State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Martin County
Fairmont, Minnesota

Year Ended December 31, 2021

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Martin County
Fairmont, Minnesota

Year Ended December 31, 2021

Audit Practice Division
Office of the State Auditor
State of Minnesota

MARTIN COUNTY
FAIRMONT, MINNESOTA

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INTRODUCTORY SECTION

MARTIN COUNTY
FAIRMONT, MINNESOTA

ORGANIZATION
2021

Office	Name	Term Expires
Commissioners		
1st District	Elliot Belgard*	January 2025
2nd District	James Forshee	January 2023
3rd District	Kathy Smith	January 2025
4th District	Richard Koons	January 2023
5th District	Steven Flohrs	January 2025
Officers		
Elected		
Attorney	Terry Viesselman	January 2023
Auditor/Treasurer	Jessica Korte	January 2023
Judge	Michael D. Trushenski	January 2023
County Recorder	Diane Sanders	January 2023
Sheriff	Jeff Markquart	January 2023
Surveyor	Ben Madsen	January 2023
Appointed		
Assessor	Mike Sheplee	December 2024
Highway Engineer	Kevin Peyman	April 2026
Medical Examiner	Dr. Kelly Mills	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Trushenski	Indefinite
County Coordinator	Scott Higgins	Indefinite

*Chair

FINANCIAL SECTION

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Martin County
Fairmont, Minnesota

Report on the Audit of the Financial Statements

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin County's basic financial statements. The Building Capital Projects Fund Budgetary Comparison Schedule, combining statements for the nonmajor governmental funds, budgetary comparison schedules for the Solid Waste Special Revenue Fund and Debt Service Fund nonmajor governmental funds, combining fiduciary funds financial statements, and Schedule of Intergovernmental Revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARTIN COUNTY
FAIRMONT, MINNESOTA

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

As management of Martin County, we offer readers of the Martin County financial statements this narrative overview and analysis of the financial activities of Martin County for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Martin County exceeded its liabilities and deferred inflows of resources at the close of 2021 by $113,744,233. Of this amount, $18,482,939 (unrestricted net position) may be used to meet Martin County's ongoing obligations to citizens and creditors.

- Martin County's total net position increased by $2,572,746 in 2021.

- At the close of 2021, Martin County's governmental funds reported combined ending fund balances of $38,619,476, of which $8,498,188 is unassigned and is available for spending at the County's discretion.

- At the close of 2021, unassigned fund balance for the General Fund was $11,880,187, or 86.59 percent, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Martin County's basic financial statements. Martin County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Martin County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Martin County's assets, deferred outflows of resources, 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 Martin 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 result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements list the functions of Martin County principally supported by taxes and intergovernmental revenues. The governmental activities of Martin County include general government, public safety, highways and streets, sanitation, human services, culture and recreation, conservation of natural resources, and economic development. Martin County has no business-type activities intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Martin 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 Martin County can be divided into two categories: governmental funds and fiduciary funds.

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 County's short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, County fund level financial statements focus on short-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 the County's short-term financing requirements.

Martin County reports five major funds and three nonmajor funds. The major funds are the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, and the Building Capital Projects Fund. The nonmajor funds are the Solid Waste Special Revenue Fund, Area Development Special Revenue Fund, and the Debt Service Fund. Information is presented separately for the major funds and in total for the nonmajor funds on Exhibits 3 and 5.

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Martin County's fiduciary funds consist of a four custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Martin County's governmental fund financial statements are on Exhibits 3 to 6, and Martin County's fiduciary fund financial statements are on Exhibits 7 and 8.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Martin County's budgetary comparison schedules for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund (Exhibits A-1 to A-3), changes in its other postemployment benefits liability (Exhibit A-4) and schedules of the proportionate share of net pension liability and schedules of contributions (Exhibits A-5 to A-10). In addition, the County also provides supplementary information on intergovernmental revenue (Exhibit E-1).

Martin County adopts an annual appropriated budget for the General Fund, the special revenue funds (with the exception of the Ditch and Area Development Special Revenue Funds), the Building Capital Projects Fund, and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. Martin County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $113,744,233 at the close of 2021. The largest portion of Martin County's net position (73.6 percent) reflects its investment in capital assets (for example, land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2020	2021
Assets		
Current and other assets	$ 56,651,801	$ 60,012,316
Capital assets	87,064,551	89,146,495
Total Assets	$ 143,716,352	$ 149,158,811
Deferred Outflows of Resources	$ 1,304,654	$ 4,634,429
Liabilities		
Long-term liabilities outstanding	$ 28,480,113	$ 30,356,741
Other liabilities	3,818,116	4,006,657
Total Liabilities	$ 32,298,229	$ 34,363,398
Deferred Inflows of Resources	$ 1,551,290	$ 5,685,609
Net Position		
Net investment in capital assets	$ 77,949,566	$ 83,774,080
Restricted	11,170,196	11,487,214
Unrestricted	22,051,725	18,482,939
Total Net Position	$ 111,171,487	$ 113,744,233

The unrestricted net position amount of $18,482,939 as of December 31, 2021, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

The following table summarizes the changes in net position for 2021.

Changes in Governmental Net Position

	2020	2021
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 5,011,885	$ 4,681,017
Operating grants and contributions	11,300,504	8,244,820
Capital grants and contributions	1,626,739	241,161
General revenues		
Property taxes	17,213,992	17,693,573
Other	2,675,577	2,139,914
Total Revenues	$ 37,828,697	$ 33,000,485
Expenses		
General government	$ 10,582,518	$ 7,643,199
Public safety	5,202,344	5,198,598
Highways and streets	5,160,237	7,328,272
Sanitation	513,561	563,191
Human services	3,029,414	3,189,505
Culture and recreation	950,291	866,334
Conservation of natural resources	4,431,741	4,861,688
Economic development	232,313	186,818
Interest	382,871	590,134
Total Expenses	$ 30,485,290	$ 30,427,739
Change in Net Position	$ 7,343,407	$ 2,572,746
Net Position – January 1	103,828,080	111,171,487
Net Position – December 31	$ 111,171,487	$ 113,744,233

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $38,619,476. Of this amount, $8,498,188 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Martin County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $11,880,187, while the total fund balance was $15,379,743. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to annual expenditures. Unassigned fund balance represents 86.59 percent of total General Fund expenditures for 2021, while total fund balance represents 112.10 percent of total General Fund expenditures. In 2021, the total fund balance in the General Fund increased by $752,725, with unassigned fund balance increasing by $677,381, assigned fund balances increasing by $35,985, and restricted fund balance increasing by $39,359.

In 2021, the Road and Bridge Special Revenue Fund showed excess revenues and other financing sources over expenditures of $1,184,406 and an increase in inventories of $249,436 for a net increase in fund balance of $1,433,842. The primary source of funding is intergovernmental state aid, followed by property taxes. State aid revenue fluctuates annually, and recognition is dependent on the status of state funded projects. The County incurred less construction costs that were covered by taxes in 2021, resulting in an increase in fund balance.

In 2021, the Human Services Special Revenue Fund's fund balance increased by $448,243. The increase in fund balance was due to operating expenditures of the Faribault – Martin County Human Services Board coming in lower than anticipated.

In 2021, the Ditch Special Revenue Fund's fund balance decreased by $4,444,542 to $552,838. The decrease in fund balance was planned and accounts for the spend down of bonds issued in 2020 for various ditch repairs and improvements.

In 2021, the Building Capital Projects Fund's fund balance increased by $307,323. The increase in fund balance was due to the issuance of 2021A Capital Improvement Plan Bonds. The County spent down the 2020 bond proceeds as work progressed on the courthouse exterior restoration, garage, and generator projects.

General Fund Budgetary Highlights

No budget amendments were made for 2021. There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by $465,384, or 3.32 percent, primarily due to taxes and intergovernmental revenue exceeding budget. The County has historically not budgeted for power line taxes and market value credits. Total expenditures were under budget by $240,470, or 1.72 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2021, amounts to $89,146,495 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, construction in progress, buildings and improvements, land improvements, machinery, furniture, and equipment, infrastructure, and vehicles. The total increase in the County's investment in capital assets, net of depreciation, for the current fiscal year was $2,081,944.

Governmental Capital Assets
(Net of Depreciation)

	2020	2021
Land and right-of-way	$ 1,328,711	$ 1,328,711
Construction in progress	2,248,051	4,038,700
Buildings and improvements	3,715,692	4,078,450
Land improvements	31,749	29,688
Machinery, furniture, and equipment	1,715,784	1,916,655
Infrastructure	76,834,105	76,821,284
Vehicles	1,190,459	933,007
Total	$ 87,064,551	$ 89,146,495

Additional information on the County's capital assets can be found in Note 3.A.3 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding of $23,299,000, which is backed by the full faith and credit of the government.

Governmental Outstanding Debt

	2020	2021
General obligation bonds	$ 21,764,000	$ 23,299,000

Additional information on the County's debt can be found in Note 3.C to the financial statements.

Minnesota statutes limit the amount of debt that a county may levy to three percent of its total market value. As of the end of 2021, Martin County is well below the three percent debt limit imposed by state statutes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County is dependent on the State of Minnesota for a significant portion of its revenue. The County Board approved an expenditure budget of $29,979,492 for 2022, which represents a five percent increase over the 2021 Board adopted budget. The increase reflects the County's planned investment in infrastructure and technology.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Martin County Auditor/Treasurer, Martin County Courthouse, 201 Lake Avenue, Fairmont, Minnesota 56031.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Assets		
Cash and pooled investments	$	40,958,924
Petty cash and change funds		1,187
Taxes receivable – delinquent		244,188
Special assessments receivable		
Delinquent		64,052
Noncurrent		9,829,493
Accounts receivable		132,448
Accrued interest receivable		29,901
Loan receivable		261,388
Due from other governments		7,372,151
Inventories		1,054,925
Capital assets		
Non-depreciable		5,367,411
Depreciable – net of accumulated depreciation		83,779,084
Net pension asset		63,659
Total Assets	**$**	**149,158,811**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	187,477
Deferred pension outflows		4,446,952
Total Deferred Outflows of Resources	**$**	**4,634,429**
Liabilities		
Accounts payable	$	370,448
Salaries payable		371,312
Contracts payable		670,268
Due to other governments		274,478
Accrued interest payable		37,436
Unearned revenue		2,282,715
Long-term liabilities		
Due within one year		1,858,900
Due in more than one year		22,910,892
Other postemployment benefits liability		1,551,350
Net pension liability		4,035,599
Total Liabilities	**$**	**34,363,398**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	209,782
Deferred pension inflows		5,475,827
Total Deferred Inflows of Resources	**$**	**5,685,609**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Net Position

Net investment in capital assets	$ 83,774,080
Restricted for	
General government	573,206
Public safety	1,088,967
Highways and streets	3,257,869
Sanitation	2,082,580
Culture and recreation	706,632
Conservation of natural resources	2,371,813
Economic development	292,859
Debt service	1,113,288
Unrestricted	18,482,939
Total Net Position	**$ 113,744,233**

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 2

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

		Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 7,643,199	$ 1,281,150	$ 373,879	$ -	$ (5,988,170)
Public safety	5,198,598	269,985	220,451	-	(4,708,162)
Highways and streets	7,328,272	377,641	7,520,464	241,161	810,994
Sanitation	563,191	717,948	71,066	-	225,823
Human services	3,189,505	-	-	-	(3,189,505)
Culture and recreation	866,334	122,681	-	-	(743,653)
Conservation of natural resources	4,861,688	1,818,394	15,500	-	(3,027,794)
Economic development	186,818	93,218	43,460	-	(50,140)
Interest	590,134	-	-	-	(590,134)
Total Governmental Activities	**$ 30,427,739**	**$ 4,681,017**	**$ 8,244,820**	**$ 241,161**	**$ (17,260,741)**

General Revenues	
Property taxes	$ 17,693,573
Mortgage registry and deed tax	23,672
Wind power production tax	325,506
Wheelage tax	228,368
Grants and contributions not restricted to specific programs	1,586,185
Unrestricted investment earnings	(101,486)
Miscellaneous	55,634
Gain on sale of capital assets	22,035
Total general revenues	**$ 19,833,487**
Change in net position	**$ 2,572,746**
Net Position – January 1	**111,171,487**
Net Position – December 31	**$ 113,744,233**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

MARTIN COUNTY
FAIRMONT, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 17,861,701	$ 7,496,279
Petty cash and change funds	1,137	50
Taxes receivable – delinquent	143,627	35,111
Special assessments receivable		
Delinquent	1,900	-
Noncurrent	361,108	-
Accounts receivable	23,307	999
Accrued interest receivable	29,901	-
Loans receivable	-	-
Due from other funds	81	35,610
Due from other governments	96,315	5,696,069
Inventories	-	1,054,925
Total Assets	**$ 18,519,077**	**$ 14,319,043**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 187,467	$ 14,655
Salaries payable	294,124	77,188
Contracts payable	-	-
Due to other funds	104,230	81
Due to other governments	17,264	3,386
Unearned revenue	2,016,474	-
Total Liabilities	**$ 2,619,559**	**$ 95,310**
Deferred Inflows of Resources		
Unavailable revenue	**$ 519,775**	**$ 5,684,468**

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

EXHIBIT 3

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,680,244	$ 898,952	$ 7,881,690	$ 3,140,058	$ 40,958,924
-	-	-	-	1,187
52,011	-	8,261	5,178	244,188
-	6,141	-	56,011	64,052
-	9,468,385	-	-	9,829,493
-	100,000	-	8,142	132,448
-	-	-	-	29,901
-	-	-	261,388	261,388
-	-	68,620	361,397	465,708
-	1,558,125	-	21,642	7,372,151
-	-	-	-	1,054,925
$ 3,732,255	**$ 12,031,603**	**$ 7,958,571**	**$ 3,853,816**	**$ 60,414,365**
$ -	$ 107,456	$ 30,315	$ 30,555	$ 370,448
-	-	-	-	371,312
-	237,338	432,930	-	670,268
-	-	361,397	-	465,708
147,009	94,862	-	11,957	274,478
-	266,241	-	-	2,282,715
$ 147,009	**$ 705,897**	**$ 824,642**	**$ 42,512**	**$ 4,434,929**
$ 52,011	**$ 10,772,868**	**$ 8,261**	**$ 322,577**	**$ 17,359,960**

MARTIN COUNTY
FAIRMONT, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 1,054,925
Restricted for		
Law library	95,285	-
Sheriff's contingency	5,000	-
Prosecutorial purposes	3,524	-
E-911 system	727,712	-
Recorder's equipment purchases	440,613	-
Endowments	1,154	-
Victim assistance	43,031	-
Supervision fees	18,476	-
Veteran's van	16,588	-
Inmate commissary	20,331	-
Conceal and carry	270,893	-
Aquatic invasive species aid	458,548	-
Riparian aid	448,720	-
Library capital improvement	109,734	-
Library	595,744	-
Veteran's memorial perpetual care	20,000	-
Steve Donnelly award	720	-
Capital projects	-	-
Ditch maintenance and construction	-	-
Solid waste	-	-
Economic development	-	-
Debt service	-	-
Committed for human services	-	-
Assigned to		
Forfeited land	144,841	-
Ditch camera replacement	26,168	-
Computer/tax systems	52,474	-
Road and bridge	-	7,484,340
Building projects	-	-
Unassigned	11,880,187	-
Total Fund Balances	**$ 15,379,743**	**$ 8,539,265**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 18,519,077**	**$ 14,319,043**

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

EXHIBIT 3
(Continued)

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 1,054,925
-	-	-	-	95,285
-	-	-	-	5,000
-	-	-	-	3,524
-	-	-	-	727,712
-	-	-	-	440,613
-	-	-	-	1,154
-	-	-	-	43,031
-	-	-	-	18,476
-	-	-	-	16,588
-	-	-	-	20,331
-	-	-	-	270,893
-	-	-	-	458,548
-	-	-	-	448,720
-	-	-	-	109,734
-	-	-	-	595,744
-	-	-	-	20,000
-	-	-	-	720
-	-	2,897,672	-	2,897,672
-	3,934,837	-	-	3,934,837
-	-	-	2,082,580	2,082,580
-	-	-	292,859	292,859
-	-	-	1,113,288	1,113,288
3,533,235	-	-	-	3,533,235
-	-	-	-	144,841
-	-	-	-	26,168
-	-	-	-	52,474
-	-	-	-	7,484,340
-	-	4,227,996	-	4,227,996
-	(3,381,999)	-	-	8,498,188
$ 3,533,235	**$ 552,838**	**$ 7,125,668**	**$ 3,488,727**	**$ 38,619,476**
$ 3,732,255	**$ 12,031,603**	**$ 7,958,571**	**$ 3,853,816**	**$ 60,414,365**

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 4

RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2021

Fund balances – total governmental funds (Exhibit 3)		**$ 38,619,476**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		89,146,495
Net pension assets are not financial resources and, therefore, are not report in the governmental funds.		63,659
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		17,359,960
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.		
Deferred outflows related to other postemployment benefits		187,477
Deferred inflows related to other postemployment benefits		(209,782)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.		
Deferred outflows related to pensions		4,446,952
Deferred inflows related to pensions		(5,475,827)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(37,436)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (23,299,000)	
Premium on bonds	(763,073)	
Compensated absences	(707,719)	
Other postemployment benefits liability	(1,551,350)	
Net pension liability	(4,035,599)	(30,356,741)
Net Position of Governmental Activities (Exhibit 1)		**$ 113,744,233**

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

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

	General	Road and Bridge
Revenues		
Taxes	$ 10,843,871	$ 2,646,094
Special assessments	140,232	-
Licenses and permits	94,989	-
Intergovernmental	2,112,521	5,862,580
Charges for services	391,667	16,124
Fines and forfeits	27,117	-
Investment earnings (loss)	(73,242)	-
Miscellaneous	932,539	361,517
Total Revenues	**$ 14,469,694**	**$ 8,886,315**
Expenditures		
Current		
General government	$ 6,848,930	$ -
Public safety	5,673,420	-
Highways and streets	-	7,240,813
Sanitation	-	-
Culture and recreation	881,212	-
Conservation of natural resources	129,635	-
Economic development	186,818	-
Intergovernmental		
Highways and streets	-	480,085
Human services	-	-
Capital outlay		
General government	-	-
Public safety	-	-
Debt service		
Principal	-	-
Interest and fiscal charges	-	-
Bond issuance costs	-	-
Total Expenditures	**$ 13,720,015**	**$ 7,720,898**
Excess of Revenues Over (Under) Expenditures	**$ 749,679**	**$ 1,165,417**

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

EXHIBIT 5

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,568,718	$ -	$ 802,986	$ 388,136	$ 18,249,805
-	2,199,976	-	642,268	2,982,476
-	-	-	-	94,989
69,030	-	10,532	78,588	8,133,251
-	-	-	890	408,681
-	-	-	-	27,117
-	96,164	-	-	22,922
-	437,966	210,395	149,269	2,091,686
$ 3,637,748	**$ 2,734,106**	**$ 1,023,913**	**$ 1,259,151**	**$ 32,010,927**
$ -	$ -	$ 308,838	$ -	$ 7,157,768
-	-	-	-	5,673,420
-	-	-	-	7,240,813
-	-	-	563,191	563,191
-	-	-	-	881,212
-	5,941,712	-	-	6,071,347
-	-	-	-	186,818
-	-	-	-	480,085
3,189,505	-	-	-	3,189,505
-	-	2,448,618	-	2,448,618
-	-	297,962	-	297,962
-	790,000	-	255,000	1,045,000
-	455,040	-	125,910	580,950
-	24,402	60,751	-	85,153
$ 3,189,505	**$ 7,211,154**	**$ 3,116,169**	**$ 944,101**	**$ 35,901,842**
$ 448,243	**$ (4,477,048)**	**$ (2,092,256)**	**$ 315,050**	**$ (3,890,915)**

MARTIN COUNTY
FAIRMONT, MINNESOTA

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

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	$ -	$ -
Transfers out	-	-
Sale of capital assets	3,046	18,989
Bonds issued	-	-
Refunding bonds issued	-	-
Premium on bonds issued	-	-
Premium on refunding bonds issued	-	-
Debt service - principal	-	-
Total Other Financing Sources (Uses)	**$ 3,046**	**$ 18,989**
Net Change in Fund Balances	**$ 752,725**	**$ 1,184,406**
Fund Balances – January 1	**14,627,018**	**7,105,423**
Increase (decrease) in inventories	**-**	**249,436**
Fund Balances – December 31	**$ 15,379,743**	**$ 8,539,265**

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

EXHIBIT 5
(Continued)

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 361,397	$ 361,397
-	-	(361,397)	-	(361,397)
-	-	-	-	22,035
-	1,345,000	-	-	1,345,000
-	-	2,645,000	-	2,645,000
-	97,506	-	-	97,506
-	-	115,976	-	115,976
-	(1,410,000)	-	-	(1,410,000)
$ -	**$ 32,506**	**$ 2,399,579**	**$ 361,397**	**$ 2,815,517**
$ 448,243	**$ (4,444,542)**	**$ 307,323**	**$ 676,447**	**$ (1,075,398)**
3,084,992	**4,997,380**	**6,818,345**	**2,812,280**	**39,445,438**
-	**-**	**-**	**-**	**249,436**
$ 3,533,235	**$ 552,838**	**$ 7,125,668**	**$ 3,488,727**	**$ 38,619,476**

EXHIBIT 6

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances – total governmental funds (Exhibit 5)			**$**	**(1,075,398)**
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	$	17,359,960		
Unavailable revenue – January 1		(15,164,307)		2,195,653
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.				
Capital outlay expenditures	$	5,127,950		
Depreciation expense		(3,046,006)		2,081,944
Issuing long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized over the life of the debt in the statement of activities.				
Proceeds of new debt – general obligation bonds	$	(4,203,482)		
Repayment of debt principal		2,455,000		
Amortization of premiums on debt		71,781		(1,676,701)

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 6
(Continued)

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

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	$ 249,436	
Change in net pension asset	63,659	
Change in deferred other postemployment benefits outflows	64,577	
Change in deferred pension outflows	3,265,198	
Change in accrued interest payable	4,188	
Change in compensated absences	33,509	
Change in other postemployment benefits liability	(141,086)	
Change in net pension liability	1,642,086	
Change in deferred other postemployment benefits inflows	45,272	
Change in deferred pension inflows	(4,179,591)	1,047,248
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,572,746**

FIDUCIARY FUNDS

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

		Custodial Funds
Assets		
Cash and pooled investments	$	409,678
Taxes receivable for other governments		641,824
Special assessments receivable for other governments		172,454
Total Assets	**$**	**1,223,956**
Liabilities		
Due to other governments		**406,216**
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**817,740**

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT 8

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

		Custodial Funds
Additions		
Contributions from individuals	$	85,412
Interest earnings		87
Property tax collections for other governments		24,189,024
Other taxes and fees collected for the state		1,032,628
Payments from state		82,930
Payments from other entities		144,466
Total Additions	**$**	**25,534,547**
Deductions		
Payments of property tax to other governments	$	25,058,827
Payments to the state		1,088,460
Payments to other individuals/entities		268,846
Total Deductions	**$**	**26,416,133**
Change in Net Position	**$**	**(881,586)**
Net Position – January 1	**$**	**1,699,326**
Net Position – December 31	**$**	**817,740**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Martin County was established May 23, 1857, 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 serves as the clerk of the Board of Commissioners, but does not vote in its decisions.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Martin County has one blended component unit reported as part of the General Fund.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
The Martin County Economic Development Authority (EDA) provides for development within the County pursuant to Minn. Stat. § 469.1082.	The County appoints the EDA Board members and the EDA provides services almost entirely to the County. The County has operational responsibility.	Separate financial statements are not prepared.

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for 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 Human Services Special Revenue Fund is used to account for committed property tax revenues and the transfer of Martin County's share of operating costs to the Faribault-Martin County Human Services Board.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Building Capital Projects Fund is used to account for assigned property tax revenues and rental income to pay the cost of constructing and maintaining County buildings.

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 Debt Service Fund accounts for financial resources restricted, committed, or assigned to be used for principal and interest payments on County debt.

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, or bond covenants. The County reports negative pooled investment earnings of $73,242 due to a decrease in the market value of investments.

1. Summary of Significant Accounting Policies

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

      1. Deposits and Investments (Continued)

         Martin 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.

      2. Receivables and Payables

         Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

         Special assessments receivable consist of delinquent special assessments payable in the years 2016 through 2021 and noncurrent special assessments payable in 2022 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

         No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

      3. Loans Receivable

         Loans receivable represents the unpaid principal portions of loans made by the County through its Area Development Special Revenue Fund.

         Principal and interest received by the County on these loans are recognized, at the fund level, in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in unavailable revenue.

1. Summary of Significant Accounting Policies

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

4. Inventories

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 - 40
Land improvements	20 - 30
Machinery, furniture, equipment, and vehicles	2 - 12
Infrastructure	50 - 75

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated Paid Time Off (PTO), extended sick leave and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion of this liability is 100 percent of the PTO and compensatory time accruals at the end of 2021. Compensated absences are liquidated through the General Fund and the Road and Bridge Special Revenue Fund.

7. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes and special assessments 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.

1. Summary of Significant Accounting Policies

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

9. Pension Plan

For purposes of measuring the net pension asset, net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (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 through the General Fund and the Road and Bridge Special Revenue Fund.

10. Unearned Revenue

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

11. Classification of Net Position

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Net Position (Continued)

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

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

12. Classification of Fund Balances

The County fund balance policy established a minimum unassigned fund balance equal to 50 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

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

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

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

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

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

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

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

	Expenditures	Final Budget	Excess
Building Capital Projects Fund			
Current			
General government			
Building operations	$ 308,838	$ 136,700	$ 172,138
Capital Outlay			
General government	2,448,618	855,000	1,593,618
Public safety	297,962	-	297,962
Debt Service			
Bond issuance costs	60,751	-	60,751

The expenditures in excess of budget were funded by unbudgeted revenues and available fund balance.

B. Deficit Fund Equity – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a positive fund balance of $552,838 as of December 31, 2021; however, 59 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

115 ditches with positive fund balances	$ 3,934,837
59 ditches with deficit fund balances	(3,381,999)
Total Fund Balance	$ 552,838

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are as follows:

Governmental funds		
Cash and pooled investments	$	40,958,924
Petty cash and change funds		1,187
Fiduciary funds		
Cash and pooled investments		409,678
Total Cash and Investments	$	41,369,789

a. Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate depositories for public funds and to invest in certificates of deposit. 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 at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2021, the County's deposits were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

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

(4) time deposits fully insured by the Federal Deposit Insurance Corporation or 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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

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

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

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

		Fair Value Measurements Using		
	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 13,868,582	$ -	$ 13,868,582	$ -
Negotiable certificates of deposit	5,998,201	-	5,998,201	-
Total Investments Included in the Fair Value Hierarchy	$ 19,866,783	$ -	$ 19,866,783	$ -
Investments measured at the NAV				
MAGIC Portfolio	$ 200,359			
Total Investments Measured at the NAV	$ 200,359			

3. Detailed Notes on All Funds

    A. Assets

        1. Deposits and Investments

            b. Investments

Fair Value Measurement (Continued)

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active; and

- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

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 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 net asset value not reasonably practical.

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. It is the County's policy to minimize exposure to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; thereby, avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

At December 31, 2021, the County had the following investments with specified maturity dates:

Investment Type	Carrying (Fair) Value	Maturity Dates 0 - 1 Year	Maturity Dates Over 1 Year
Negotiable certificates of deposit	$ 5,998,201	$ 2,422,894	$ 3,575,307
U.S. government securities*	13,868,582	-	13,868,582
Total	$ 19,866,783	$ 2,422,894	$ 17,443,889

*These securities have step provisions which could result in them being called prior to maturity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. Investments in negotiable certificates of deposit and the MAGIC Portfolio are unrated. The County's other exposure to credit risk as of December 31, 2021, is as follows:

Moody's Rating	Fair Value
Aaa	$ 13,868,582

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. As of December 31, 2021, the County's investments were not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal. The County's investment policy places a limit of no more than twenty percent of the investment pool may be invested with any one issuer, with the exception of U.S. government securities and U.S. government agencies securities. As of December 31, 2021, the County's investments were primarily in U.S. government securities and an external investment pool and therefore, not subject to concentration of credit risk disclosure requirements. The County's remaining investments in any one issuer did not represent five percent or more of the County's investments.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2021, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 244,188	$ -
Special assessments – delinquent	64,052	-
Special assessments – noncurrent	9,829,493	8,665,749
Accounts	132,448	-
Accrued interest	29,901	-
Loans	261,388	261,388
Due from other governments	7,372,151	-
Total Governmental Activities	$ 17,933,621	$ 8,927,137

Loans receivable arise from the Martin County Area Redevelopment Authority loans in 1989 and 1990. These loans are only collectible when the homeowner transfers ownership, or the property loses homestead status; therefore, no loans are expected to be collected during the subsequent year.

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and right-of-way	$ 1,328,711	$ -	$ -	$ 1,328,711
Construction in progress	2,248,051	2,505,477	714,828	4,038,700
Total capital assets not depreciated	$ 3,576,762	$ 2,505,477	$ 714,828	$ 5,367,411
Capital assets depreciated				
Buildings and improvements	$ 9,379,964	$ 554,484	$ -	$ 9,934,448
Land improvements	58,576	-	-	58,576
Machinery, furniture, and equipment	5,627,092	540,018	196,769	5,970,341
Infrastructure	113,666,729	2,242,799	-	115,909,528
Vehicles	2,737,640	-	43,654	2,693,986
Total capital assets depreciated	$ 131,470,001	$ 3,337,301	$ 240,423	$ 134,566,879
Less: accumulated depreciation for				
Buildings and improvements	$ 5,664,272	$ 191,726	$ -	$ 5,855,998
Land improvements	26,827	2,061	-	28,888
Machinery, furniture, and equipment	3,911,308	339,147	196,769	4,053,686
Infrastructure	36,832,624	2,255,620	-	39,088,244
Vehicles	1,547,181	257,452	43,654	1,760,979
Total accumulated depreciation	$ 47,982,212	$ 3,046,006	$ 240,423	$ 50,787,795
Total capital assets depreciated, net	$ 83,487,789	$ 291,295	$ -	$ 83,779,084
Total Capital Assets, Net	$ 87,064,551	$ 2,796,772	$ 714,828	$ 89,146,495

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

General government	$ 145,434
Public safety	78,729
Highways and streets, including depreciation of infrastructure assets	2,762,712
Culture and recreation	36,922
Conservation of natural resources	22,209
Total Depreciation Expense	$ 3,046,006

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Road and Bridge	$ 81	Copy paper
Road and Bridge	General	35,610	Fuel and CARES Act funding
Building	General	68,620	CARES Act funding
Debt Service	Building	361,397	Reimbursement of interest proceeds
Total Due To/From Other Funds		$ 465,708	

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

2. Interfund Transfers

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

Transfers to Debt Service Fund from Building Fund	$ 361,397	Reimbursement of interest proceeds

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Bonds

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
G.O. Crossover Refunding Bonds, Series 2014B (Road Reconstruction)	2023	$225,000 - $255,000	2.00 - 2.20	$ 1,670,000	$ 490,000
G.O. Drainage Ditch Bonds, Series 2016A	2037	$75,000 - $410,000	2.00 - 2.75	7,270,000	5,905,000
G.O. Drainage Ditch Bonds, Series 2017A	2038	$110,000 - $270,000	2.00 - 3.25	4,755,000	3,850,000
G.O. Courthouse Bonds, Series 2019A	2036	$5,000 - $155,000	2.125 - 3.00	1,875,000	1,875,000
G.O. Capital Improvement Plan Bonds, Series 2020A	2042	$120,000 - $175,000	1.00 - 3.00	2,970,000	2,970,000
G.O. Drainage Ditch Bonds, Series 2020A	2041	$160,000 - $235,000	1.00 - 3.00	3,965,000	3,965,000
G.O. Capital Improvement Plan Bonds, Series 2021A	2042	$110,000 - $165,000	2.00 - 3.00	2,645,000	2,645,000
G.O. Drainage Ditch Refunding Bonds, Series 2021A	2035	$65,000 - $160,000	2.00 - 3.00	1,345,000	1,345,000
MPFA Obligations	2029	$26,197 - $33,000	1.00	628,307	254,000
Total				$ 27,123,307	$ 23,299,000
Plus: unamortized premiums					763,073
Total General Obligation Bonds, Net					$ 24,062,073

Capital improvement, courthouse, road reconstruction, and related refunding bonds are being retired by the Debt Service Fund. Drainage and related refunding bonds, and the MPFA obligations are being retired by the Ditch Special Revenue Fund.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2022	$ 1,211,000	$ 535,292
2023	1,416,000	500,645
2024	1,311,000	468,145
2025	1,307,000	434,285
2026	1,337,000	400,690
2027 - 2031	6,582,000	1,520,732
2032 - 2036	6,480,000	821,414
2037 - 2041	3,315,000	221,450
2042	340,000	6,800
Total	$ 23,299,000	$ 4,909,453

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 21,764,000	$ 3,990,000	$ 2,455,000	$ 23,299,000	$ 1,211,000
Plus: unamortized premiums	621,372	213,482	71,781	763,073	-
Total bonds payable	$ 22,385,372	$ 4,203,482	$ 2,526,781	$ 24,062,073	$ 1,211,000
Compensated absences	741,228	677,082	710,591	707,719	647,900
Total Long-Term Liabilities	$ 23,126,600	$ 4,880,564	$ 3,237,372	$ 24,769,792	$ 1,858,900

Debt Refunding

On November 17, 2021, the County issued $1,345,000 General Obligation Drainage Ditch Refunding Bonds, Series 2021A. Proceeds from the sale of bonds were used to refund $1,410,000 of the $2,515,000 General Obligation Drainage Ditch Bonds,

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Changes in Long-Term Liabilities

Debt Refunding (Continued)

Series 2014A. Maturities 2022 through 2035, inclusive, were called for redemption on December 1, 2021, at a price of par plus accrued interest. The County refunded the Series 2014A bonds to obtain a savings of $175,184 and an economic gain (difference between the present value of debt service payments on the old and new debt) of $157,850.

4. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue as of December 31, 2021, for the County's governmental funds are as follows:

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	$ 9,886,496
Highway allotments that do not provide current financial resources	4,053,357
Loans	261,388
Grants	1,596,000
Interest	13,140
Charges for services and miscellaneous	1,549,579
Total Governmental Funds	$ 17,359,960

5. Contract Commitments

The County has active contract commitments as of December 31, 2021. The commitments include the following:

	Spent-to-Date	Remaining Commitment
Courthouse roof projects	$ 3,007,597	$ 1,723,014
Ditch projects	4,567,205	627,011

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Operating Leases

At the end of 2021, the County maintained thirteen operating leases for squad cars. In 2021, expenditures under these agreements totaled $73,374. Future minimum lease payments are as follows:

Year Ending December 31		Lease Payments
2022	$	96,887
2023		82,194
2024		61,247
2025		24,294
Total	$	264,622

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

The County provides postemployment health insurance for elected and non-elected employees (except those employees whose positions are included in a collective bargaining unit), who retire with 20 or more years of County employment. The monthly payments are the single premium for the plan selected by the employee prior to retirement. Specifics of an employee's benefit vary with individual conditions and requirements such as hired date; full-time employment at date of retirement; years of continuous, uninterrupted service; age; and the Public Employees Retirement Association eligibility. All benefits cease at age 65. As of December 31, 2021, four retirees were receiving the continued health insurance benefit. The County's contributions for the year were $29,826.

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by state statutes. Active employees, who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association of Minnesota (PERA) (or similar plan), and do not participate in any other coverage with respect to both themselves and their eligible dependent(s) are eligible under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost.

2. Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Martin County Board of Commissioners. Pursuant to the provisions of the plan, retirees are required to pay varying amounts 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.

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

As of the January 1, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active plan participants	107
Total	112

3. Total OPEB Liability

The County's total OPEB liability of $1,551,350 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

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

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 11.25 percent for one year of service (12.25 percent for public safety) to 3.25 percent for 26 or more years of service
Health care cost trend	6.25 percent grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the current valuation, the discount rate was selected from the 20-year municipal bond yield.

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

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

4. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2020	$ 1,410,264
Changes for the year	
Service cost	$ 99,909
Interest	42,611
Changes in assumptions	80,816
Benefit payments	(82,250)
Net change	$ 141,086
Balance at December 31, 2021	$ 1,551,350

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

5. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 1,662,709
Current	2.00	1,551,350
1% Increase	3.00	1,446,045

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

	Health Care Cost Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 1,389,177
Current	6.25% Decreasing to 5.00%	1,551,350
1% Increase	7.25% Decreasing to 6.00%	1,742,475

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

For the year ended December 31, 2021, the County recognized OPEB expense of $115,570. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 103,144	$ 24,857
Difference between actual and expected results	-	184,925
Contributions made subsequent to the measurement date	84,333	-
Total	$ 187,477	$ 209,782

The $84,333 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	$ (26,950)
2023	(26,950)
2024	(26,946)
2025	(18,663)
2026	(18,669)
Thereafter	11,540

7. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2021:

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

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Martin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

b. Benefits Provided

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

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.

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

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

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

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

c. Contributions

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

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

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

General Employees Plan	$	411,546
Police and Fire Plan		217,658
Correctional Plan		77,880

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

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of $3,249,811 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0761 percent. It was 0.0719 percent measured as of June 30, 2020. The County recognized pension expense of $91,202 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $8,005 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

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	$	3,249,811
State of Minnesota's proportionate share of the net pension liability associated with the County		99,212
Total	$	3,349,023

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

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	18,234	$	98,819
Changes in actuarial assumptions		1,984,267		67,200
Difference between projected and actual investment earnings		-		2,827,764
Changes in proportion		255,203		18,030
Contributions paid to PERA subsequent to the measurement date		204,141		-
Total	$	2,461,845	$	3,011,813

The $204,141 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	$ (60,330)
2023	42,321
2024	31,554
2025	(767,654)

Police and Fire Plan

At December 31, 2021, the County reported a liability of $785,788 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1018 percent. It was 0.0969 percent measured as of June 30, 2020. The County recognized pension expense of ($1,001) for its proportionate share of the Police and Fire Plan's pension expense.

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1, 2020, and to pay $9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $6,435 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	$	785,788
State of Minnesota's proportionate share of the net pension liability associated with the County		35,335
Total	$	821,123

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 $9,162 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

E. 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	$ 148,522	$ -
Changes in actuarial assumptions	1,154,903	399,428
Difference between projected and actual investment earnings	-	1,506,597
Changes in proportion	122,788	-
Contributions paid to PERA subsequent to the measurement date	108,148	-
Total	$ 1,534,361	$ 1,906,025

The $108,148 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (428,996)
2023	(84,874)
2024	(84,975)
2025	(144,563)
2026	263,596

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2021, the County reported an asset of $63,659 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.3875 percent. It was 0.3306 percent measured as of June 30, 2020. The County recognized pension expense of ($150,867) 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	$ -	$ 32,720
Changes in actuarial assumptions	398,486	5,230
Difference between projected and actual investment earnings	-	518,295
Changes in proportion	11,739	1,744
Contributions paid to PERA subsequent to the measurement date	40,521	-
Total	$ 450,746	$ 557,989

3. Detailed Notes on All Funds

   E. Pension Plans

      1. Defined Benefit Pension Plans

         d. Pension Costs

Correctional Plan (Continued)

The $40,521 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (17,327)
2023	(1,765)
2024	10,249
2025	(138,921)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was ($60,666).

         e. Actuarial Assumptions

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

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

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

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

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

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

Police and Fire Plan

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

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

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

- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

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

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	$ 6,627,955	5.50%	$ 2,494,744	5.50%	$ 662,513
Current	6.50	3,249,811	6.50	785,788	6.50	(63,659)
1% Increase	7.50	477,837	7.50	(615,133)	7.50	(639,952)

i. Pension Plan Fiduciary Net Position

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

3. Detailed Notes on All Funds

E. Pension Plans (Continued)

2. Defined Contribution Plan

Two elected officials of Martin 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 Martin County during the year ended December 31, 2021, were:

	Employee	Employer
Contribution amount	$ 3,252	$ 3,252
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. 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). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

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

B. Contingent Liabilities

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

The County 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.

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

C. Joint Ventures

Faribault – Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minn. Stat. §471.59) to provide welfare and health services to county residents (Minn. Stats. §§ 402.01-.10). The Faribault – Martin – Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has 12 members, five County Commissioners and one citizen member from each of the two counties. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

Complete financial statements can be obtained from Human Services of Faribault and Martin Counties, 115 West First Street, Fairmont, Minnesota 56031.

Faribault/Martin County Transit Board

In January 2015, Faribault and Martin Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a coordinated service delivery and funding source for public transportation. The Transit Board has ten members, five from each county. The Transit Board receives funding primarily from grants and revenues generated from passengers and contracts.

Martin County made no payments to this organization in 2021. Financial information can be obtained by contacting the Faribault/Martin Transit Director at 201 Lake Avenue, Fairmont, Minnesota 56031.

Minnesota River Valley Drug Task Force

The Minnesota River Valley Drug Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a comprehensive and multi-jurisdictional effort to reduce felony-level criminal activity through the coordination of the law enforcement agencies.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota River Valley Drug Task Force (Continued)

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Fairmont, Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Martin County contributed $18,975 to the Task Force in 2021. Current financial statements are not available.

Prairieland Solid Waste Board (Prairieland)

Martin County entered into a joint powers agreement with Faribault County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans. Fees not sent to Prairieland will be kept in the Solid Waste Fund of the County and are restricted for solid waste programs approved by the County Board.

The Prairieland Solid Waste Board reported a change in net position of $405,396 in 2021. The full faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each county's proportional share of the principal and interest when due.

Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, PO Box 100, Truman, Minnesota 56088.

Red Rock Rural Water System

The Red Rock Rural Water System (RRRWS) was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement, pursuant to Minn. Stat. § 471.59, and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The RRRWS provides water for participating rural water users and cities within the RRRWS. The cost of providing these services is recovered through user charges.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the RRRWS.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, and Watonwan Counties. The purpose of the Board is to provide guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During the year, Martin County paid $2,500 to the Board.

Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER), owned and operated by the State of Minnesota, and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Communications Board. During 2021, the County paid $979 to the Board.

Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Nicollet, Sibley, Waseca, and Watonwan Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Martin County made no contributions to this organization in 2021.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Workforce Service Area Joint Powers Board (Continued)

Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

D. Jointly-Governed Organizations

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, the County paid $7,789 to the GBERBA.

Intelligent Transit Consortium

The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include the counties of Meeker, Pipestone, Sherburne, Wright, Brown, and Martin. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and upgrade costs. It is expected that there will be upgrades every three years. During 2021, the County did not contribute any funding to the Transit Consortium.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Martin County expended $13,088 to the MCCC.

4. Summary of Significant Contingencies and Other Items

   D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Martin County paid $1,560 to the Network.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five – Southwest Minnesota Homeland Security Emergency Management Organization (SWMHSEM) 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 SWMHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Martin County's responsibility does not extend beyond making this appointment.

Sentencing to Service

Martin County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Martin County has no operational or financial control over the STS program, Martin County budgets for a percentage of this program.

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Community-Based Initiative Joint Powers Board

The South Central Community-Based Initiative Joint Powers Board was established pursuant to Minn. Stats. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Martin County did not contribute to the Joint Powers Board in 2021.

South Central Emergency Medical Service Joint Powers Board

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel, and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. During the year, Martin County made payments of $5,000 to the SCEMS.

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. The project involves Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Le Sueur, Martin, Nicollet, Sibley, Steele, Waseca, and Watonwan Counties. Martin County did not contribute to the Project in 2021.

4. Summary of Significant Contingencies and Other Items

   D. Jointly-Governed Organizations (Continued)

      South Central Service Cooperative

      The South Central Service Cooperative (SCSC) is one of nine regional agencies called service cooperatives, established in 1976 by Minn. Stat. § 123A.21. The SCSC specializes in providing insurance services. Health insurance pools are formed by groups who band together to leverage economies of scale to lower costs and achieve claim cost stability. The SCSC manages the pools, manages premium collection, conducts carrier proposals every four years and negotiates stop loss and administrative costs which are approximately 20 percent lower than the commercial market. These pools are governed by state law and an elected board of directors and consist of public employers who maintain a Joint Powers Agreement with the Service Cooperative. The County did not contribute to the SCSC in 2021.

   E. Conduit Debt

      On May 1, 2012, the County issued the $7,000,000 Housing Facilities Revenue Note (Goldfinch Estates-Vista Prairie Communities Project), Series 2012A. This note was issued to finance the cost of expansion to Goldfinch Estates in Fairmont, Minnesota. The note has an interest rate of 4.375 percent and matures in amounts of $21,093 to $5,607,576 in 2022. Martin County has no obligation for this debt, which was provided to Goldfinch Estates-Vista Prairie Communities for the capital improvement. Accordingly, the note will not be reported as a liability in the financial statements. The aggregate amount of all outstanding conduit debt obligations at December 31, 2021, was $5,694,496.

   F. Special Benefit Tax Levy

      In 1993, the South Central Minnesota Multi-County Housing Authority issued $20,315,000 of revenue bonds to construct housing units in Martin County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Martin County's proportionate share of the operating deficit for 2021 is $92,490.

4. Summary of Significant Contingencies and Other Items

   F. Special Benefit Tax Levy (Continued)

   The proportionate share of the counties may change for years 2022 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

   G. Agricultural Best Management Loan Program

   The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement.

   H. Human Services Board Operating Lease

   Martin County (lessor) has an operating lease with the Human Services Board of Faribault and Martin Counties (lessee) that runs from January 1 through December 31. This lease is automatically renewed on an annual basis unless either party decides to terminate the lease at least 90 days before the end of the term. The total annual rent is $206,645 payable in 12 monthly installments of $17,220 on the first day of each month.

   I. Subsequent Events

   During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Martin County, the amount to be received as a result of this litigation is $564,592, to be received over 18 years. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 10,622,625	$ 10,622,625	$ 10,843,871	$ 221,246
Special assessments	99,000	99,000	140,232	41,232
Licenses and permits	65,000	65,000	94,989	29,989
Intergovernmental	1,769,604	1,769,604	2,112,521	342,917
Charges for services	347,800	347,800	391,667	43,867
Fines and forfeits	25,800	25,800	27,117	1,317
Investment earnings	300,000	300,000	(73,242)	(373,242)
Miscellaneous	774,481	774,481	932,539	158,058
Total Revenues	**$ 14,004,310**	**$ 14,004,310**	**$ 14,469,694**	**$ 465,384**
Expenditures				
Current				
General government				
Commissioners	$ 274,757	$ 274,757	$ 235,152	$ 39,605
Courts	79,500	79,500	110,075	(30,575)
County administration	915,239	915,239	1,336,034	(420,795)
Forfeited land	8,000	8,000	7,107	893
County coordinator	521,882	521,882	494,100	27,782
County auditor/treasurer	685,627	685,627	768,114	(82,487)
County assessor	678,111	678,111	608,573	69,538
Drainage administrator	218,395	218,395	207,886	10,509
Elections	102,000	102,000	30,453	71,547
Data processing	489,979	489,979	503,298	(13,319)
Attorney	732,823	732,823	847,830	(115,007)
Recorder	435,513	435,513	391,881	43,632
Buildings and plant	568,696	568,696	551,457	17,239
Planning and zoning	639,661	639,661	573,202	66,459
Veterans service officer	204,998	204,998	183,768	21,230
Total general government	**$ 6,555,181**	**$ 6,555,181**	**$ 6,848,930**	**$ (293,749)**
Public safety				
Sheriff	$ 5,700,754	$ 5,700,754	$ 5,448,363	$ 252,391
Coroner	30,000	30,000	26,965	3,035
Civil defense	111,804	111,804	24,779	87,025
Victim/witness	196,418	196,418	173,313	23,105
Total public safety	**$ 6,038,976**	**$ 6,038,976**	**$ 5,673,420**	**$ 365,556**

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

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Culture and recreation				
Administration	$ 26,000	$ 26,000	$ 4,856	$ 21,144
Library	883,830	883,830	725,668	158,162
Parks	139,787	139,787	150,688	(10,901)
Total culture and recreation	**$ 1,049,617**	**$ 1,049,617**	**$ 881,212**	**$ 168,405**
Conservation of natural resources				
County extension	**$ 183,339**	**$ 183,339**	**$ 129,635**	**$ 53,704**
Economic development				
Economic development	**$ 103,372**	**$ 103,372**	**$ 186,818**	**$ (83,446)**
Capital outlay				
General government	**$ 30,000**	**$ 30,000**	**$ -**	**$ 30,000**
Total Expenditures	**$ 13,960,485**	**$ 13,960,485**	**$ 13,720,015**	**$ 240,470**
Excess of Revenues Over (Under) Expenditures	**$ 43,825**	**$ 43,825**	**$ 749,679**	**$ 705,854**
Other Financing Sources (Uses)				
Sale of capital assets	-	-	3,046	3,046
Net Change in Fund Balance	**$ 43,825**	**$ 43,825**	**$ 752,725**	**$ 708,900**
Fund Balance – January 1	**14,627,018**	**14,627,018**	**14,627,018**	**-**
Fund Balance – December 31	**$ 14,670,843**	**$ 14,670,843**	**$ 15,379,743**	**$ 708,900**

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,694,134	$ 2,694,134	$ 2,646,094	$ (48,040)
Intergovernmental	5,884,098	5,884,098	5,862,580	(21,518)
Charges for services	12,000	12,000	16,124	4,124
Miscellaneous	317,700	317,700	361,517	43,817
Total Revenues	**$ 8,907,932**	**$ 8,907,932**	**$ 8,886,315**	**$ (21,617)**
Expenditures				
Current				
Highways and streets				
Administration	$ 471,403	$ 471,403	$ 468,508	$ 2,895
Engineering and construction	3,194,567	3,194,567	2,500,301	694,266
Maintenance	3,033,636	3,033,636	2,714,105	319,531
Equipment and maintenance shops	1,728,326	1,728,326	1,555,766	172,560
Miscellaneous	-	-	2,133	(2,133)
Total highways and streets	**$ 8,427,932**	**$ 8,427,932**	**$ 7,240,813**	**$ 1,187,119**
Intergovernmental				
Highways and streets	500,000	500,000	480,085	19,915
Total Expenditures	**$ 8,927,932**	**$ 8,927,932**	**$ 7,720,898**	**$ 1,207,034**
Excess of Revenues Over (Under) Expenditures	**$ (20,000)**	**$ (20,000)**	**$ 1,165,417**	**$ 1,185,417**
Other Financing Sources (Uses)				
Sale of capital assets	20,000	20,000	18,989	(1,011)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,184,406**	**$ 1,184,406**
Fund Balance – January 1	**7,105,423**	**7,105,423**	**7,105,423**	**-**
Increase (decrease) in inventories	**-**	**-**	**249,436**	**249,436**
Fund Balance – December 31	**$ 7,105,423**	**$ 7,105,423**	**$ 8,539,265**	**$ 1,433,842**

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

EXHIBIT A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,651,496	$ 3,651,496	$ 3,568,718	$ (82,778)
Intergovernmental	-	-	69,030	69,030
Total Revenues	**$ 3,651,496**	**$ 3,651,496**	**$ 3,637,748**	**$ (13,748)**
Expenditures				
Intergovernmental				
Human services	3,651,496	3,651,496	3,189,505	461,991
Net Change in Fund Balance	**$ -**	**$ -**	**$ 448,243**	**$ 448,243**
Fund Balance – January 1	**3,084,992**	**3,084,992**	**3,084,992**	**-**
Fund Balance – December 31	**$ 3,084,992**	**$ 3,084,992**	**$ 3,533,235**	**$ 448,243**

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-4

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 99,909	$ 83,358	$ 74,423	$ 78,851
Interest	42,611	61,443	54,747	55,123
Differences between expected and actual experience	-	(258,895)	-	-
Changes of assumption or other inputs	80,816	47,426	(49,718)	-
Benefit payments	(82,250)	(112,228)	(148,545)	(133,437)
Net change in total OPEB liability	**$ 141,086**	**$ (178,896)**	**$ (69,093)**	**$ 537**
Total OPEB Liability – Beginning	**1,410,264**	**1,589,160**	**1,658,253**	**1,657,716**
Total OPEB Liability – Ending	**$ 1,551,350**	**$ 1,410,264**	**$ 1,589,160**	**$ 1,658,253**
Covered-employee payroll	$ 6,684,795	$ 6,474,378	$ 6,414,503	$ 6,227,673
Total OPEB liability (asset) as a percentage of covered-employee payroll	23.21%	21.78%	24.77%	26.63%

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

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Martin County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0761 %	$ 3,249,811	$ 99,212	$ 3,349,023	$ 5,481,913	59.28 %	87.00 %
2020	0.0719	4,310,734	132,718	4,443,452	5,124,830	84.11	79.06
2019	0.0700	3,842,499	119,495	3,961,994	4,920,386	78.09	80.23
2018	0.0710	3,927,693	89,505	4,017,198	4,757,883	82.55	79.53
2017	0.0720	4,615,584	58,061	4,673,645	4,659,138	99.07	75.90
2016	0.0900	5,634,936	73,588	5,708,524	4,307,337	130.82	68.91
2015	0.0720	3,731,414	N/A	3,731,414	4,230,434	88.20	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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 411,546	$ 411,546	$ -	$ 5,486,330	7.50 %
2020	402,335	402,335	-	5,363,907	7.50
2019	372,334	372,334	-	4,964,446	7.50
2018	367,738	367,738	-	4,903,167	7.50
2017	342,029	342,029	-	4,560,387	7.50
2016	342,010	342,010	-	4,560,120	7.50
2015	321,516	321,516	-	4,286,873	7.50

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-7

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

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Martin County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1018 %	$ 785,788	$ 35,335	$ 821,123	$ 1,202,653	65.34 %	93.66 %
2020	0.0969	1,277,246	30,065	1,307,311	1,092,604	116.90	87.19
2019	0.0970	1,031,598	N/A	1,031,598	1,021,194	101.02	89.26
2018	0.0940	1,001,943	N/A	1,001,943	991,202	101.08	88.84
2017	0.0940	1,269,112	N/A	1,269,112	960,915	132.07	85.43
2016	0.0860	3,451,330	N/A	3,451,330	830,547	415.55	63.88
2015	0.0850	965,799	N/A	965,799	779,811	123.85	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.

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-8

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 217,658	$ 217,658	$ -	$ 1,229,710	17.70 %
2020	201,720	201,720	-	1,139,662	17.70
2019	179,469	179,469	-	1,058,818	16.95
2018	163,771	163,771	-	1,010,934	16.20
2017	153,357	153,357	-	946,648	16.20
2016	148,453	148,453	-	916,379	16.20
2015	130,256	130,256	-	804,054	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.

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

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.3875 %	$ (63,659)	$ 855,726	(7.44) %	101.61 %
2020	0.3306	89,705	719,304	12.47	96.67
2019	0.3560	49,261	758,879	6.49	98.17
2018	0.3500	57,877	718,706	8.05	97.64
2017	0.3600	1,026,004	716,729	143.15	67.89
2016	0.3600	1,315,130	670,375	196.18	58.16
2015	0.3800	58,748	683,419	8.60	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.

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT A-10

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 77,880	$ 77,880	$ -	$ 890,062	8.75 %
2020	69,220	69,220	-	791,089	8.75
2019	64,083	64,083	-	732,377	8.75
2018	66,312	66,312	-	757,856	8.75
2017	60,968	60,968	-	696,773	8.75
2016	61,453	61,453	-	702,335	8.75
2015	58,190	58,190	-	665,030	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.

MARTIN COUNTY
FAIRMONT, MINNESOTA

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

1. Budgetary Information

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 Ditch, Area Development, and Opioid Settlement Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the department level. The Board of Commissioners did not make any budgetary adjustments during 2021.

2. Excess of Expenditures Over Appropriations

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

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Courts	$ 110,075	$ 79,500	$ 30,575
County administration	1,336,034	915,239	420,795
County auditor/treasurer	768,114	685,627	82,487
Data processing	503,298	489,979	13,319
Attorney	847,830	732,823	115,007
Culture and recreation			
Parks	150,688	139,787	10,901
Economic development			
Economic development	186,818	103,372	83,446
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Miscellaneous	2,133	-	2,133

The expenditures in excess of budget were funded by unbudgeted revenues and available fund balance.

3. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of Governmental Accounting Standards Board (GASB) Statement 75 to pay related benefits.

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

The following changes in actuarial assumptions occurred:

2021

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

2020

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

2019

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

2018

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate used changed from 4.00 percent to 3.30 percent.

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

2018 (Continued)

- The mortality table was updated from RP-2000 White Collar Mortality Table to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The mortality, retirement, and withdrawal rates for all employees were updated.
- No disability rates were reflected.
- The salary increase rate was changed from 4.00 percent to 3.00 percent.
- The percentage of future spouses who are assumed to continue on one of the County's medical plans post-employment was changed from 50 percent if the retiree was eligible for a subsidy and zero percent if the retiree was not eligible for a subsidy to ten percent for all.
- The aging factors were updated.

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

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

General Employees Retirement Plan

2021

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

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

General Employees Retirement Plan (Continued)

2020

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

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

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

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

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

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

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

- 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.

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

General Employees Retirement Plan

2020 (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.

2019

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

2018

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

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

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

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

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

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

General Employees Retirement Plan

2018 (Continued)

- Contribution stabilizer provisions were repealed.

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

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

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

2017

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

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

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

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

General Employees Retirement Plan (Continued)

2016

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

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

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

Public Employees Police and Fire Plan

2021

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

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

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

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

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

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

Public Employees Police and Fire Plan

2021 (Continued)

- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

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

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

2020

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

2019

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

2018

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

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

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

Public Employees Police and Fire Plan

2018 (Continued)

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

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

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

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

2017

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

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

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

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

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

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

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

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

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

2016

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

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

Public Employees Police and Fire Plan

2016 (Continued)

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

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

Public Employees Local Government Correctional Service Retirement Plan

2021

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

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

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

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

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

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

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

- Assumed rates of disability were lowered.

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

- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

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

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- 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).

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

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- 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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 817,000	$ 817,000	$ 802,986	$ (14,014)
Intergovernmental	-	-	10,532	10,532
Miscellaneous	206,700	206,700	210,395	3,695
Total Revenues	**$ 1,023,700**	**$ 1,023,700**	**$ 1,023,913**	**$ 213**
Expenditures				
Current				
General government				
Building operations	**$ 136,700**	**$ 136,700**	**$ 308,838**	**$ (172,138)**
Capital Outlay				
General government	$ 855,000	$ 855,000	$ 2,448,618	$ (1,593,618)
Public safety	-	-	297,962	(297,962)
Total Capital Outlay	**$ 855,000**	**$ 855,000**	**$ 2,746,580**	**$ (1,891,580)**
Debt Service				
Bond issuance costs	**$ -**	**$ -**	**$ 60,751**	**$ (60,751)**
Total Expenditures	**$ 991,700**	**$ 991,700**	**$ 3,116,169**	**$ (2,124,469)**
Excess of Revenues Over (Under) Expenditures	**$ 32,000**	**$ 32,000**	**$ (2,092,256)**	**$ (2,124,256)**
Other Financing Sources (Uses)				
Transfers out	$ -	$ -	$ (361,397)	$ (361,397)
Bonds issued	-	-	2,645,000	2,645,000
Premium on bonds issued	-	-	115,976	115,976
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 2,399,579**	**$ 2,399,579**
Net Change in Fund Balance	**$ 32,000**	**$ 32,000**	**$ 307,323**	**$ 275,323**
Fund Balance – January 1	**6,818,345**	**6,818,345**	**6,818,345**	**-**
Fund Balance – December 31	**$ 6,850,345**	**$ 6,850,345**	**$ 7,125,668**	**$ 275,323**

MARTIN COUNTY
FAIRMONT, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

Solid Waste Special Revenue Fund – to account for the revenues and expenditures of the recycling and solid waste program. Revenues are derived from fees collected, special assessments, and various intergovernmental revenues.

Area Development Special Revenue Fund – to account for the revenues and expenditures of the Area Redevelopment Authority established by the Martin County Board of Commissioners to make loans for redevelopment within the County.

Debt Service Fund – to account for the resources accumulated and payments made for principal and interest on long-term general obligations debt of the County.

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Special			Debt	Total Nonmajor
	Solid Waste	Area Development	Total	Service Fund	Governmental Funds
Assets					
Cash and pooled investments	$ 2,103,450	$ 284,717	$ 2,388,167	$ 751,891	$ 3,140,058
Taxes receivable – delinquent	-	-	-	5,178	5,178
Special assessments receivable					
Delinquent	56,011	-	56,011	-	56,011
Accounts receivable	-	8,142	8,142	-	8,142
Loans receivable	-	261,388	261,388	-	261,388
Due from other funds	-	-	-	361,397	361,397
Due from other governments	21,642	-	21,642	-	21,642
Total Assets	**$ 2,181,103**	**$ 554,247**	**$ 2,735,350**	**$ 1,118,466**	**$ 3,853,816**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 30,555	$ -	$ 30,555	$ -	$ 30,555
Due to other governments	11,957	-	11,957	-	11,957
Total Liabilities	**$ 42,512**	**$ -**	**$ 42,512**	**$ -**	**$ 42,512**
Deferred Inflows of Resources					
Unavailable revenue	**$ 56,011**	**$ 261,388**	**$ 317,399**	**$ 5,178**	**$ 322,577**
Fund Balances					
Restricted for					
Solid waste	$ 2,082,580	$ -	$ 2,082,580	$ -	$ 2,082,580
Economic development	-	292,859	292,859	-	292,859
Debt service	-	-	-	1,113,288	1,113,288
Total Fund Balances	**$ 2,082,580**	**$ 292,859**	**$ 2,375,439**	**$ 1,113,288**	**$ 3,488,727**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,181,103**	**$ 554,247**	**$ 2,735,350**	**$ 1,118,466**	**$ 3,853,816**

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT C-2

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

	Special Revenue Funds			Debt	Total Nonmajor
	Solid Waste	Area Development	Total	Service Fund	Governmental Funds
Revenues					
Taxes	$ -	$ -	$ -	$ 388,136	$ 388,136
Special assessments	642,268	-	642,268	-	642,268
Intergovernmental	71,066	-	71,066	7,522	78,588
Charges for services	890	-	890	-	890
Miscellaneous	77,128	72,141	149,269	-	149,269
Total Revenues	**$ 791,352**	**$ 72,141**	**$ 863,493**	**$ 395,658**	**$ 1,259,151**
Expenditures					
Current					
Sanitation	$ 563,191	$ -	$ 563,191	$ -	$ 563,191
Debt service					
Principal	-	-	-	255,000	255,000
Interest and fiscal charges	-	-	-	125,910	125,910
Total Expenditures	**$ 563,191**	**$ -**	**$ 563,191**	**$ 380,910**	**$ 944,101**
Excess of Revenues Over (Under) Expenditures	**$ 228,161**	**$ 72,141**	**$ 300,302**	**$ 14,748**	**$ 315,050**
Other Financing Sources (Uses)					
Transfers in	-	-	-	361,397	361,397
Net Change in Fund Balances	**$ 228,161**	**$ 72,141**	**$ 300,302**	**$ 376,145**	**$ 676,447**
Fund Balances – January 1	**1,854,419**	**220,718**	**2,075,137**	**737,143**	**2,812,280**
Fund Balances – December 31	**$ 2,082,580**	**$ 292,859**	**$ 2,375,439**	**$ 1,113,288**	**$ 3,488,727**

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT C-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 619,229	$ 619,229	$ 642,268	$ 23,039
Intergovernmental	68,710	68,710	71,066	2,356
Charges for services	500	500	890	390
Miscellaneous	10,000	10,000	77,128	67,128
Total Revenues	**$ 698,439**	**$ 698,439**	**$ 791,352**	**$ 92,913**
Expenditures				
Current				
Sanitation				
Solid waste management	698,439	698,439	563,191	135,248
Net Change in Fund Balance	**$ -**	**$ -**	**$ 228,161**	**$ 228,161**
Fund Balance – January 1	**1,854,419**	**1,854,419**	**1,854,419**	**-**
Fund Balance – December 31	**$ 1,854,419**	**$ 1,854,419**	**$ 2,082,580**	**$ 228,161**

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT C-4

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 397,783	$ 397,783	$ 388,136	$ (9,647)
Intergovernmental	-	-	7,522	7,522
Total Revenues	**$ 397,783**	**$ 397,783**	**$ 395,658**	**$ (2,125)**
Expenditures				
Debt service				
Principal	$ 255,000	$ 255,000	$ 255,000	$ -
Interest and fiscal charges	142,783	142,783	125,910	16,873
Total Expenditures	**$ 397,783**	**$ 397,783**	**$ 380,910**	**$ 16,873**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 14,748**	**$ 14,748**
Other Financing Sources (Uses)				
Transfers in	-	-	361,397	361,397
Net Change in Fund Balance	**$ -**	**$ -**	**$ 376,145**	**$ 376,145**
Fund Balance – January 1	**737,143**	**737,143**	**737,143**	**-**
Fund Balance – December 31	**$ 737,143**	**$ 737,143**	**$ 1,113,288**	**$ 376,145**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

The Taxes and Penalties Custodial Fund accounts for all taxes and penalties collected and the distribution of the taxes to the various taxing districts.

The State Revenue Custodial Fund accounts for collections for and disbursements to the State of Minnesota.

The Jail Canteen Custodial Fund accounts for inmate property and the related distribution.

The Civil Process Custodial Fund accounts for the collection of civil process fees and the related distribution.

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT D-1

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

	Taxes and Penalties	State Revenue	Jail Canteen	Civil Process	Total Custodial Funds
Assets					
Cash and pooled investments	$ 287,878	$ 118,338	$ 1,159	$ 2,303	$ 409,678
Taxes receivable for other governments	641,824	-	-	-	641,824
Special assessments receivable for other governments	172,454	-	-	-	172,454
Total Assets	**$ 1,102,156**	**$ 118,338**	**$ 1,159**	**$ 2,303**	**$ 1,223,956**
Liabilities					
Due to other governments	**287,878**	**118,338**	**-**	**-**	**406,216**
Net Position					
Restricted for individuals, organizations, and other governments	**$ 814,278**	**$ -**	**$ 1,159**	**$ 2,303**	**$ 817,740**

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT D-2

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

	Taxes and Penalties	State Revenue	Jail Canteen	Civil Process	Total Custodial Funds
Additions					
Contributions from individuals	$ -	$ -	$ 85,412	$ -	$ 85,412
Interest earnings	87	-	-	-	87
Property tax collections for other governments	24,189,024	-	-	-	24,189,024
Other taxes and fees collected for the state	-	1,032,628	-	-	1,032,628
Payments from state	82,930	-	-	-	82,930
Payments from other entities	136,160	-	-	8,306	144,466
Total Additions	**$ 24,408,201**	**$ 1,032,628**	**$ 85,412**	**$ 8,306**	**$ 25,534,547**
Deductions					
Payments of property tax to other governments	$ 25,058,827	$ -	$ -	$ -	$ 25,058,827
Payments to the state	-	1,088,460	-	-	1,088,460
Payments to other individuals/entities	174,553	-	87,282	7,011	268,846
Total Deductions	**$ 25,233,380**	**$ 1,088,460**	**$ 87,282**	**$ 7,011**	**$ 26,416,133**
Change in Net Position	**$ (825,179)**	**$ (55,832)**	**$ (1,870)**	**$ 1,295**	**$ (881,586)**
Net Position – January 1	**1,639,457**	**55,832**	**3,029**	**1,008**	**1,699,326**
Net Position – December 31	**$ 814,278**	**$ -**	**$ 1,159**	**$ 2,303**	**$ 817,740**

SCHEDULE

MARTIN COUNTY
FAIRMONT, MINNESOTA

EXHIBIT E-1

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	5,574,651
County program aid		874,736
Aquatic invasive species prevention aid		93,862
Riparian aid		137,649
Market value credit		296,896
Disparity reduction aid		35,698
PERA aid		30,500
Police aid		121,036
Enhanced 911		140,355
SCORE		71,066
Total appropriations and shared revenue	**$**	**7,376,449**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	89,328
Employment and Economic Development		120,460
Natural Resources		34,761
Public Safety		49,306
Veterans Affairs		10,000
Water and Soil Resources		59,599
Pollution Control Agency		74,508
Total state	**$**	**437,962**
Federal		
Department/Institute of		
Justice	$	34,907
Transportation		253,188
Homeland Security		30,745
Total federal	**$**	**318,840**
Total state and federal grants	**$**	**756,802**
Total Intergovernmental Revenue	**$**	**8,133,251**

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
Martin County
Fairmont, 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, each major fund, and the aggregate remaining fund information of Martin County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 9, 2023.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material

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weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2021-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martin 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 Martin County failed to comply with the provisions of the contracting – bid laws and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Recommendations as items 2021-003 and 2021-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that Martin County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements 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.

Martin County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 9, 2023

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

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

2021-001 **Audit Adjustments**
Prior Year Finding Number: 2020-001
Repeat Finding Since: 2020
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

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

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

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

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

- The Building Capital Projects Fund required an adjustment of $361,397 to record due to other funds and transfers out for interest proceeds that was receipted in the Building Capital Projects Fund but should have been recorded in the Debt Service Fund.

- The Road and Bridge Special Revenue Fund required an adjustment of $4,958,186 to increase due from other governments and unavailable revenue to correct highway allotment receivables.

- The Ditch Special Revenue Fund required adjustments of $1,890,544, $882,317, and $1,008,227 to reduce assets, unavailable revenue, and special assessment revenue, respectively, to correct special assessment collections.

Cause: Due to changes in personnel during the audit preparation, this activity was overlooked when financial statement information was provided.

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

View of Responsible Official: Acknowledge

2021-002 <u>**Duplicate Payment to Vendor**</u>
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for developing internal controls to prevent duplication of payments to vendors.

Condition: A vendor invoice was paid twice.

Context: The vendor invoice was emailed to the County and subsequently mailed to the County. The County made payment on both the emailed invoice and the mailed copy, resulting in duplicate payment to the vendor.

Effect: Vendor was overpaid $57,646 in public funds.

Cause: When payments were being processed by the department, since the invoice was received both through email and the mail, the County did not realize the payment was duplicated.

Recommendation: We recommend the County review controls in place and implement procedures to prevent duplication of payments to vendors.

View of Responsible Official: Acknowledge

II. OTHER FINDINGS AND RECOMMENDATIONS

2021-003 **Contracting and Bidding Compliance**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 375.21, states that, when required by the dollar limitations of section § 471.345, a contract for work or labor; or to purchase furniture, fixtures, or other property; or to construct or repair roads, bridges, or buildings shall be awarded to the lowest responsible bidder and duly executed in writing.

Minnesota Statutes, Section 574.26, subdivision 2, states that a contract with a public body for the doing of any public work is not valid unless the contractor gives (1) a performance bond to the public body with whom the contractor entered into the contract, for the use and benefit of the public body to complete the contract according to its terms, and conditioned on saving the public body harmless from all costs and charges that may accrue on account of completing the specified work, and (2) a payment bond for the use and benefit of all persons furnishing labor and materials engaged under, or to perform the contract, conditioned for the payment, as they become due, of all just claims for the labor and materials.

Minnesota Statutes, Section 471.425, subdivision 4a, requires that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality or pay interest of one and one-half percent per month, or any part of a month, to the subcontractor or any undisputed amount not paid on time to the subcontractor.

Condition: Four contracts over $175,000 were reviewed for compliance with the State of Minnesota contracting and bid laws. Noncompliance with the following requirements was noted:

- One contract was not duly executed in writing.

- Two contracts did not furnish the required performance or payment bonds with the contract.
- One contract did not contain the required disclosure regarding prompt payment to subcontractors.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects, and for obtaining the required certificate prior to submitting the final payment for processing.

Effect: Noncompliance with Minn. Stats. §§ 375.21, 574.26, and 471.425.

Cause: Staff from the County's individual departments were not aware of all the contract requirements.

Recommendation: We recommend the County review the statutory requirements with all departments to ensure compliance with applicable contracting and bidding statutes for all future contracts. In addition, adequate documentation of compliance should be maintained.

View of Responsible Official: Acknowledge

2021-004 <u>Publication of Board Minutes</u>
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County. The publication should include an individualized, itemized list of County Board-approved payments over $2,000.

Condition: A review of the affidavits of publication related to the publishing of a summary of County Board minutes for 2021 showed that not all summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the three 2021 County Board minutes tested, two meeting summaries were not published within the 30-day time frame.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County did not publish the minutes in a timely manner by mistake.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledge

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REPRESENTATION OF MARTIN COUNTY
FAIRMONT, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Michael Forstner, Auditor/Treasurer

Corrective Action Planned:

Build a framework for reporting (specific schedules used to close out the year) to make sure all adjustments are made and the balances in IFS are adjusted appropriately to comply with GASB reporting requirements.

Anticipated Completion Date:

March 1, 2023

Finding Number: 2021-002
Finding Title: Duplicate Payment to Vendor

Name of Contact Person Responsible for Corrective Action:

Michael Forstner, Auditor/Treasurer

Corrective Action Planned:

Enable duplicate invoice tracking within financial system on future accounts payable position to ensure invoices are not submitted twice.

Anticipated Completion Date:

March 1, 2023

Finding Number: 2021-003
Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Scott Higgins, Coordinator

Corrective Action Planned:

Review requirements per Statue and update internal controls to reflect requirements.

Anticipated Completion Date:

March 1, 2023

Finding Number: 2021-004
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Scott Higgins, Coordinator

Corrective Action Planned:

Work with staff to compile and submit to board in a timely matter to ensure publication is within 30-day period.

Anticipated Completion Date:

March 1,2023

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REPRESENTATION OF MARTIN COUNTY
FAIRMONT, MINNESOTA

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

Finding Number: 2020-001
Year of Finding Origination: 2020
Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: Additional procedures will be created to provide an additional level of review of the drainage assessments receivable to ensure that collections are reported accurately.

Status: Not Corrected. Due to staff shortages and turnover the action was not corrected by year end. Plan to work with independent accounting firm to correct and build framework for new staff to follow.

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

Finding Number: 2020-002
Year of Finding Origination: 2020
Finding Title: Payroll Internal Controls

Summary of Condition: The following exceptions were noted, in a sample of 25 payroll disbursements tested:

- Two payroll disbursements were missing documentation to support the approved pay rate.
- Two payroll disbursements were not approved by the employee's supervisor.
- One payroll disbursement was missing documentation to support hours worked.

Summary of Corrective Action Previously Reported: A new payroll system was implemented in 2021, with electronic timecards. The system requires supervisor electronic approval as well as employees. The HR department will ensure that all personnel action forms are approved by the supervisors before changes are made to the payroll system, and are filed appropriately.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2020-003
Year of Finding Origination: 2020
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Highway Planning and Construction (Assistance Listing #20.205)

Summary of Condition: The County has not developed written procurement policies that have the required components of a procurement policy in accordance with Title 2 U.S. Code of Federal Regulations § 200.318, including provisions for written standards of conduct.

Summary of Corrective Action Previously Reported: A Procurement Policy was developed towards the end of 2021, and approved by the Board 12/21/21. The Procurement policy will be reviewed at least annually to determine if any changes need to be made.

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

Finding Number: 2020-004
Year of Finding Origination: 2020
Finding Title: Subrecipient Monitoring
Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing #21.019)

Summary of Condition: The documentation on file for one subrecipient tested did not include an agreement or other signed acknowledgement of program requirements to support the subrecipient's understanding of the requirements before the funds were provided. Award information, including CFDA number, was not provided to the three subrecipients tested. Additionally, the County did not have sufficient monitoring procedures in place or documented policies and procedures for subrecipient monitoring.

Summary of Corrective Action Previously Reported: A Sub-Recipient Policy will be developed and reviewed annually with other policies with department heads to ensure the policies are still relevant and in accordance with Uniform Guidance, and any applicable laws, statutes, or rules.

Status: Fully Corrected.

Was corrective action taken significantly different than the action previously reported?
Yes __X___ No _______
Martin County chose not to pass federal fund through to subrecipients in 2021.