468,994	1,286,600
Mortgage registry and deed tax	40,316	26,660	-	-	40,316	26,660
Grants and contributions not restricted to specific programs	3,879,511	979,852	-	-	3,879,511	979,852
Payments in lieu of tax	897,545	891,507	-	-	897,545	891,507
Investment earnings	475,509	410,907	141,740	158,493	617,249	569,400
Miscellaneous	269,859	271,417	-	-	269,859	271,417
Total Revenues	$ 44,485,806	$ 39,924,386	$ 8,759,728	$ 8,988,937	$ 53,245,534	$ 48,913,323
Expenses						
General government	$ 7,723,344	$ 5,297,738	$ -	$ -	$ 7,723,344	$ 5,297,738
Public safety	6,578,111	7,154,531	-	-	6,578,111	7,154,531
Highways and streets	7,313,236	7,676,390	-	-	7,313,236	7,676,390
Sanitation	3,501,203	3,384,375	-	-	3,501,203	3,384,375
Human services	9,339,899	8,998,930	-	-	9,339,899	8,998,930
Health	67,710	38,922	-	-	67,710	38,922
Culture and recreation	624,411	545,801	-	-	624,411	545,801
Conservation of natural resources	2,032,254	2,226,294	-	-	2,032,254	2,226,294
Economic development	114,000	30,000	-	-	114,000	30,000
Interest	193,882	127,088	-	-	193,882	127,088
Heritage Community	-	-	9,238,465	9,098,054	9,238,465	9,098,054
Total Expenses	$ 37,488,050	$ 35,480,069	$ 9,238,465	$ 9,098,054	$ 46,726,515	$ 44,578,123
Changes in Net Position	$ 6,997,756	$ 4,444,317	$ (478,737)	$ (109,117)	$ 6,519,019	$ 4,335,200
Net Position – January 1, as reported	$ 101,222,097	$ 96,777,780	$ (2,151,064)	$ (2,041,947)	$ 99,071,033	$ 94,735,833
Restatement (Note 1.E)	(126,420)	-	-	-	(126,420)	-
Net Position – January 1, as restated	$ 101,095,677	$ 96,777,780	$ (2,151,064)	$ (2,041,947)	$ 98,944,613	$ 94,735,833
Net Position – December 31	$ 108,093,433	$ 101,222,097	$ (2,629,801)	$ (2,151,064)	$ 105,463,632	$ 99,071,033

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

At the end of 2020, the County's governmental funds reported combined ending fund balances of $35,095,158. Of this amount, approximately two percent constitutes nonspendable fund balance, 37 percent constitutes legally or contractually restricted fund balance, 30 percent constitutes committed fund balance, 26 percent constitutes specifically assigned fund balance and five percent constitutes unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $9,942,809. Unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was $7,257,737. As a measure of the General Fund's liquidity, it is useful to compare the unrestricted fund balance and total fund balance to total fund expenditures for 2020. Unrestricted fund balance represents 42 percent of total General Fund expenditures, while total fund balance represents 57 percent of that same amount.

In 2020, the fund balance amount in the General Fund increased by $1,560,790, due to more revenues than anticipated in 2020.

The fund balance of the Road and Bridge Special Revenue Fund increased by $1,336,088 in 2020 due to the delayed maintenance projects.

The fund balance of the Social Services Special Revenue Fund decreased $255,013 from the prior year due to the budgeted use of fund balance.

Proprietary Fund

The Heritage Community Enterprise Fund operating loss in 2020 was $475,859.

Total resident services and ancillary revenues decreased six percent, from $8,830,444 in fiscal year 2019 to $8,313,874 in fiscal year 2020. The decreased revenues were a result of decreased fees in 2020 due to the Covid-19 pandemic. Resident service expenses increased four percent from $8,423,727 in 2019 to $8,789,733 in 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by $3,216,542 with the largest positive variances in intergovernmental and miscellaneous revenues. Overall final budgeted expenditures were less than actual expenditures by $1,641,392.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2020, and business-type activities as of September 30, 2020, amounted to $94,463,135 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 2.7 percent.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	$ 885,724	$ 862,945	$ 117,299	$ 117,299	$ 1,003,023	$ 980,244
Permanent right-of-way	3,678,309	3,678,309	-	-	3,678,309	3,678,309
Construction in progress	5,367,846	561,012	-	-	5,367,846	561,012
Infrastructure	62,491,528	64,232,787	-	-	62,491,528	64,232,787
Buildings and improvements	14,938,469	15,618,027	1,842,805	2,018,492	16,781,274	17,636,519
Land improvements	187,950	128,292	20,467	24,026	208,417	152,318
Machinery and equipment	4,742,305	4,556,639	71,277	84,245	4,813,582	4,640,884
Software	119,156	74,090	-	-	119,156	74,090
Total Capital Assets	$ 92,411,287	$ 89,712,101	$ 2,051,848	$ 2,244,062	$ 94,463,135	$ 91,956,163

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of $21,783,031, which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
G.O. Bonds, net of premium	$ 2,486,394	$ 2,684,248	$ 2,496,143	$ 2,637,941	$ 4,982,537	$ 5,322,189
G.O. Refunding Bonds, net of premium	7,512,553	3,415,028	-	-	7,512,553	3,415,028
G.O. Nursing Home Revenue Bonds, net of discount	-	-	9,287,941	9,532,306	9,287,941	9,532,306
Total Long-Term Debt	$ 9,998,947	$ 6,099,276	$ 11,784,084	$ 12,170,247	$ 21,783,031	$ 18,269,523

The County's net increase in debt of $3,513,508 (19.2 percent) during the fiscal year was due to the issuance of refunding bonds, considering the timing of the defeasance of the G.O. Correctional Facility Refunding Bonds, Series 2012, and the G.O. Capital Improvement Plan Bonds, Series 2013 (new bonds issued in the current fiscal year will not be used to defease the old bonds until the following fiscal year), offset by scheduled debt service payments.

Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2020, overall debt of the County is below the three percent debt limit.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. Revenue from intergovernmental sources, which includes federal and state revenues, totaled $17,734,693 in 2020. This amounts to 39.9 percent of the total governmental fund revenue received in 2020. This compares to intergovernmental revenues in 2019 of $16,024,715, or 38.5 percent of the total governmental fund revenue received.

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

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

The average 2020 unemployment rate for Hubbard County was 6.7 percent. This is higher than the statewide average rate of 6.2 percent and lower than the national average rate of 8.1 percent.

Hubbard County's population at July 1, 2020, was 21,344, an increase of 916 since 2010 (the last statewide census).

On December 15, 2020, Hubbard County set its 2021 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2020
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Assets				
Cash and pooled investments	$ 34,565,261	$ 259,638	$ 34,824,899	$ 131,182
Taxes receivable – delinquent	384,751	-	384,751	4,086
Accounts receivable – net	477,300	560,018	1,037,318	81,033
Accrued interest receivable	250,498	-	250,498	-
Contracts receivable	634,087	-	634,087	668,861
Due from other governments	2,291,003	-	2,291,003	-
Due from related parties	-	168,156	168,156	-
Internal balances	-	(15,816)	(15,816)	-
Prepaid items	-	153,156	153,156	10,549
Inventories	270,886	-	270,886	-
Leveraged loan receivable	-	10,091,000	10,091,000	-
Restricted assets				
Cash and pooled investments				
Resident trust funds	-	11,683	11,683	-
Board-designated – bond fund	-	191,153	191,153	-
Board-designated – building fund	-	6,889	6,889	-
Minnesota Urban and Rural Homesteading	-	-	-	294,948
Tenant security deposits	-	12,234	12,234	37,381
Loan proceeds – construction fund	-	-	-	139
Investment	467,280	-	467,280	-
Capital assets				
Non-depreciable	9,931,879	117,299	10,049,178	537,040
Depreciable – net of accumulated depreciation	82,479,408	1,934,549	84,413,957	4,109,053
Total Assets	**$ 131,752,353**	**$ 13,489,959**	**$ 145,242,312**	**$ 5,874,272**
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	$ 106,021	$ 3,335	$ 109,356	$ -
Deferred pension outflows	1,958,741	183,663	2,142,404	-
Total Deferred Outflows of Resources	**$ 2,064,762**	**$ 186,998**	**$ 2,251,760**	**$ -**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2020
INCLUDING THE BUSINESS-TYPE INFORMATION
AS OF SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County Housing and Redevelopment Authority
Liabilities				
Accounts payable	$ 760,861	$ 253,296	$ 1,014,157	$ 17,757
Salaries payable	595,175	285,760	880,935	2,052
Due to related parties	-	326,043	326,043	-
Contracts payable	132,094	-	132,094	-
Due to other governments	208,122	-	208,122	4,792
Deposits	-	-	-	37,381
Accrued interest payable	56,232	25,850	82,082	-
Unearned revenue	-	208,240	208,240	-
Current liabilities payable from restricted assets	-	23,033	23,033	-
Long-term liabilities				
Due within one year	1,690,116	522,112	2,212,228	67,768
Due in more than one year	10,220,388	11,552,026	21,772,414	3,520,081
Other postemployment benefits liability	1,009,736	100,376	1,110,112	-
Net pension liability	8,962,056	2,823,860	11,785,916	-
Total Liabilities	**$ 23,634,780**	**$ 16,120,596**	**$ 39,755,376**	**$ 3,649,831**
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	$ 75,440	$ 34,457	$ 109,897	$ -
Deferred pension inflows	2,013,462	151,705	2,165,167	-
Total Deferred Inflows of Resources	**$ 2,088,902**	**$ 186,162**	**$ 2,275,064**	**$ -**
Net Position				
Net investment in capital assets	$ 86,609,035	$ (444,295)	$ 86,164,740	$ 1,058,244
Restricted for				
General government	852,053	-	852,053	-
Public safety	608,894	-	608,894	-
Highways and streets	3,624,194	-	3,624,194	-
Sanitation	366,484	-	366,484	-
Culture and recreation	612,834	-	612,834	-
Conservation of natural resources	2,289,852	-	2,289,852	-
Capital projects	-	928,557	928,557	-
Debt service	1,408,559	191,153	1,599,712	-
Permanent fund principal	467,280	-	467,280	-
Minnesota Urban and Rural Homesteading	-	-	-	753,372
Unrestricted	11,254,248	(3,305,216)	7,949,032	412,825
Total Net Position	**$ 108,093,433**	**$ (2,629,801)**	**$ 105,463,632**	**$ 2,224,441**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
INCLUDING THE BUSINESS-TYPE INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

			Program Revenues
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 7,723,344	$ 1,056,083	$ 383,931
Public safety	6,578,111	932,551	404,017
Highways and streets	7,313,236	1,192,263	5,658,684
Sanitation	3,501,203	3,613,884	85,718
Human services	9,339,899	1,004,336	5,304,683
Health	67,710	-	-
Culture and recreation	624,411	303	-
Conservation of natural resources	2,032,254	1,425,583	552,221
Economic development	114,000	-	-
Interest	193,882	-	-
Total governmental activities	**$ 37,488,050**	**$ 9,225,003**	**$ 12,389,254**
Business-type activities			
Heritage Community	9,238,465	8,313,454	304,534
Total Primary Government	**$ 46,726,515**	**$ 17,538,457**	**$ 12,693,788**
Component unit			
Hubbard County Housing and Redevelopment Authority	**$ 608,588**	**$ 426,546**	**$ -**

General Revenues
Property taxes
Transportation sales tax
Mortgage registry and deed tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment earnings
Miscellaneous
Special Item
Debt Forgiveness

Total general revenues and special item

Change in net position

Net Position – Beginning, as restated (Note 1.E)

Net Position – Ending

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-Type Activities	Total	Component Unit: Hubbard County Housing and Redevelopment Authority
$ -	$ (6,283,330)	$ -	$ (6,283,330)	
-	(5,241,543)	-	(5,241,543)	
306,800	(155,489)	-	(155,489)	
-	198,399	-	198,399	
-	(3,030,880)	-	(3,030,880)	
-	(67,710)	-	(67,710)	
-	(624,108)	-	(624,108)	
-	(54,450)	-	(54,450)	
-	(114,000)	-	(114,000)	
-	(193,882)	-	(193,882)	
$ 306,800	**$ (15,566,993)**	**$ -**	**$ (15,566,993)**	
-	-	(620,477)	(620,477)	
$ 306,800	**$ (15,566,993)**	**$ (620,477)**	**$ (16,187,470)**	
$ -				**$ (182,042)**
	$ 15,533,015	$ -	$ 15,533,015	$ 169,101
	1,468,994	-	1,468,994	-
	40,316	-	40,316	-
	3,879,511	-	3,879,511	-
	897,545	-	897,545	-
	475,509	141,740	617,249	2,324
	269,859	-	269,859	54,943
	-	-	-	513,000
	$ 22,564,749	**$ 141,740**	**$ 22,706,489**	**$ 739,368**
	$ 6,997,756	**$ (478,737)**	**$ 6,519,019**	**$ 557,326**
	101,095,677	**(2,151,064)**	**98,944,613**	**1,667,115**
	$ 108,093,433	**$ (2,629,801)**	**$ 105,463,632**	**$ 2,224,441**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 10,249,943	$ 8,923,540
Investment	-	-
Taxes receivable – delinquent	216,100	78,657
Accounts receivable – net	218,218	9,345
Accrued interest receivable	250,498	-
Contracts receivable	-	-
Due from other funds	205,272	19,914
Due from other governments	298,381	1,288,534
Advance to other funds	-	-
Inventories	-	270,886
Total Assets	**$ 11,438,412**	**$ 10,590,876**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 468,772	$ 21,401
Salaries payable	323,329	57,861
Contracts payable	-	132,094
Due to other funds	5,145	2,784
Due to other governments	58,058	1,251
Advance from other funds	-	-
Total Liabilities	**$ 855,304**	**$ 215,391**
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	$ 160,235	$ 58,323
Charges for services	187,184	83,873
County state-aid highway allotments	-	876,016
Land and timber sales	-	-
Interest	205,374	-
Grants	84,626	-
Miscellaneous revenue	2,880	-
Total Deferred Inflows of Resources	**$ 640,299**	**$ 1,018,212**

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

EXHIBIT 3

Social Services		Building Bonds Debt Service Fund		Nonmajor Governmental Funds		Total Governmental Funds	
$	5,458,417	$	6,006,541	$	3,926,820	$	34,565,261
	-		-		467,280		467,280
	66,744		23,250		-		384,751
	42,885		-		206,852		477,300
	-		-		-		250,498
	-		-		634,087		634,087
	-		-		-		225,186
	704,088		-		-		2,291,003
	-		-		9,208		9,208
	-		-		-		270,886
$	**6,272,134**	**$**	**6,029,791**	**$**	**5,244,247**	**$**	**39,575,460**
$	244,269	$	-	$	26,419	$	760,861
	164,069		-		49,916		595,175
	-		-		-		132,094
	4,173		-		213,084		225,186
	39,676		-		109,137		208,122
	-		-		9,208		9,208
$	**452,187**	**$**	**-**	**$**	**407,764**	**$**	**1,930,646**
$	49,490	$	17,240	$	-	$	285,288
	-		-		113,035		384,092
	-		-		-		876,016
	-		-		464,704		464,704
	-		-		-		205,374
	245,541		-		-		330,167
	-		-		1,135		4,015
$	**295,031**	**$**	**17,240**	**$**	**578,874**	**$**	**2,549,656**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable	$ -	$ 270,886
Restricted	2,685,072	2,826,245
Committed	5,336,497	4,678,400
Assigned	-	1,581,742
Unassigned	1,921,240	-
Total Fund Balances	**$ 9,942,809**	**$ 9,357,273**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 11,438,412**	**$ 10,590,876**

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

EXHIBIT 3
(Continued)

Social Services	Building Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 467,280	$ 738,166
-	6,012,551	1,478,035	13,001,903
248,626	-	182,215	10,445,738
5,276,290	-	2,130,079	8,988,111
-	-	-	1,921,240
$ 5,524,916	**$ 6,012,551**	**$ 4,257,609**	**$ 35,095,158**
$ 6,272,134	**$ 6,029,791**	**$ 5,244,247**	**$ 39,575,460**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Fund balance – total governmental funds (Exhibit 3)		**$ 35,095,158**
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.		92,411,287
Deferred outflows of resources resulting from other postemployment benefits are not available resources and, therefore, are not reported in governmental funds.		106,021
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,958,741
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		2,549,656
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	$ (9,370,000)	
Unamortized premiums on bonds	(628,947)	
Capital leases	(368,305)	
Compensated absences	(1,543,252)	
Other postemployment benefits liability	(1,009,736)	
Net pension liability	(8,962,056)	
Accrued interest payable	(56,232)	(21,938,528)
Deferred inflows of resources resulting from other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(75,440)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,013,462)
Net Position of Governmental Activities (Exhibit 1)		**$ 108,093,433**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge
Revenues		
Taxes	$ 9,246,610	$ 4,550,978
Licenses and permits	200,383	-
Intergovernmental	6,347,363	6,048,143
Charges for services	1,412,689	1,023,671
Fines and forfeitures	53,167	-
Investment earnings	417,035	21,869
Gifts and contributions	43,861	-
Land and timber sales	-	-
Miscellaneous	789,020	86,048
Total Revenues	**$ 18,510,128**	**$ 11,730,709**
Expenditures		
Current		
General government	$ 7,801,542	$ -
Public safety	6,830,672	-
Highways and streets	-	9,958,137
Sanitation	-	-
Human services	765,112	-
Public health	67,710	-
Culture and recreation	691,959	-
Conservation of natural resources	1,147,828	-
Economic development	114,000	-
Intergovernmental		
Highways and streets	-	410,204
Debt service		
Principal	33,144	5,790
Interest	7,170	1,859
Bond issuance costs	-	-
Total Expenditures	**$ 17,459,137**	**$ 10,375,990**
Excess of Revenues Over (Under) Expenditures	**$ 1,050,991**	**$ 1,354,719**

EXHIBIT 5

Social Services	Building Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,368,706	$ 906,008	$ -	$ 17,072,302
-	-	550	200,933
4,950,974	7,288	380,925	17,734,693
650,984	-	3,634,194	6,721,538
-	-	-	53,167
520	7,153	496	447,073
-	-	-	43,861
-	-	927,141	927,141
346,033	-	65,043	1,286,144
$ 8,317,217	**$ 920,449**	**$ 5,008,349**	**$ 44,486,852**
$ -	$ -	$ -	$ 7,801,542
-	-	-	6,830,672
-	-	-	9,958,137
-	-	3,266,127	3,266,127
8,572,230	-	-	9,337,342
-	-	-	67,710
-	-	-	691,959
-	-	883,718	2,031,546
-	-	-	114,000
-	-	-	410,204
-	725,000	-	763,934
-	126,513	-	135,542
-	67,630	-	67,630
$ 8,572,230	**$ 919,143**	**$ 4,149,845**	**$ 41,476,345**
$ (255,013)	**$ 1,306**	**$ 858,504**	**$ 3,010,507**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	$ 199,541	$ -
Transfers out	(17,423)	-
Capital leases	327,681	79,558
Proceeds from sale of refunding bonds	-	-
Premium on sale of refunding bonds	-	-
Total Other Financing Sources (Uses)	**$ 509,799**	**$ 79,558**
Net Change in Fund Balance	**$ 1,560,790**	**$ 1,434,277**
Fund Balance – January 1, as previously reported	$ 8,382,019	$ 8,021,185
Restatement (Note 1.E)	-	-
Fund Balance – January 1, as restated	**$ 8,382,019**	**$ 8,021,185**
Increase (decrease) in inventories	**$ -**	**$ (98,189)**
Fund Balance – December 31	**$ 9,942,809**	**$ 9,357,273**

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

EXHIBIT 5
(Continued)

Social Services	Building Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 17,423	$ 216,964
-	-	(199,541)	(216,964)
-	-	-	407,239
-	4,065,000	-	4,065,000
-	569,875	-	569,875
$ -	**$ 4,634,875**	**$ (182,118)**	**$ 5,042,114**
$ (255,013)	**$ 4,636,181**	**$ 676,386**	**$ 8,052,621**
$ 5,779,929	$ 1,376,370	$ 3,707,643	$ 27,267,146
-	-	(126,420)	(126,420)
$ 5,779,929	**$ 1,376,370**	**$ 3,581,223**	**$ 27,140,726**
$ -	**$ -**	**$ -**	**$ (98,189)**
$ 5,524,916	**$ 6,012,551**	**$ 4,257,609**	**$ 35,095,158**

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, 2020

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 8,052,621**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue – December 31	$ 2,549,656	
Unavailable revenue – January 1	(2,559,425)	(9,769)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 6,287,988	
Net book value of assets disposed	(45,355)	
Current year depreciation	(3,543,447)	2,699,186
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new debt - refunding bonds and capital leases	$ (5,042,114)	
Principal repayments	763,934	
Amortization of premiums on bonds	10,204	(4,267,976)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in inventories	$ (98,189)	
Change in deferred other postemployment benefits outflows	28,437	
Change in deferred pension outflows	(325,463)	
Change in accrued interest payable	(914)	
Change in compensated absences	(134,087)	
Change in other postemployment benefits liability	(113,126)	
Change in net pension liability	(1,262,130)	
Change in deferred other postemployment benefits inflows	15,089	
Change in deferred pension inflows	2,414,077	523,694
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 6,997,756**

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

PROPRIETARY FUND

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
SEPTEMBER 30, 2020**

<u>Assets</u>	
Current assets	
Cash and pooled investments	$ 259,638
Accounts receivable – net of allowance for uncollectible accounts of $5,750	560,018
Due from related parties	168,156
Prepaid items and other	153,156
Total current assets	**$ 1,140,968**
Restricted assets	
Cash and pooled investments	
Resident trust funds	$ 11,683
Board-designated – bond fund	191,153
Board-designated – building fund	6,889
Tenant security deposits	12,234
Total restricted assets	**$ 221,959**
Noncurrent assets	
Leveraged loan receivable	$ 10,091,000
Capital assets	
Non-depreciable	117,299
Depreciable – net of accumulated depreciation	1,934,549
Total noncurrent assets	**$ 12,142,848**
Total Assets	**$ 13,505,775**
<u>Deferred Outflows of Resources</u>	
Deferred other postemployment benefits outflows	$ 3,335
Deferred pension outflows	183,663
Total Deferred Outflows of Resources	**$ 186,998**

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
SEPTEMBER 30, 2020

Liabilities		
Current liabilities		
Accounts payable	$	253,296
Salaries payable		285,760
Compensated absences payable		192,112
Due to related parties		326,043
Due to other funds		15,816
Accrued interest payable		25,850
Unearned revenue		208,240
General obligation bonds payable		330,000
Other postemployment benefits liability		6,911
Total current liabilities	**$**	**1,644,028**
Current liabilities payable from restricted assets		
Tenant security deposits payable	$	11,350
Resident trust funds payable		11,683
Total current liabilities payable from restricted assets	**$**	**23,033**
Noncurrent liabilities		
Compensated absences payable	$	97,942
General obligation bonds payable		11,454,084
Other postemployment benefits liability		93,465
Net pension liability		2,823,860
Total noncurrent liabilities	**$**	**14,469,351**
Total Liabilities	**$**	**16,136,412**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	34,457
Deferred pension inflows		151,705
Total Deferred Inflows of Resources	**$**	**186,162**
Net Position		
Net investment in capital assets	$	(444,295)
Restricted for capital projects		928,557
Restricted for debt service		191,153
Unrestricted		(3,305,216)
Total Net Position	**$**	**(2,629,801)**

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

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Operating Revenues		
Charges for services	$	6,574,914
Rental income		1,518,175
Intergovernmental		420
Miscellaneous		220,365
Total Operating Revenues	**$**	**8,313,874**
Operating Expenses		
Nursing services	$	3,786,286
Administration and fiscal services		1,123,988
Other care related		604,057
Dietary services		740,719
Laundry		217,361
Housekeeping services		155,406
Plant operations		587,009
Employee benefits		1,358,849
Depreciation and amortization		216,058
Total Operating Expenses	**$**	**8,789,733**
Operating Income (Loss)	**$**	**(475,859)**
Nonoperating Revenues (Expenses)		
Investment earnings	$	141,740
Interest expense		(448,732)
Noncapital grant revenue		304,114
Total Nonoperating Revenues (Expenses)	**$**	**(2,878)**
Change in net position	**$**	**(478,737)**
Net Position – October 1		**(2,151,064)**
Net Position – September 30	**$**	**(2,629,801)**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from residents, programs, counties, and other revenue	$	8,542,071
Payments to employees		(5,038,412)
Payments to suppliers		(3,485,889)
Net cash provided by (used in) operating activities	**$**	**17,770**
Cash Flows from Noncapital Financing Activities		
Noncapital grants	**$**	**304,114**
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	$	(385,000)
Interest paid on long-term debt		(429,495)
Purchase of capital assets		31,856
Net cash provided by (used in) capital and related financing activities	**$**	**(782,639)**
Cash Flows from Investing Activities		
Investment earnings received	$	141,740
Deposits to bond fund and reinvested interest		(26,838)
Net cash provided by (used in) investing activities	**$**	**114,902**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(345,853)**
Cash and Cash Equivalents – October 1		**605,491**
Cash and Cash Equivalents – September 30	**$**	**259,638**

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

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
HERITAGE COMMUNITY ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(475,859)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	216,058
(Increase) decrease in accounts receivable		20,283
(Increase) decrease in due from related party		(18,049)
(Increase) decrease in prepaid items		(30,246)
(Increase) decrease in deferred outflows of resources		44,065
Increase (decrease) in accounts payable		(134,003)
Increase (decrease) in salaries payable		74,256
Increase (decrease) in due to Hubbard County		1,406
Increase (decrease) in due to related party		227,303
Increase (decrease) in tenant security deposits payable		(326)
Increase (decrease) in unearned revenue		208,240
Increase (decrease) in deferred inflows of resources		(307,521)
Increase (decrease) in net pension liability		192,163
Total adjustments	**$**	**493,629**
Net Cash Provided by (Used in) Operating Activities	**$**	**17,770**

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

FIDUCIARY FUNDS

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 35,752	$ 929,145
Taxes and special assessments receivable for other governments	-	588,114
Accounts receivable	-	6,924
Contracts receivable	-	121,060
Total Assets	**$ 35,752**	**$ 1,645,243**
Liabilities		
Due to other governments	**$ -**	**$ 279,420**
Deferred Inflows of Resources		
Prepaid taxes	**$ -**	**$ 47,052**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 35,752**	**$ 1,318,771**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT 11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions from individuals	$ 283,152	$ 267,289
Interest earnings	-	459
Property tax collections for other governments	-	18,207,169
Fees collected for state	-	5,410,005
Payments from state	-	118,400
Payments from other entities	-	670,088
Total Additions	**$ 283,152**	**$ 24,673,410**
Deductions		
Beneficiary payments to individuals	$ 262,998	$ -
Payments of property tax to other governments	-	18,503,212
Payments to state	-	5,338,855
Payments to other individuals/entities	-	739,586
Total Additions	**$ 262,998**	**$ 24,581,653**
Change in Net Position	**$ 20,154**	**$ 91,757**
Net Position – January 1, as previously reported	$ -	$ -
Net Position – Restatement (Note 1.E)	15,598	1,227,014
Net Position – January 1	**$ 15,598**	**$ 1,227,014**
Net Position – December 31	**$ 35,752**	**$ 1,318,771**

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Blended Component Unit

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

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

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

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investing activities. Pooled and fund investments, if any, are reported at their fair value at December 31, 2020. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2020 were $430,207.

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

3. Receivables and Payables

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

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

4. Leveraged Loan Receivable

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

5. Inventories and Prepaid Items

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

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

1. Summary of Significant Accounting Policies

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

6. Restricted Assets

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

7. Capital Assets

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

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

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

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

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

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

8. Compensated Absences

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

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources

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

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

10. Pension Plans

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

1. Summary of Significant Accounting Policies

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

11. Long-Term Obligations

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

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

12. Net Position and Fund Balance

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

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

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.

1. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

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

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

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

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

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

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

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated

1. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by tax levies within five years.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution, as deemed necessary, that can only be expended for a natural disaster, human catastrophe, or other unforeseen emergencies, such as a lengthy court trial, as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County did not identify an amount for stabilization as of December 31, 2020.

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

13. Net Resident Service Revenues

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

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

1. Summary of Significant Accounting Policies

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

13. Net Resident Service Revenues (Continued)

	Amount
Gross resident service revenues	$ 8,472,943
Adjustments and allowances	(1,852,693)
Provisions for uncollectible accounts	(45,336)
Net Resident Service Revenues	$ 6,574,914

14. Third-Party Reimbursement Agreements

Medicaid

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

Nursing facilities are paid under the Value Based Nursing Facility Reimbursement (VBR) system as approved during the 2015 Minnesota State Legislative Session. Under the VBR system, care-related costs are reimbursed at actual cost subject to certain limitations. Other operating costs are reimbursed using a pricing model, which results in the rates of these costs being the same for all nursing facilities in the state. Certain other costs, such as qualifying employer health insurance costs, are reimbursed at an external fixed payment rate and will be cost based with no limitations. Reimbursement for historic property-related costs is a separate component of the rate that has been frozen since 2010. Additional reimbursement for new property-related costs is possible under certain conditions. The VBR system includes a hold harmless provision which protects nursing home facilities from being paid at rates lower than those in effect December 31, 2015. Nursing facilities are also protected from significant decreases in rates in a single year due to changes in care-related costs.

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

1. Summary of Significant Accounting Policies

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

14. Third-Party Reimbursement Agreements (Continued)

Medicare

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

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

15. Occupancy Percentages

During the year ended September 30, 2020, the Heritage Community's Heritage Living Center's occupancy percentages and the percentages of resident days covered under the Medicaid and Medicare programs were as follows:

	Percentage
Total occupancy	78.0%
Medicaid	55.4
Medicare	12.3

1. Summary of Significant Accounting Policies

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

16. Use of Estimates

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

17. Unearned Revenue

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

E. Change in Accounting Principles

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing revenue from the Land Management Special Revenue Fund and Governmental Activities that is not own source revenue, adding revenue to the Hubbard County Housing and Redevelopment Authority to account for activity related to the Minnesota Urban and Rural Homesteading program, including accruals and ending net position to custodial funds not previously required, and recording the Social Welfare Private-Purpose Trust Fund that was not previously reported. Beginning net position/fund balance has been restated to reflect this change.

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

	Governmental Activities	Component Unit Hubbard County Housing and Redevelopment Authority
Net Position/Fund Balance, January 1, 2020, as previously reported	$ 101,222,097	$ 913,741
Change in accounting principles	(126,420)	753,374
Net Position/Fund Balance, January 1, 2020, as restated	$ 101,095,677	$ 1,667,115

	Land Management Special Revenue Fund	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position/Fund Balance, January 1, 2020, as previously reported	$ 1,910,396	$ -	$ -
Change in accounting principles	(126,420)	15,598	1,227,014
Net Position/Fund Balance, January 1, 2020, as restated	$ 1,783,976	$ 15,598	$ 1,227,014

2. Stewardship, Compliance, and Accountability

A. Deficits in Equity Accounts

The Heritage Community Enterprise Fund had a deficit net position of $2,629,801 as of September 30, 2020. This deficit will be eliminated with future revenues and transfers if necessary.

B. Violation of finance legal provision

The fair market value of allowable collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent statutory requirement for December of 2020. In future periods, additional monitoring procedures will be taken by the County and collateral will be provided by the financial institution when necessary.

2. Stewardship, Compliance, and Accountability (Continued)

C. Land Management

The County manages approximately 138,000 acres of state-owned, tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute. As of December 31, 2020, the County has $634,087 in contracts receivable from land leases and timber sales.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements as of December 31, 2020, are reported as follows:

Governmental funds	
Cash and pooled investments	$ 34,565,261
Restricted assets	
Investments	467,280
Proprietary funds	
Cash and pooled investments	259,638
Restricted assets	
Cash and pooled investments	
Resident trust funds	11,683
Tenant security deposits	12,234
Board-designated – bond fund	191,153
Board-designated – building fund	6,889
Fiduciary funds	
Cash and pooled investments	964,897
Total Cash and Pooled Investments	$ 36,479,035

Deposits	$ 34,688,771
Invested in MAGIC Fund	1,787,429
Petty cash and change funds	2,835
Total Deposits and Cash on Hand	$ 36,479,035

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2020, $1,688,022 of the County's deposits were exposed to custodial credit risk.

b. Investments

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

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

(4) bankers’ acceptances of United States banks;

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

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

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2020, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County's investment policy is to minimize this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At December 31, 2020, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2020, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Investment pool			
MAGIC Fund	N/A	N/A	$ 1,787,429
Deposits			34,688,771
Petty cash and change funds			2,835
Total Cash and Investments			$ 36,479,035

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

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

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2020, for the County's governmental activities and as of September 30, 2020, for the County's business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	$ 384,751	$ -	$ 384,751	$ -
Accounts receivable	1,635,712	(1,158,412)	477,300	-
Accrued interest receivable	250,498	-	250,498	-
Due from other governments	2,291,003	-	2,291,003	-
Contracts receivable	634,087	-	634,087	-
Total Governmental Activities	$ 5,196,051	$ (1,158,412)	$ 4,037,639	$ -
Business-Type Activities				
Accounts receivable	$ 605,354	$ (45,336)	$ 560,018	$ -
Due from related parties	168,156	-	168,156	-
Leveraged loan receivable	10,091,000	-	10,091,000	10,091,000
Total Business-Type Activities	$ 10,864,510	$ (45,336)	$ 10,819,174	$ 10,091,000

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2020, and for the business-type activities for the year ended September 30, 2020, was as follows:

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	$ 862,945	$ 22,779	$ -	$ 885,724
Permanent right-of-way	3,678,309	-	-	3,678,309
Construction in progress	561,012	4,806,834	-	5,367,846
Total capital assets not depreciated	$ 5,102,266	$ 4,829,613	$ -	$ 9,931,879
Capital assets depreciated				
Infrastructure	$ 88,640,141	$ -	$ 26,022	$ 88,614,119
Buildings and improvements	26,230,306	142,767	7,499	26,365,574
Land improvements	647,858	75,114	-	722,972
Machinery and equipment	12,702,030	1,173,709	857,101	13,018,638
Software	86,499	66,785	-	153,284
Total capital assets depreciated	$ 128,306,834	$ 1,458,375	$ 890,622	$ 128,874,587
Less: accumulated depreciation for				
Infrastructure	$ 24,407,354	$ 1,715,237	$ -	$ 26,122,591
Buildings and improvements	10,612,279	822,325	7,499	11,427,105
Land improvements	519,566	15,456	-	535,022
Machinery and equipment	8,145,391	968,710	837,768	8,276,333
Software	12,409	21,719	-	34,128
Total accumulated depreciation	$ 43,696,999	$ 3,543,447	$ 845,267	$ 46,395,179
Total capital assets depreciated, net	$ 84,609,835	$ (2,085,072)	$ 45,355	$ 82,479,408
Governmental Activities Capital Assets, Net	$ 89,712,101	$ 2,744,541	$ 45,355	$ 92,411,287

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	$ 117,299	$ -	$ -	$ 117,299
Capital assets depreciated				
Buildings and improvements	$ 5,231,709	$ 3,774	$ 6,289	$ 5,229,194
Land improvements	194,300	-	-	194,300
Machinery and equipment	676,953	20,070	49,411	647,612
Total capital assets depreciated	$ 6,102,962	$ 23,844	$ 55,700	$ 6,071,106
Less: accumulated depreciation for				
Buildings and improvements	$ 3,213,217	$ 179,461	$ 6,289	$ 3,386,389
Land improvements	170,274	3,559	-	173,833
Machinery and equipment	592,708	33,038	49,411	576,335
Total accumulated depreciation	$ 3,976,199	$ 216,058	$ 55,700	$ 4,136,557
Total capital assets depreciated, net	$ 2,126,763	$ (192,214)	$ -	$ 1,934,549
Business-Type Activities Capital Assets, Net	$ 2,244,062	$ (192,214)	$ -	$ 2,051,848

Depreciation Expense

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

Governmental Activities	
General government	$ 288,986
Public safety	656,486
Highways and streets, including depreciation of infrastructure assets	2,149,378
Sanitation	314,097
Human services	77,840
Culture and recreation	27,916
Conservation of natural resources	28,744
Total Depreciation Expense – Governmental Activities	$ 3,543,447
Business-Type Activities	
Heritage Community	$ 216,058

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Land Management Special Revenue Fund	$ 200,109	Reimbursements
	Road and Bridge Special Revenue Fund	2,784	Charges for services
	Social Services Special Revenue Fund	2,172	Reimbursements
	Solid Waste Special Revenue Fund	207	Charges for services
Total Due to General Fund		$ 205,272	
Road and Bridge Special Revenue Fund	General Fund	$ 5,145	Reimbursements
	Social Services Special Revenue Fund	2,001	Reimbursements
	Solid Waste Special Revenue Fund	4,618	Charges for services
	Land Management Special Revenue Fund	8,150	Reimbursements
Total Due to Road and Bridge Special Revenue Fund		$ 19,914	
Total Due From Other Funds		$ 225,186	
Due from the Heritage Community Enterprise Fund to the General Fund as of September 30, 2020, paid as of December 31, 2020		15,816	Reimbursements
Total Due To Other Funds		$ 241,002	

The interfund receivables and payables are expected to be paid within one year of December 31, 2020.

2. Advance From/To Other Funds

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

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

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	Interfund Transfer In	Interfund Transfer Out
General Fund	$ 199,541[1]	$ 17,423[2]
Land Management Special Revenue Fund	-	199,541[1]
Solid Waste Special Revenue Fund	17,423[2]	-
Total	$ 216,964	$ 216,964

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

C. Liabilities

1. Operating Leases

On December 31, 2014, Hubbard County entered into an operating lease for leased property to facilitate the construction and reconstruction project of the Heritage Community with Heritage Center, LLC. The term of the lease expires on December 31, 2049, with the option to extend or terminate at alternative dates as described in the lease documents. The future lease payments to be made by the County as of September 30, 2020, are as follows:

Year Ending September 30	Lease Payment
2021	$ 172,000
2022	172,000
2023	628,000
2024	628,000
2025	628,000
2026 - 2030	3,152,000
2031 - 2035	3,178,000
2036 - 2040	3,205,000
2041 - 2045	3,236,000
2046 - 2050	3,250,000
Total	$ 18,249,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Governmental Activities

General Obligation Bonds

Hubbard County General Obligation Correctional Facility Refunding Bonds, Series 2012, represent debt incurred to refund the General Obligation Correctional Facilities Bonds, Series 2004, on the crossover date of February 1, 2014. These bonds, dated May 23, 2012, have an original issue amount of $5,835,000. They carry a net interest rate of 2.00 to 2.25 percent and are due in annual installments beginning February 1, 2015, through February 2025. As a result of the refunding, the County realized a substantial interest rate reduction, a gross savings of approximately $669,462 and a present value savings of approximately $590,314. The principal balance and bond premium due on these bonds is $2,850,000 and $30,024, respectively, as of December 31, 2020.

Hubbard County General Obligation Capital Improvement Plan Bonds, Series 2013, represent debt incurred for the purpose of providing financing of a portion of the estimated cost of acquisition and betterment for the capital improvement projects included in the 2013 – 2017 Capital Improvement Plan. These bonds are dated May 29, 2013, with an original issue amount of $3,580,000 and a net premium of $51,372. They carry a net interest rate of 2.0 to 3.0 percent and are due in annual installments of $180,000 to $250,000 through February 2031. The principal balance and bond premium due on these bonds is $2,455,000 and $31,394, respectively, as of December 31, 2020.

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

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities

General Obligation Bonds (Continued)

a present value savings of approximately $263,631. The principal balance and bond premium due on these bonds is $4,065,000 and $567,529, respectively, as of December 31, 2020.

Capital Leases

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

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2020
Vehicles	2025	Monthly	$ 8,978	$ 407,239	$ 368,305

Debt Service Requirements

Debt service requirements at December 31, 2020, are as follows:

Year Ended December 31	General Obligation Correctional Facility Refunding Bonds, Series 2012 Principal	Interest
2021	$ 540,000	$ 53,100
2022	555,000	42,150
2023	570,000	30,900
2024	585,000	19,350
2025	600,000	6,750
Subtotal	$ 2,850,000	$ 152,250
Bond premium	30,024	-
Total	$ 2,880,024	$ 152,250

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities

Debt Service Requirements (Continued)

Year Ended December 31	General Obligation Capital Improvement Plan Bonds, Series 2013		General Obligation Refunding Bonds, Series 2020A	
	Principal	Interest	Principal	Interest
2021	$ 200,000	$ 57,763	$ -	$ 104,335
2022	205,000	53,713	640,000	149,800
2023	210,000	49,563	695,000	123,100
2024	215,000	45,312	725,000	94,700
2025	220,000	40,963	760,000	65,000
2026 - 2030	1,155,000	120,194	1,015,000	150,500
2031	250,000	3,750	230,000	4,600
Subtotal	$ 2,455,000	$ 371,258	$ 4,065,000	$ 692,035
Bond premium	31,394	-	567,529	-
Total	$ 2,486,394	$ 371,258	$ 4,632,529	$ 692,035

Year Ended December 31	Capital Leases
2021	$ 107,741
2022	107,742
2023	107,737
2024	70,334
2025	14,776
Total minimum lease payments	$ 408,330
Less: amount representing interest	(40,025)
Present Value of Minimum Lease Payments	$ 368,305

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Governmental Activities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Correctional Facility Refunding Bonds, Series 2012	$ 3,380,000	$ -	$ 530,000	$ 2,850,000	$ 540,000
Add: Bond premium	35,028	-	5,004	30,024	-
General Obligation Capital Improvement Plan Bonds, Series 2013	2,650,000	-	195,000	2,455,000	200,000
Add: Bond premium	34,248	-	2,854	31,394	-
General Obligation Refunding Bonds, Series 2020A	-	4,065,000	-	4,065,000	-
Add: Bond premium	-	569,875	2,346	567,529	-
Capital leases	-	407,239	38,934	368,305	90,344
Compensated absences	1,409,165	1,022,125	888,038	1,543,252	859,772
Governmental Activities Long-Term Liabilities	$ 7,508,441	$ 6,064,239	$ 1,662,176	$ 11,910,504	$ 1,690,116

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

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Business-Type Activities

General Obligation Bonds

Hubbard County General Obligation Housing Revenue Refunding Bonds, Series 2014, $1,795,000 General Obligation Housing Revenue Refunding Bonds dated April 22, 2014, due in annual installments of $110,000 to $160,000, with interest from 2.0 percent to 3.0 percent through August 2027. The balance due on these bonds is $1,045,000 as of September 30, 2020.

Hubbard County General Obligation Nursing Home Revenue Bonds, Series 2014, represent debt incurred for the purpose of providing financing for the Heritage Capital Project, $10,145,000 General Obligation Nursing Home Revenue Bonds dated December 31, 2014, due in annual installments of $120,000 to $715,000, with interest from 1.5 percent to 4.5 percent through October 2039. The balance due on these bonds is $9,395,000 as of September 30, 2020.

Hubbard County General Obligation Housing Development Revenue Bonds, Series 2017, $1,460,000 General Obligation Housing Development Revenue Bonds dated November 15, 2017, due in annual installments of $70,000 to $115,000, with 3.0 percent interest through October 2034. These bonds were issued during fiscal year 2018 to defease the Series 2008 bonds. The proceeds were put into an escrow account and then used to defease the Series 2008 Bonds on October 1, 2018. The balance due on these bonds is $1,390,000, as of September 30, 2020.

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt

Business-Type Activities (Continued)

Debt Service Requirements

Debt service requirements for business-type activities at September 30, 2020, are as follows:

Year Ending September 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2021	$ 330,000	$ 440,928
2022	555,000	432,978
2023	590,000	417,258
2024	625,000	399,853
2025	660,000	381,103
2026 - 2030	3,065,000	1,582,620
2031 - 2035	3,320,000	1,005,035
2036 - 2039	2,685,000	308,475
Total	$ 11,830,000	$ 4,968,250

Changes in Long-Term Liabilities

Long-term liability activity for the business-type activities for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2014 General Obligation Revenue Bonds	$ 1,180,000	$ -	$ 135,000	$ 1,045,000	$ 135,000
Add: Bond premium	37,194	-	4,748	32,446	-
2014 General Obligation Nursing Home Revenue Bonds	9,645,000	-	250,000	9,395,000	120,000
Less: Bond discounts	(112,694)	-	(5,635)	(107,059)	-
2017 General Obligation Revenue Bonds	1,390,000	-	-	1,390,000	75,000
Add: Bond premium	30,747	-	2,050	28,697	-
Compensated absences	264,159	25,895	-	290,054	192,112
Business-Type Activities Long-Term Liabilities	$ 12,434,406	$ 25,895	$ 386,163	$ 12,074,138	$ 522,112

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2020, were as follows:

	General	Road and Bridge	Social Services	Building Bonds	Other Governmental Funds	Total Governmental Funds
Nonspendable for						
Inventories	$ -	$ 270,886	$ -	$ -	$ -	$ 270,886
Endowments	-	-	-	-	467,280	467,280
Total nonspendable	$ -	$ 270,886	$ -	$ -	$ 467,280	$ 738,166
Restricted for						
AIS prevention	$ 539,527	$ -	$ -	$ -	$ -	$ 539,527
Attorney forfeitures	46,139	-	-	-	-	46,139
Attorney pretrial diversion program	6,915	-	-	-	-	6,915
Conceal and carry permits	115,343	-	-	-	-	115,343
Drug education	19,374	-	-	-	-	19,374
DWI assessment	41,057	-	-	-	-	41,057
DWI forfeitures	15,320	-	-	-	-	15,320
Enhanced 911	170,993	-	-	-	-	170,993
Jail canteen	47,934	-	-	-	-	47,934
Law library	32,052	-	-	-	-	32,052
Missing heirs	8,485	-	-	-	-	8,485
Natural resources	71,764	-	-	-	1,946	73,710
Parks and recreation	612,834	-	-	-	-	612,834
Probation	32,597	-	-	-	-	32,597
Recorder's equipment	469,673	-	-	-	-	469,673
Recorder's technology	288,789	-	-	-	-	288,789
Sheriff's contingent fund	8,848	-	-	-	-	8,848
K-9 unit	36,506	-	-	-	-	36,506
Sentence to serve	114,311	-	-	-	-	114,311
Sheriff operations	6,611	-	-	-	-	6,611
Transit tax projects	-	2,700,024	-	-	-	2,700,024
Highway construction	-	8,287	-	-	-	8,287
Fuel facility	-	117,934	-	-	-	117,934
Forest development	-	-	-	-	1,110,354	1,110,354
Memorial forest	-	-	-	-	101,557	101,557
Solid waste operations	-	-	-	-	264,178	264,178
Debt service	-	-	-	6,012,551	-	6,012,551
Total restricted	$ 2,685,072	$ 2,826,245	$ -	$ 6,012,551	$ 1,478,035	$ 13,001,903
Committed for						
Building maintenance	$ 2,585,732	$ -	$ -	$ -	$ -	$ 2,585,732
Building replacement	-	700,000	-	-	-	700,000
Capital outlay	-	800,000	-	-	-	800,000
County cars	166,998	-	-	-	-	166,998
County road projects	-	2,900,000	-	-	-	2,900,000
Departmental designations	1,331,354	-	-	-	-	1,331,354
Emergency management	1,086	-	-	-	-	1,086
Employee benefits/severance	834,011	278,400	248,626	-	182,215	1,543,252
Employee flex plan	28,747	-	-	-	-	28,747
Employee group health	239,290	-	-	-	-	239,290
Investigations	20,968	-	-	-	-	20,968
SWAT team	9,261	-	-	-	-	9,261
Survey remonumentation	119,050	-	-	-	-	119,050
Total committed	$ 5,336,497	$ 4,678,400	$ 248,626	$ -	$ 182,215	$ 10,445,738

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General	Road and Bridge	Social Services	Building Bonds	Other Governmental Funds	Total Governmental Funds
Assigned to						
Highways and streets	$ -	$ 1,581,742	$ -	$ -	$ -	$ 1,581,742
Human services	-	-	5,276,290	-	-	5,276,290
Conservation of natural resources	-	-	-	-	544,778	544,778
Sanitation	-	-	-	-	1,585,301	1,585,301
Total assigned	$ -	$ 1,581,742	$ 5,276,290	$ -	$ 2,130,079	$ 8,988,111
Unassigned	$ 1,921,240	$ -	$ -	$ -	$ -	$ 1,921,240
Total Fund Balances	$ 9,942,809	$ 9,357,273	$ 5,524,916	$ 6,012,551	$ 4,257,609	$ 35,095,158

E. Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

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

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

	Governmental Activities	Business-Type Activities	Total
Actuarial valuation date	January 1, 2019	October 1, 2019	
Inactive employees or beneficiaries currently receiving benefit payments	8	1	9
Active plan participants	192	55	247
Total	200	56	256

Total OPEB Liability

The governmental activities total OPEB liability of $1,009,736 was measured as of January 1, 2020, and was determined by an actuarial valuation dated January 1, 2019. The business-type activities total OPEB liability of $100,376 was measured as of October 1, 2019, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through funds that have personal services expenditures.

The total OPEB liability actuarial valuation in the fiscal year-ends December 31, 2020, and September 30, 2020, 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 – governmental activities	3.00 percent
Salary increases – business-type activities	11.25 percent for 1 year of service decreasing to 3.25% for 26 or more years of service
Health care cost trend – governmental activities	6.25 percent, decreasing over five years to an ultimate rate of 5.00 percent
Health care cost trend – business-type activities	6.50 percent, decreasing over six years to an ultimate rate of 5.00 percent

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

For the governmental activities, the current year discount rate is 2.90 percent, which is a change from the prior year rate of 3.80 percent. For the business-type activities, the current year discount rate is 3.00 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

For the governmental activities, mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel). For the business-type activities, mortality rates are based on Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

Changes in the Total OPEB Liability

Total OPEB Liability	Governmental Activities December 31, 2020	Business-Type Activities September 30, 2020	Total
Balance – Beginning of Year	$ 896,610	$ 138,402	$ 1,035,012
Changes for the year			
Service cost	$ 101,378	$ 8,844	$ 110,222
Interest	36,463	5,001	41,464
Differences between expected and actual experience	-	(23,235)	(23,235)
Changes of assumptions or other inputs	52,869	(19,837)	33,032
Benefit payments	(77,584)	(8,799)	(86,383)
Net change	$ 113,126	$ (38,026)	$ 75,100
Balance – End of Year	$ 1,009,736	$ 100,376	$ 1,110,112

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Governmental Activities December 31, 2020		Business-Type Activities September 30, 2020	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	$ 1,087,300	2.00%	$ 107,337
Current	2.90	1,009,736	3.00	100,376
1% Increase	3.90	937,668	4.00	93,737

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Governmental Activities December 31, 2020		Business-Type Activities September 30, 2020	
	Health Care Trend Rate	Total OPEB Liability	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 895,985	5.50% Decreasing to 4.00%	$ 90,152
Current	6.25% Decreasing to 5.00%	1,009,736	6.50% Decreasing to 5.00%	100,376
1% Increase	7.25% Decreasing to 6.00%	1,145,250	7.50% Decreasing to 6.00%	112,492

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

Governmental Activities

For the year ended December 31, 2020, the governmental activities recognized OPEB expense of $130,305. The governmental activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

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

Governmental Activities (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 45,316	$ 19,315
Difference between actual and expected results	-	56,125
Contributions made subsequent to the measurement date	60,705	-
Total	$ 106,021	$ 75,440

The $60,705 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, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2021	$ (7,536)
2022	(7,536)
2023	(7,536)
2024	(7,536)
2025	(7,531)
Thereafter	7,551

Business-Type Activities

For the year ended September 30, 2020, the business-type activities recognized OPEB expense of ($38,026). The business-type activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

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

Business-Type Activities (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 15,869
Difference between actual and expected results	-	18,588
Contributions made subsequent to the measurement date	3,335	-
Total	$ 3,335	$ 34,457

The $3,335 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2021	$ (8,615)
2022	(8,615)
2023	(8,615)
2024	(8,612)

Total OPEB Expense

The total OPEB expense recognized by the County for the year ended December 31, 2020, was $92,279.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in Actuarial Methods and Assumptions

The following changes in plan provisions, actuarial methods, and assumptions occurred in 2020:

Governmental Activities

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

Business-Type Activities

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

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

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

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

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

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

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

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

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

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

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

In 2020, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	$	915,057
Police and Fire Plan		301,756
Correctional Plan		175,932

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

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

d. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of $9,712,640 for its proportionate share of the General Employees Plan's net pension liability, of which $2,823,860 was the Heritage Community's portion as of September 30, 2020. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportionate share was 0.1620 percent. It was 0.1581 percent measured as of June 30, 2019. The County recognized pension expense of $627,760 for its proportionate share of the General Employees Plan's pension expense, of which $156,000 was the Heritage Community's expense.

The County also recognized $26,051 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Governmental Activities	Business-Type Activities	Total
The County's proportionate share of the net pension liability	$ 6,888,780	$ 2,823,860	$ 9,712,640
State of Minnesota's proportionate share of the net pension liability associated with the County	212,348	86,984	299,332
Total	$ 7,101,128	$ 2,910,844	$ 10,011,972

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

	Governmental Activities		Business-Type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 60,374	$ 26,064	$ 25,746	$ 10,683	$ 86,120	$ 36,747
Changes in actuarial assumptions	-	249,014	-	104,691	-	353,705
Difference between projected and actual investment earnings	148,647	-	48,782	-	197,429	-
Changes in proportion	231,278	-	47,453	36,331	278,731	36,331
Contributions paid to PERA subsequent to the measurement date	349,975	-	61,682	-	411,657	-
Total	$ 790,274	$ 275,078	$ 183,663	$ 151,705	$ 973,937	$ 426,783

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The $411,657 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Governmental Activities Pension Expense Amount	Business-Type Activities Pension Expense Amount	Total Pension Expense Amount
2021	$ (271,394)	$ (126,852)	$ (398,246)
2022	78,783	(16,826)	61,957
2023	191,397	45,725	237,122
2024	166,435	68,229	234,664

Police and Fire Plan

At December 31, 2020, the County reported a liability of $1,845,350 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1400 percent. It was 0.1387 percent measured as of June 30, 2019. The County recognized pension expense of $265,478 for its proportionate share of the Police and Fire Plan's pension expense.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The State of Minnesota also contributed $13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of $4.5 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 required the State of Minnesota to pay direct state aid of $4.5 million on October 1, 2019, 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 $13,375 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	$ 1,845,350
State of Minnesota's proportionate share of the net pension liability associated with the County	43,474
Total	$ 1,888,824

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 $12,600 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 80,125	$ 83,252
Changes in actuarial assumptions	587,494	1,103,633
Difference between projected and actual investment earnings	66,928	-
Changes in proportion	65,542	-
Contributions paid to PERA subsequent to the measurement date	159,971	-
Total	$ 960,060	$ 1,186,885

The $159,971 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, 2021. 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
2021	$ (101,081)
2022	(469,380)
2023	91,218
2024	88,840
2025	3,607

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2020, the County reported a liability of $227,926 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.8400 percent. It was 0.8236 percent measured as of June 30, 2019. The County recognized pension expense of ($378,428) for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,158	$ 83,721
Changes in actuarial assumptions	-	465,746
Difference between projected and actual investment earnings	49,077	-
Changes in proportion	64,617	2,032
Contributions paid to PERA subsequent to the measurement date	92,555	-
Total	$ 208,407	$ 551,499

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $92,555 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, 2021. 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
2021	$ (464,731)
2022	(25,300)
2023	13,266
2024	41,118

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was $514,810.

e. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the RP-2014 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, 2020, 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 August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

- 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (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 changes result in fewer predicted disability retirements for males and females.

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

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

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

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

Police and Fire Plan

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

Correctional Plan

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

h. Pension Liability Sensitivity

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of the General Employees Plan net pension liability			
Governmental activities	$ 11,040,325	$ 6,888,780	$ 3,464,089
Business-Type activities	4,525,668	2,823,860	1,420,005
Total General Employees Plan net pension liability	$ 15,565,993	$ 9,712,640	$ 4,884,094
Proportionate share of the Police and Fire Plan net pension liability	$ 3,678,048	$ 1,845,350	$ 329,113
Proportionate share of the Correctional Plan net pension liability	$ 1,416,534	$ 227,926	$ (723,736)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

3. Detailed Notes on All Funds

F. Pension Plans (Continued)

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Hubbard County during the year ended December 31, 2020, were:

	Employee	Employer
Contribution amount	$ 6,534	$ 6,534
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

4. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

B. Management Agreement

The Heritage Community is managed by Ecumen. All three facilities are under an agreement which automatically renews for one year, unless 90 days' notice is given by either party. Heritage Living Center, Heritage Manor, and Heritage Cottages each incur a monthly fee of $16,667, $1,920, and $2,500, respectively. Management fees amounted to approximately $238,000 for the year ended September 30, 2020.

Certain employees of Ecumen perform services for the Heritage Community. The Heritage Community had unpaid amounts pertaining to the above transactions presented as Due to Related Parties on the statements at September 30, 2020.

C. Heritage Community Building Project

During 2014 and 2015, Hubbard County entered into various agreements for the purpose of a construction and reconstruction project for the Heritage Community facilities.

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

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

D. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2018, the County entered into an agreement with PrimeHealth to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to PrimeHealth, who provides bookkeeping services to the entity, including the payment of claims. For 2020, Hubbard County has retained risk with a specific annual deductible of $450,000 per member for the health plan.

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

E. Joint Ventures

Hubbard County Family Services Collaborative

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

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

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

Financing is provided by state grants and contributions from its members. Hubbard County, in an agent capacity, reports the cash transactions of the Hubbard County Family Services Collaborative as a custodial fund on the County's financial statements. During 2020, Hubbard County contributed $118,400 to the Collaborative.

Kitchigami Regional Library

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

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Kitchigami Regional Library (Continued)

appointed by each County Board, consisting of one County Commissioner and one lay person. Hubbard County appropriated $215,968 to the Library for the year ended December 31, 2020. Separate financial information can be obtained from the Kitchigami Regional Library, PO Box 84, Pine River, Minnesota 56474, or www.krls.org.

Mississippi Headwaters Board

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

Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Hubbard County provided $1,500 to this organization during 2020. Complete financial information can be obtained from the Mississippi Headwaters Board, Land Services Building, 322 Laurel Street, Brainerd, Minnesota 56401.

North Country Community Health Service

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

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

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

North Country Community Health Service (Continued)

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

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

Hubbard County did not contribute to the Health Service for the year ended December 31, 2020. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

Northwest Minnesota Regional Emergency Communication Board

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

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

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwest Minnesota Regional Emergency Communication Board (Continued)

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

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

The Northwest Minnesota Regional Emergency Communication Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Hubbard County did not make any contributions during 2020. Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Northwestern Counties Data Processing Security Association

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

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

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Hubbard County did not contribute to the NCDPSA for the year ended December 31, 2020. Clearwater County is the fiscal agent and reports the cash transactions of the NCDPSA appropriately on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621.

Northwestern Minnesota Juvenile Center

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

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

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Adequate rates are charged so that the member counties do not experience any additional financial benefit or burden. Hubbard County made $227,623 in payments to the Center in 2020. Beltrami County is the fiscal agent and reports the cash transactions of the Center appropriately on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, PO Box 247, 1231 – 5th Street Northwest, Bemidji, Minnesota 56619.

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures (Continued)

Paul Bunyan Drug Task Force

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

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

The Paul Bunyan Drug Task Force has no long-term debt. During 2020, Hubbard County contributed $3,500 to the Paul Bunyan Drug Task Force. Financing is provided by the profits from forfeitures and seizures pursuant to Minn. Stat. § 609.531. Beltrami County, in an agent capacity, reports the cash transactions of the Paul Bunyan Drug Task Force on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer, Beltrami County Administration Building, 701 Minnesota Avenue, Suite 220, Bemidji, Minnesota 56601.

PrimeWest Health

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

4. Summary of Significant Contingencies and Other Items

E. Joint Ventures

PrimeWest Health (Continued)

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

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

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Hubbard County did not contribute to PrimeWest Health during 2020. Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

F. Jointly-Governed Organizations

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

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

4. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

MAHUBE-OTWA Community Action Partnership

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

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During 2020, Hubbard County expended $97,116 to the MCCC.

G. Segment Information

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

4. Summary of Significant Contingencies and Other Items

G. Segment Information (Continued)

Condensed Statement of Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Assets			
Current assets	$ 657,532	$ 85,068	$ 104,714
Interfund receivables	2,927	152,957	170,556
Restricted assets	18,572	111,986	91,401
Capital assets	281,527	550,425	1,219,896
Total Assets	$ 960,558	$ 900,436	$ 1,586,567
Deferred Outflows of Resources	$ 186,998	$ -	$ -
Liabilities			
Current liabilities payable from restricted assets	$ 11,683	$ 11,350	$ -
Interfund payables	161,203	8,617	4,280
Other current liabilities	1,089,014	234,250	184,948
Noncurrent liabilities	3,015,267	942,446	1,343,697
Total Liabilities	$ 4,277,167	$ 1,196,663	$ 1,532,925
Deferred Inflows of Resources	$ 186,162	$ -	$ -
Net Position			
Net investment in capital assets	$ 281,527	$ (527,021)	$ (198,801)
Restricted	-	99,752	91,401
Unrestricted	(3,597,300)	131,042	161,042
Total Net Position	$ (3,315,773)	$ (296,227)	$ 53,642

4. Summary of Significant Contingencies and Other Items

G. Segment Information (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Operating Revenues			
Charges for services	$ 6,574,914	$ -	$ -
Rental income	-	671,524	846,651
Intergovernmental	420	-	-
Miscellaneous	212,652	7,077	636
Total Operating Revenues	$ 6,787,986	$ 678,601	$ 847,287
Operating Expenses			
Depreciation expense	$ (56,601)	$ (90,488)	$ (68,969)
Other operating expenses	(7,669,260)	(581,239)	(777,029)
Total Operating Expenses	$ (7,725,861)	$ (671,727)	$ (845,998)
Operating Income (Loss)	$ (937,875)	$ 6,874	$ 1,289
Nonoperating Revenues (Expenses)			
Investment earnings	$ 1,207	$ 961	$ 3,040
Interest expense	-	(27,594)	(39,650)
Noncapital grant revenue	304,114	-	-
Total Nonoperating Revenues (Expenses)	$ 305,321	$ (26,633)	$ (36,610)
Change in Net Position	$ (632,554)	$ (19,759)	$ (35,321)
Beginning Net Position	(2,683,219)	(276,468)	88,963
Ending Net Position	$ (3,315,773)	$ (296,227)	$ 53,642

H. Subsequent Event

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. 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. Hubbard County's projected allocation of the State and Local Coronavirus Recovery Funds is $4,174,375.

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

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

A. Summary of Significant Accounting Policies

1. Measurement Focus

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

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

Cash and Cash Equivalents

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

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

Capital Assets

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

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

A. Summary of Significant Accounting Policies

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

Capital Assets (Continued)

The estimated useful lives for depreciable assets are as follows:

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

3. Use of Estimates

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

B. Detailed Notes on All Funds

1. Deposits and Investments

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

Checking account	$ 130,382
Savings account	800
Total Deposits	$ 131,182

Deposits

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

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

B. Detailed Notes on All Funds

1. Deposits and Investments

Deposits (Continued)

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

The custodial credit risk for deposits is the risk that in the event of a bank failure, the HRA's deposits may not be recovered. The HRA's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the HRA's deposits to be protected by insurance, surety bond, or pledge collateral. As of December 31, 2020, the HRA's deposits were not exposed to custodial credit risk.

Investments

The HRA had no investments as of December 31, 2020.

2. Contracts Receivable

Contracts receivable consists of amounts due from borrowers for the purchase or remodel of housing. The terms of the receivables range from zero to four percent, maturing from October 15, 2018, to February 1, 2045. At December 31, 2020, the HRA reported contracts receivable of $668,861.

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

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 537,040	$ -	$ -	$ 537,040
Capital assets depreciated				
Buildings	$ 2,698,782	$ 1,738,069	$ -	$ 4,436,851
Equipment	136,145	12,093	-	148,238
Total capital assets depreciated	$ 2,834,927	$ 1,750,162	$ -	$ 4,585,089
Less: accumulated depreciation				
Buildings	$ 329,445	$ 87,874	$ -	$ 417,319
Equipment	33,233	25,484	-	58,717
Total accumulated depreciation	$ 362,678	$ 113,358	$ -	$ 476,036
Total capital assets depreciated, net	$ 2,472,249	$ 1,636,804	$ -	$ 4,109,053
Total Capital Assets, Net	$ 3,009,289	$ 1,636,804	$ -	$ 4,646,093

4. Long-Term Debt

Long-term debt outstanding at December 31, 2020, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2020
SCDP Mortgage	2023	$138/month	-	$ 4,284
Bank Mortgage	2032	$2,637/month	3.50%	294,588
Bank Mortgage	2044	$9,786/month	4.25%	1,698,681
Bank Mortgage	2045	$11,139/month	3.75%	1,590,296
Total Long-Term Debt				$ 3,587,849

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

B. Detailed Notes on All Funds (Continued)

5. Debt Service Requirements

Debt service requirements as of December 31, 2020, are as follows:

Year Ended December 31	Principal	Interest
2021	$ 67,768	$ 138,834
2022	157,996	122,633
2023	158,563	121,375
2024	162,960	116,011
2025	170,069	108,902
2026 - 2030	680,411	473,168
2031 - 2035	691,619	343,431
2036 - 2040	786,989	208,368
2041 - 2045	711,474	52,898
Total	$ 3,587,849	$ 1,685,620

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MHFA loan	$ 513,000	$ -	$ 513,000	$ -	$ -
SCDP Mortgage	5,942	-	1,658	4,284	1,658
Bank Mortgage	315,524	-	20,936	294,588	21,680
Bank Mortgage	1,740,000	-	41,319	1,698,681	44,430
Bank Mortgage	-	1,590,296	-	1,590,296	-
Long-Term Liabilities	$ 2,574,466	$ 1,590,296	$ 576,913	$ 3,587,849	$ 67,768

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

   B. Detailed Notes on All Funds (Continued)

      7. Conduit Debt Obligation

         Not included in the financial statements are various conduit debt obligations issued under the name of Hubbard County Housing and Redevelopment Authority. The bonds are not secured by or payable from revenue or assets of the HRA. Neither the faith and credit nor the taxing power of the HRA is pledged to the payment of the principal and interest on the bonds nor is the HRA in any manner obligated to make any appropriations for payments on these bonds. At December 31, 2020, the aggregate principal amount of conduit debt obligations outstanding totaled $2,360,000.

REQUIRED SUPPLEMENTARY INFORMATION

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 9,535,479	$ 9,535,479	$ 9,246,610	$ (288,869)
Licenses and permits	143,121	143,121	200,383	57,262
Intergovernmental	3,608,301	3,608,301	6,347,363	2,739,062
Charges for services	1,117,400	1,117,400	1,412,689	295,289
Fines and forfeits	30,650	30,650	53,167	22,517
Investment earnings	405,250	405,250	417,035	11,785
Gifts and contributions	21,000	21,000	43,861	22,861
Miscellaneous	432,385	432,385	789,020	356,635
Total Revenues	**$ 15,293,586**	**$ 15,293,586**	**$ 18,510,128**	**$ 3,216,542**
Expenditures				
Current				
General government				
Commissioners	$ 301,271	$ 301,271	$ 268,688	$ 32,583
District court	206,000	206,000	110,383	95,617
Law library	18,000	18,000	15,249	2,751
Coordinator	646,037	646,037	635,559	10,478
County auditor/treasurer	610,431	610,431	540,507	69,924
Elections	256,837	256,837	350,656	(93,819)
Purchasing	31,250	31,250	27,776	3,474
Data processing	835,448	835,448	536,388	299,060
Attorney	828,618	828,618	694,600	134,018
Recorder	419,782	419,782	487,803	(68,021)
Surveyor	216,910	216,910	156,447	60,463
Assessor	632,621	632,621	492,444	140,177
Passports	4,000	4,000	1,978	2,022
Motor pool	53,500	53,500	108,628	(55,128)
Buildings and grounds	668,893	668,893	782,071	(113,178)
Veterans service officer	141,118	141,118	135,059	6,059
Insurance	-	-	52,676	(52,676)
Other general government	353,182	353,182	2,404,630	(2,051,448)
Total general government	**$ 6,223,898**	**$ 6,223,898**	**$ 7,801,542**	**$ (1,577,644)**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,741,290	$ 2,741,290	$ 2,999,575	$ (258,285)
Boat and water safety	90,706	90,706	40,216	50,490
Emergency services	62,273	62,273	138,136	(75,863)
Coroner	40,000	40,000	47,302	(7,302)
SWAT Team	-	-	942	(942)
Enhanced 911	69,532	69,532	37,312	32,220
Community corrections	2,947,618	2,947,618	3,072,541	(124,923)
Building and grounds	302,530	302,530	255,593	46,937
Jail canteen	-	-	27,439	(27,439)
Sentence to serve	157,436	157,436	126,142	31,294
Probation and parole	166,235	166,235	85,474	80,761
Total public safety	**$ 6,577,620**	**$ 6,577,620**	**$ 6,830,672**	**$ (253,052)**
Human services				
Mahube Community Council	**$ 868,000**	**$ 868,000**	**$ 765,112**	**$ 102,888**
Public health				
Nursing home	**$ -**	**$ -**	**$ 67,710**	**$ (67,710)**
Culture and recreation				
Historical society	$ 35,500	$ 35,500	$ 17,659	$ 17,841
Parks	260,524	260,524	224,161	36,363
Agricultural society	256,968	256,968	277,468	(20,500)
Snowmobile and ski trails	166,300	166,300	172,671	(6,371)
Total culture and recreation	**$ 719,292**	**$ 719,292**	**$ 691,959**	**$ 27,333**
Conservation of natural resources				
County extension	$ 140,315	$ 140,315	$ 130,509	$ 9,806
Aquatic invasive species	424,183	424,183	333,692	90,491
Soil and water conservation	73,566	73,566	38,566	35,000
Environmental services	653,489	653,489	563,125	90,364
Natural resources grant	65,382	65,382	81,936	(16,554)
Total conservation of natural resources	**$ 1,356,935**	**$ 1,356,935**	**$ 1,147,828**	**$ 209,107**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Economic development				
Economic development	**$ 72,000**	**$ 72,000**	**$ 114,000**	**$ (42,000)**
Debt service				
Principal	-	-	33,144	(33,144)
Interest	-	-	7,170	(7,170)
Total debt service	**$ -**	**$ -**	**$ 40,314**	**$ (40,314)**
Total Expenditures	**$ 15,817,745**	**$ 15,817,745**	**$ 17,459,137**	**$ (1,641,392)**
Excess of Revenues Over (Under) Expenditures	**$ (524,159)**	**$ (524,159)**	**$ 1,050,991**	**$ 1,575,150**
Other Financing Sources (Uses)				
Transfers in	$ 495,000	$ 495,000	$ 199,541	$ (295,459)
Transfers out	(16,933)	(16,933)	(17,423)	(490)
Capital leases	-	-	327,681	327,681
Total Other Financing Sources (Uses)	**$ 478,067**	**$ 478,067**	**$ 509,799**	**$ 31,732**
Net Change in Fund Balance	**$ (46,092)**	**$ (46,092)**	**$ 1,560,790**	**$ 1,606,882**
Fund Balance – January 1	**8,382,019**	**8,382,019**	**8,382,019**	**-**
Fund Balance – December 31	**$ 8,335,927**	**$ 8,335,927**	**$ 9,942,809**	**$ 1,606,882**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 4,100,000	$ 4,100,000	$ 4,550,978	$ 450,978
Intergovernmental	6,180,000	6,180,000	6,048,143	(131,857)
Charges for services	-	-	1,023,671	1,023,671
Investment earnings	-	-	21,869	21,869
Miscellaneous	1,337,900	1,337,900	86,048	(1,251,852)
Total Revenues	**$ 11,617,900**	**$ 11,617,900**	**$ 11,730,709**	**$ 112,809**
Expenditures				
Current				
Highways and streets				
Administration	$ 661,287	$ 661,287	$ 761,487	$ (100,200)
Maintenance	2,778,451	2,778,451	1,970,611	807,840
Construction	5,317,958	5,317,958	5,100,718	217,240
Equipment maintenance and shop	1,265,681	1,265,681	1,091,373	174,308
Fuel facility	15,802	15,802	18,615	(2,813)
Materials for resale	1,292,261	1,292,261	991,378	300,883
Other highways and streets	18,721	18,721	23,955	(5,234)
Total highways and streets	**$ 11,350,161**	**$ 11,350,161**	**$ 9,958,137**	**$ 1,392,024**
Intergovernmental				
Highways and streets	**$ 393,800**	**$ 393,800**	**$ 410,204**	**$ (16,404)**
Debt service				
Principal	$ -	$ -	$ 5,790	$ (5,790)
Interest	-	-	1,859	(1,859)
Total debt service	**$ -**	**$ -**	**$ 7,649**	**$ (7,649)**
Total Expenditures	**$ 11,743,961**	**$ 11,743,961**	**$ 10,375,990**	**$ 1,367,971**
Excess of Revenues Over (Under) Expenditures	**$ (126,061)**	**$ (126,061)**	**$ 1,354,719**	**$ 1,480,780**
Other Financing Sources (Uses)				
Capital leases	-	-	79,558	79,558
Net Change in Fund Balance	**$ (126,061)**	**$ (126,061)**	**$ 1,434,277**	**$ 1,560,338**
Fund Balance – January 1	**8,021,185**	**8,021,185**	**8,021,185**	**-**
Increase (decrease) in inventories	**-**	**-**	**(98,189)**	**(98,189)**
Fund Balance – December 31	**$ 7,895,124**	**$ 7,895,124**	**$ 9,357,273**	**$ 1,462,149**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 2,350,000	$ 2,350,000	$ 2,368,706	$ 18,706
Intergovernmental	3,807,686	3,807,686	4,950,974	1,143,288
Charges for services	461,000	461,000	650,984	189,984
Investment earnings	-	-	520	520
Miscellaneous	345,382	345,382	346,033	651
Total Revenues	**$ 6,964,068**	**$ 6,964,068**	**$ 8,317,217**	**$ 1,353,149**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,191,059	$ 2,191,059	$ 1,987,376	$ 203,683
Social services	6,322,507	6,322,507	6,015,011	307,496
Transportation	-	-	569,843	(569,843)
Total Expenditures	**$ 8,513,566**	**$ 8,513,566**	**$ 8,572,230**	**$ (58,664)**
Net Change in Fund Balance	**$ (1,549,498)**	**$ (1,549,498)**	**$ (255,013)**	**$ 1,294,485**
Fund Balance – January 1	**5,779,929**	**5,779,929**	**5,779,929**	**-**
Fund Balance – December 31	**$ 4,230,431**	**$ 4,230,431**	**$ 5,524,916**	**$ 1,294,485**

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

1. Budgetary Information

A. Budget Policy

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

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

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

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2020:

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Elections	$ 350,656	$ 256,837	$ 93,819
Recorder	487,803	419,782	68,021
Motor pool	108,628	53,500	55,128
Building and grounds	782,071	668,893	113,178
Insurance	52,676	-	52,676
Other general government	2,404,630	353,182	2,051,448

1. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	Expenditures	Final Budget	Excess
General Fund			
Current (Continued)			
Public safety			
Sheriff	2,999,575	2,741,290	258,285
Emergency services	138,136	62,273	75,863
Coroner	47,302	40,000	7,302
Swat Team	942	-	942
Community corrections	3,072,541	2,947,618	124,923
Jail canteen	27,439	-	27,439
Public health			
Nursing home	67,710	-	67,710
Culture and recreation			
Agricultural society	277,468	256,968	20,500
Snowmobile and ski trails	172,671	166,300	6,371
Conservation of natural resources			
Natural resources grant	81,936	65,382	16,554
Economic development			
Economic development	114,000	72,000	42,000
Debt service			
Principal	33,144	-	33,144
Interest	7,170	-	7,170
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Administration	761,487	661,287	100,200
Fuel facility	18,615	15,802	2,813
Other highways and streets	23,955	18,721	5,234
Intergovernmental			
Highways and streets	410,204	393,800	16,404
Debt service			
Principal	5,790	-	5,790
Interest	1,859	-	1,859
Social Services Special Revenue Fund			
Current			
Human services			
Transportation	569,843	-	569,843

2. Other Postemployment Benefits Funded Status

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

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

Governmental Activities

2020

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

2019

- The postemployment subsidized benefit provided to elected officials was changed to remove the sunset date of December 31, 2014, for benefit accruals. All elected service is used to determine the postemployment subsidized medical benefit at termination or retirement.

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for police and file personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

- The retirement and withdrawal tables for police and fire employees were updated.

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

2018

- The discount rate used changed from 3.50 percent to 3.30 percent.

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

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

Business-Type Activities

2020

- The health care trend rates changed from 6.25 to 6.50 percent.

- Salary increases changes from 3.00 to a range of 3.25 - 11.25 present, based on years of service.

- The mortality tables were updated from the RP-2011 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

- The discount rate was changed from 3.50 percent to 3.00 percent.

2019

- No changes occurred in 2019.

2018

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

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

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

General Employees Retirement Plan

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.

4. 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 changes result in fewer predicted disability retirements for males and females.

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

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

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

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

4. 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 MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

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

General Employees Retirement Plan

2018 (Continued)

- 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.

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

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

Public Employees Police and Fire Plan

2020

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

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

Public Employees Police and Fire Plan (Continued)

2017

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

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

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

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

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

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

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

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

- 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.

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

Public Employees Police and Fire Plan

2017 (Continued)

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

2016

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from MP-2016 to MP-2017.

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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

- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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).

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

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

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

2016

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

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

SUPPLEMENTARY INFORMATION

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

PERMANENT FUND

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Environmental Trust Permanent Fund	Total
Assets				
Cash and pooled investments	$ 1,892,247	$ 2,023,419	$ 11,154	$ 3,926,820
Investment	-	-	467,280	467,280
Accounts receivable	2,878	203,974	-	206,852
Contracts receivable	634,087	-	-	634,087
Advance to other funds	9,208	-	-	9,208
Total Assets	**$ 2,538,420**	**$ 2,227,393**	**$ 478,434**	**$ 5,244,247**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 485	$ 25,934	$ -	$ 26,419
Salaries payable	18,500	31,416	-	49,916
Due to other funds	208,259	4,825	-	213,084
Due to other governments	331	108,806	-	109,137
Advance from other funds	-	-	9,208	9,208
Total Liabilities	**$ 227,575**	**$ 170,981**	**$ 9,208**	**$ 407,764**
Deferred Inflows of Resources				
Unavailable revenue				
Charges for services	$ -	$ 113,035	$ -	$ 113,035
Land and timber sales	464,704	-	-	464,704
Miscellaneous revenue	-	1,135	-	1,135
Total Deferred Inflows of Resources	**$ 464,704**	**$ 114,170**	**$ -**	**$ 578,874**
Fund Balances				
Nonspendable	$ -	$ -	$ 467,280	$ 467,280
Restricted	1,211,911	264,178	1,946	1,478,035
Committed	89,452	92,763	-	182,215
Assigned	544,778	1,585,301	-	2,130,079
Total Fund Balances	**$ 1,846,141**	**$ 1,942,242**	**$ 469,226**	**$ 4,257,609**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,538,420**	**$ 2,227,393**	**$ 478,434**	**$ 5,244,247**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Land Management Special Revenue Fund	Solid Waste Special Revenue Fund	Environmental Trust Permanent Fund	Total
Revenues				
Licenses and permits	$ -	$ 550	$ -	$ 550
Intergovernmental	137,581	243,344	-	380,925
Charges for services	-	3,634,194	-	3,634,194
Investment earnings	-	-	496	496
Land and timber sales	927,141	-	-	927,141
Miscellaneous	56,643	8,400	-	65,043
Total Revenues	**$ 1,121,365**	**$ 3,886,488**	**$ 496**	**$ 5,008,349**
Expenditures				
Current				
Sanitation	$ -	$ 3,266,127	$ -	$ 3,266,127
Conservation of natural resources	859,659	-	24,059	883,718
Total Expenditures	**$ 859,659**	**$ 3,266,127**	**$ 24,059**	**$ 4,149,845**
Excess of Revenues Over (Under) Expenditures	**$ 261,706**	**$ 620,361**	**$ (23,563)**	**$ 858,504**
Other Financing Sources (Uses)				
Transfers in	$ -	$ 17,423	$ -	$ 17,423
Transfers out	(199,541)	-	-	(199,541)
Total Other Financing Sources (Uses)	**$ (199,541)**	**$ 17,423**	**$ -**	**$ (182,118)**
Net Change in Fund Balance	**$ 62,165**	**$ 637,784**	**$ (23,563)**	**$ 676,386**
Fund Balance – January 1, as previously reported	$ 1,910,396	$ 1,304,458	$ 492,789	3,707,643
Restatement (Note 1.E)	(126,420)	-	-	(126,420)
Fund Balance – January 1, as restated	**$ 1,783,976**	**$ 1,304,458**	**$ 492,789**	**$ 3,581,223**
Fund Balance – December 31	**$ 1,846,141**	**$ 1,942,242**	**$ 469,226**	**$ 4,257,609**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 137,120	$ 137,120	$ 137,581	$ 461
Land and timber sales	1,306,400	1,306,400	927,141	(379,259)
Miscellaneous	15,000	15,000	56,643	41,643
Total Revenues	**$ 1,458,520**	**$ 1,458,520**	**$ 1,121,365**	**$ (337,155)**
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	$ 743,388	$ 743,388	$ 680,570	$ 62,818
Access road	49,000	49,000	24,984	24,016
Forest development	275,000	275,000	142,834	132,166
Miscellaneous	135,120	135,120	11,271	123,849
Total Expenditures	**$ 1,202,508**	**$ 1,202,508**	**$ 859,659**	**$ 342,849**
Excess of Revenues Over (Under) Expenditures	**$ 256,012**	**$ 256,012**	**$ 261,706**	**$ 5,694**
Other Financing Sources (Uses)				
Transfers out	(440,000)	(440,000)	(199,541)	240,459
Net Change in Fund Balance	**$ (183,988)**	**$ (183,988)**	**$ 62,165**	**$ 246,153**
Fund Balance – January 1, as previously reported	$ 1,910,396	$ 1,910,396	$ 1,910,396	$ -
Restatement (Note 1.E)	(126,420)	(126,420)	(126,420)	-
Fund Balance – January 1, as restated	**$ 1,783,976**	**$ 1,783,976**	**$ 1,783,976**	**$ -**
Fund Balance – December 31	**$ 1,599,988**	**$ 1,599,988**	**$ 1,846,141**	**$ 246,153**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 500	$ 500	$ 550	$ 50
Intergovernmental	229,692	229,692	243,344	13,652
Charges for services	3,475,000	3,475,000	3,634,194	159,194
Miscellaneous	60,000	60,000	8,400	(51,600)
Total Revenues	**$ 3,765,192**	**$ 3,765,192**	**$ 3,886,488**	**$ 121,296**
Expenditures				
Current				
Sanitation				
Solid waste	$ 2,383,163	$ 2,383,163	$ 2,277,485	$ 105,678
Recycling	1,317,266	1,317,266	886,282	430,984
Demolition landfill	45,000	45,000	102,360	(57,360)
Total Expenditures	**$ 3,745,429**	**$ 3,745,429**	**$ 3,266,127**	**$ 479,302**
Excess of Revenues Over (Under) Expenditures	**$ 19,763**	**$ 19,763**	**$ 620,361**	**$ 600,598**
Other Financing Sources (Uses)				
Transfers in	17,423	17,423	17,423	-
Net Change in Fund Balance	**$ 37,186**	**$ 37,186**	**$ 637,784**	**$ 600,598**
Fund Balance – January 1	**1,304,458**	**1,304,458**	**1,304,458**	**-**
Fund Balance – December 31	**$ 1,341,644**	**$ 1,341,644**	**$ 1,942,242**	**$ 600,598**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL TRUST PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Investment earnings	$ 5,600	$ 5,600	$ 496	$ (5,104)
Miscellaneous	21,000	21,000	-	(21,000)
Total Revenues	**$ 26,600**	**$ 26,600**	**$ 496**	**$ (26,104)**
Expenditures				
Current				
Conservation of natural resources				
Natural resources	19,615	19,615	24,059	(4,444)
Net Change in Fund Balance	**$ 6,985**	**$ 6,985**	**$ (23,563)**	**$ (30,548)**
Fund Balance – January 1	**492,789**	**492,789**	**492,789**	**-**
Fund Balance – December 31	**$ 499,774**	**$ 499,774**	**$ 469,226**	**$ (30,548)**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

FIDUCIARY FUNDS

CUSTODIAL FUNDS

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

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

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

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

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

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

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020

	Taxes and Penalties	State Revenue
Assets		
Cash and pooled investments	$ 408,226	$ 122,931
Taxes and special assessments receivable for other governments	588,114	-
Accounts receivable	-	6,924
Contracts receivable	-	-
Total Assets	**$ 996,340**	**$ 129,855**
Liabilities		
Due to other governments	**$ -**	**$ 129,765**
Deferred Inflows of Resources		
Prepaid taxes	**$ 47,052**	**$ -**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 949,288**	**$ 90**

EXHIBIT C-1

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Total Custodial Funds
$ 11,870	$ 149,655	$ 236,463	$ 929,145
-	-	-	588,114
-	-	-	6,924
-	121,060	-	121,060
$ 11,870	**$ 270,715**	**$ 236,463**	**$ 1,645,243**
$ -	**$ 149,655**	**$ -**	**$ 279,420**
$ -	**$ -**	**$ -**	**$ 47,052**
$ 11,870	**$ 121,060**	**$ 236,463**	**$ 1,318,771**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Taxes and Penalties	State Revenue
Additions		
Contributions from individuals	$ -	$ -
Interest earnings	-	-
Property tax collections for other governments	18,207,169	-
Fees collected for state	3,734,749	1,675,256
Payments from state	-	-
Payments from other entities	317,761	-
Total Additions	**$ 22,259,679**	**$ 1,675,256**
Deductions		
Payments of property tax to other governments	$ 18,503,212	$ -
Payments to state	3,663,599	1,675,256
Payments to other individuals/entities	48,435	-
Total Deductions	**$ 22,215,246**	**$ 1,675,256**
Change in Net Position	**$ 44,433**	**$ -**
Net Position – January 1, as previously reported	$ -	$ -
Net Position – Restatement (Note 1.E)	904,855	$ 90
Net Position – January 1	**$ 904,855**	**$ 90**
Net Position – December 31	**$ 949,288**	**$ 90**

EXHIBIT C-2

Jail Canteen	Tax Forfeited Land	Hubbard County Family Services Collaborative	Civil Process	Total Custodial Funds
$ 267,289	$ -	$ -	$ -	$ 267,289
-	-	459	-	459
-	-	-	-	18,207,169
-	-	-	-	5,410,005
-	-	118,400	-	118,400
-	144,295	1,946	206,086	670,088
$ 267,289	**$ 144,295**	**$ 120,805**	**$ 206,086**	**$ 24,673,410**
$ -	$ -	$ -	$ -	$ 18,503,212
-	-	-	-	5,338,855
262,910	149,655	72,500	206,086	739,586
$ 262,910	**$ 149,655**	**$ 72,500**	**$ 206,086**	**$ 24,581,653**
$ 4,379	**$ (5,360)**	**$ 48,305**	**$ -**	**$ 91,757**
$ -	$ -	$ -	$ -	$ -
7,491	126,420	188,158	-	1,227,014
$ 7,491	**$ 126,420**	**$ 188,158**	**$ -**	**$ 1,227,014**
$ 11,870	**$ 121,060**	**$ 236,463**	**$ -**	**$ 1,318,771**

OTHER SCHEDULES

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

		Governmental Funds
Appropriations and Shared Revenue		
State		
Highway users tax	$	5,761,568
Market value credit		124,926
PERA aid		43,584
Police aid		207,923
County program aid		961,148
Enhanced 911		94,633
Out of home placement aid		46,357
Select Committee on Recycling and the Environment (SCORE)		69,692
Riparian protection aid		40,000
Aquatic invasive species aid		264,183
Total appropriations and shared revenue	**$**	**7,614,014**
Reimbursement for Services		
State		
Minnesota Department of		
Human Services	**$**	**1,099,372**
Payments		
Local		
Payments in lieu of taxes	**$**	**897,545**
Grants		
State		
Minnesota Department of		
Corrections	$	14,826
Human Services		1,654,447
Natural Resources		253,585
Public Safety		11,499
Transportation		409,178
Veterans Affairs		10,000
Board of Water and Soil Resources		65,382
Pollution Control Agency		157,626
Secretary of State		137,119
Total state	**$**	**2,713,662**

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	$ 224,380
Justice	34,501
Transportation	274,561
Treasury	2,765,879
Health and Human Services	1,945,763
Homeland Security	165,016
Total federal	**$ 5,410,100**
Total state and federal grants	**$ 8,123,762**
Total Intergovernmental Revenue	**$ 17,734,693**

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN101S2514	**$ 224,380**	**$ -**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVS-2020-HUBBARAO	**$ 34,501**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1035590	$ 18,256	$ -
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1035590	255,885	-
(Total Formula Grants for Rural Areas and Tribal Transit Program 20.509 $274,141)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC20-2020-HUBBARCO	2,841	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC20-2020-HUBBARCO	5,138	-
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC20-2020-HUBBARCO	1,740	-
Total U.S. Department of Transportation			**$ 283,860**	**$ -**
U.S. Department of the Treasury				
Passed Through Minnesota Management and Budget				
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	**$ 2,765,879**	**$ 2,014,796**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2001MNFPSS	$ 17,110	$ -
Temporary Assistance for Needy Families	93.558	2001MNTANF	401,224	-
Child Support Enforcement	93.563	2001MNCSES	44,385	-
Child Support Enforcement	93.563	2001MNCEST	136,315	-
(Total Child Support Enforcement 93.563 $180,700)				
Refugee and Entrant Assistance – State Administered Programs	93.566	2001MNRCMA	290	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2001MNCCDF	7,763	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,409	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	8,793	-
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	10,000	-
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 $18,793)				
Foster Care – Title IV-E	93.658	2001MNFOST	229,306	-
Social Services Block Grant	93.667	2001MNSOSR	167,685	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	304	-
Children's Health Insurance Program	93.767	2005MN5021	529	-
Medicaid Cluster				
Medical Assistance Program	93.778	2005MN5ADM	845,017	-
Medical Assistance Program	93.778	2005MN5MAP	13,962	-
(Total Medical Assistance Program 93.778 $858,979)				
Total U.S. Department of Health and Human Services			**$ 1,885,092**	**$ -**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	HUBBARD FBP	$ 6,375	$ -
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	F-HMGP-DR4182-HUBBARCO	41,852	41,852
Emergency Management Performance Grants	97.042	F-EMPG-2019-HUBBARCO	21,265	-
Total U.S. Department of Homeland Security			**$ 69,492**	**$ 41,852**
Total Federal Awards			**$ 5,263,204**	**$ 2,056,648**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 224,380
Total expenditures for Highway Safety Cluster	4,581
Total expenditures for CCDF Cluster	7,763
Total expenditures for Medicaid Cluster	858,979

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

   A. Reporting Entity

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

   B. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hubbard County under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hubbard County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hubbard County.

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

2. De Minimis Cost Rate

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

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 5,410,100
Grants received more than 60 days after year-end, considered unavailable revenue in 2020	
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509)	21,832
Promoting Safe and Stable Families (CFDA No. 93.556)	4,676
Temporary Assistance for Needy Families (CFDA No. 93.558)	55,771
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	1,645
Unavailable revenue in 2019, recognized as revenue in 2020	
Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509)	(12,533)
Promoting Safe and Stable Families (CFDA No. 93.556)	(3,333)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(63,003)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	(3,620)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)	(731)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(2,740)
Foster Care – Title IV-E (CFDA No. 93.658)	(46,871)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)	(2,465)
Hazard Mitigation Grant (CFDA No. 97.039)	(95,524)
Expenditures per Schedule of Expenditures of Federal Awards	$ 5,263,204

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2020, including the Heritage Community Enterprise Fund as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 16, 2021. Our report includes a reference to other auditors who audited the financial statements of the Heritage Living Center, Heritage Manor, and Heritage Cottages, included in the Heritage Community Enterprise Fund, and the Hubbard County Housing and Redevelopment Authority discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of 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 did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Hubbard County failed to comply with the provisions of the deposits and investments section 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 as described in the Schedule of Findings and Questioned Costs as item 2020-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that Hubbard County failed to comply with the provisions of the contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Hubbard County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 16, 2021

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on Compliance for the Major Federal Program

We have audited Hubbard County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2020. Hubbard County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Hubbard County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hubbard County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Basis for Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)
As described in the accompanying Schedule of Findings and Questioned Costs, Hubbard County did not comply with requirements regarding CFDA No. 21.019, COVID-19 – Coronavirus Relief Fund as described in finding numbers 2020-002 for Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting and 2020-003 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hubbard County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002 and 2020-003 that we consider to be material weaknesses.

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

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

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

November 16, 2021

HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 major programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported.**

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

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

The major federal program is:

COVID-19 – Coronavirus Relief Fund	CFDA No. 21.019

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

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

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 2007

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

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

Section 5001(d) of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) provided the eligible purposes for which COVID-19 – Coronavirus Relief Fund payments may be used. Payments must have been used to cover costs that were necessary expenditures incurred due to the public health emergency, not accounted for in the County's budget approved as of March 27, 2020, and incurred during the covered period. The State of Minnesota provided requirements, as the pass-through entity, that the covered period for Minnesota counties began on March 1, 2020, and ended on December 1, 2020, (period of performance). The State of Minnesota also established reporting requirements for funding passed through to local governments.

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

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

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

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

Questioned Costs: $152,917 related to either expenditures not within the period of performance or without supporting documentation.

Context: It is likely that the County would have eligible payroll expenditures to replace questioned costs, if allowed by the pass-through entity.

The results of this finding are not from a sample size based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The County identified expenditures as relating to the Coronavirus Relief Fund program which are not in compliance with activities allowed or unallowed, allowable costs/cost principles, period of performance, and reporting compliance requirements.

Cause: The County indicated it was difficult to carry out the requirements of the grant due to staffing constraints during the election period. The payment for the electronic imaging system after the period of performance was due to confusion on the timing of the invoice. For the item considered prepaid, the County did not have procedures in place to ensure the expenditure was within the period of performance. Additionally, the unsupported claim resulted from the County reporting an item at the direction of Minnesota Management and Budget without maintaining documentation.

Recommendation: We recommend the County implement procedures to follow the guidance related to the Coronavirus Relief Fund program and report documented and allowable costs incurred under the grant.

View of Responsible Official: Acknowledged

Finding Number: 2020-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of the Treasury's Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Office of Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient; evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award; monitoring the activities of the subrecipient; and verifying the subrecipient is audited, if required.

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

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

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

Questioned Costs: None.

Context: The County typically does not pass-through federal funds to subrecipients. If expenditures of subrecipients are found to be ineligible, it is the County's responsibility to recoup those costs and return any unspent funds to the Department of the Treasury.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Hubbard County is not meeting federal regulations pertaining to subrecipient monitoring. Also, the County cannot be assured their subrecipients are administering federal awards in compliance with all applicable federal requirements.

Cause: Hubbard County does not generally provide federal awards to subrecipients and therefore did not have policies and procedures in place for subrecipient monitoring activities. Additionally, the County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend Hubbard County work with departments that pass funds through to subrecipients to identify responsibilities such as completing risk assessments and monitoring procedures over federal programs, as well as creating and maintaining proper documentation to meet the requirements of federal programs. This would include documenting the monitoring procedures performed (such as on-site visits and review of the subrecipients' audit findings) and any related follow-up on findings, and performing and documenting a risk assessment of subrecipients. Additionally, we recommend the County include applicable CFDA numbers in communications regarding the program to its subrecipients. We also recommend the County develop and document policies and procedures for monitoring all federal awards.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

In addition, Minn. Stat. § 118A.03, subd. 2, the collateral should be in the following allowable forms; (1) United States government Treasury bills, Treasurer notes, Treasury bonds; (2) issues of United States governmental agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity; (3) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; (4) general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by the same local government entity; (5) irrevocable standby letters of credit issued by Federal Home Loan Banks to municipality by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Services, Inc., or Standards & Poor's Corporation; and (6) time deposits that are fully insured by any federal agency.

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

Context: At one financial institution, the deposits in excess of the Federal Deposit Insurance Corporation coverage and pledged collateral were $26,366 on December 31, 2020. Additionally, another financial institution held collateral that was not allowable under Minn. Stat. § 118A.03, subd. 2; therefore, the deposits held on December 31, 2020, were in excess of Federal Deposit Insurance Corporation coverage and allowable pledged collateral by $1,661,656.

Effect: When a County has insufficient collateral or collateral that is not allowable, the County may not receive all deposits in the event of bank default.

Cause: The balance of the deposits and pledged collateral, along with the pledge collateral ratings were overlooked by the County and financial institutions.

Recommendation: We recommend the County establish procedures to monitor all County deposits to determine there is adequate, allowable collateral pledged to secure deposits is in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2019-002 Audit Adjustments
2019-003 Sheriff's Department Internal Control Deficiencies
2019-004 Activities Allowed and Unallowed, Allowable Costs/Cost Principles (CFDA No. 93.563)
2019-006 Bylaws of the Heritage Living Center Board

Board of Commissioners

301 Court Avenue
Park Rapids, MN 56470

Phone: 218 732-2336 • Fax: 218 732-2321

REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

This is an ongoing task with no completion date.

Finding Number: 2020-002
Finding Title: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting
Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

County will submit expenditure reports and support for items purchased within the allowable grant period.

David De La Hunt, District 1 • Charlene Christenson, District 2 Chairman • Tom Krueger, District 3 • Dan Stacey, District 4 • Ted Van Kempen, District 5
(218) 616-4029 (218) 616-2181 (218) 616-4069 (218) 616-4073 (218) 616-4004

Anticipated Completion Date:

Expenditure reports will be submitted to auditors by November 19, 2021.

Finding Number: 2020-003
Finding Title: Subrecipient Monitoring
Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

December 31, 2024

Finding Number: 2020-004
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Kay Rave, Hubbard County Auditor/Treasurer

Corrective Action Planned:

County will establish procedures to monitor all County deposits to determine there is adequate and allowable collateral pledged to secure deposits in accordance with M.S. 118A.03.

Anticipated Completion Date:

December 31, 2021

Board of Commissioners

301 Court Avenue
Park Rapids, MN 56470

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REPRESENTATION OF HUBBARD COUNTY
PARK RAPIDS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

Summary of Corrective Action Previously Reported: The County verifies vendors are not debarred or suspended or that other exclusions apply. Each Department Manager will document that they checked and the outcome. The County will distribute its micro-purchases among qualified suppliers to the extent practicable.

Status: Partially Corrected. The Federal Disbarment list is checked upon entering each new vendor. Additionally, Department Managers check the disbarment list and document as such when working with vendors.

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

Finding Number: 2019-001
Repeat Finding Since: 2007
Finding Title: Documenting and Monitoring Internal Controls

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

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(218) 616-4029 (218) 616-2181 (218) 616-4069 (218) 616-4073 (218) 616-4004

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

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

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

Finding Number: 2019-002
Repeat Finding Since: 2015
Finding Title: Audit Adjustments

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

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

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

Finding Number: 2019-003
Repeat Finding Since: N/A
Finding Title: Sheriff's Department Internal Control Deficiencies

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

- Checks are not promptly stamped with a restrictive endorsement upon receipt.
- Bank reconciliations are not routinely being performed, or reviewed by someone other than the preparer, for the Sheriff's Department checking account.
- Petty cash reconciliations are not routinely being performed, or reviewed by someone other than the preparer.
- Multiple signatures are not required on checks written from the Sheriff's Department checking account.

- Deposits are not being made timely.

- Cross-training is not being utilized.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Costs related to the LCTS participant for the County Probation department reported on the DHS-3220 reports were incorrectly reduced 50 percent to reflect the participant's case load (children versus adult cases). DHS instructions indicate that 100 percent of all LCTS participants' costs should be included in the report.

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

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

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

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

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

Finding Number: 2019-006
Repeat Finding Since: 2015
Finding Title: Bylaws of the Heritage Living Center Board

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

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

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