

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Hubbard County Park Rapids, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

Hubbard County Park Rapids, Minnesota

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**Hubbard County
Park Rapids, Minnesota**

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Introductory Section

Hubbard County Park Rapids, Minnesota

Organization

December 31, 2024

Office	Name	Term Expires
Commissioners		
1st District	David De La Hunt	January 2027
2nd District	Charlene Christenson	January 2025
3rd District	Tom Krueger	January 2027
4th District	Steve Keranen	January 2025
5th District	Ted Van Kempen	January 2027
Officers		
Elected		
Attorney	John Olson	January 2027
Sheriff	Cory Aukes	January 2027
Appointed		
Administrator	Jeff Cadwell	Indefinite
Assessor	Maria Shepherd	December 2024
Auditor/Treasurer – Interim	Jeff Cadwell	Indefinite
Environmental Services Director	Eric Buitenwerf	Indefinite
Facilities Maintenance Manager	Bobby Wilkins	Indefinite
Highway Engineer	Andrea Weleski	April 2025
Human Resources Director	Gina Teems	Indefinite
Information Technology Director	Fred Stinar	Indefinite
Land Commissioner	Cory Kimball	Indefinite
Recorder	Lauren Anderson	Indefinite
Social Services Director	Brian Ophus	Indefinite
Solid Waste Administrator	Josh Holte	Indefinite
Veterans Service Officer	Jerrold Bjerke	December 2026

Financial Section



Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2024, including the business-type activities and Heritage Community Enterprise Fund as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County as of December 31, 2024, including the business-type activities and Heritage Community Enterprise Fund as of and for the year ended September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Heritage Community Enterprise Fund, which is a major fund, and the business-type activities as of September 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the business-type activities and Heritage Community Enterprise Fund, are based solely on the report of the other auditors. We also did not audit the financial statements of the Hubbard County Housing Redevelopment and Economic Development Authority (HRA-EDA), the discretely presented component unit, as of December 31, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hubbard County HRA-EDA, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information

in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2026, on our consideration of Hubbard County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hubbard County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hubbard County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

May 19, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

Management's Discussion and Analysis

Hubbard County Park Rapids, Minnesota

Management's Discussion and Analysis December 31, 2024 (Unaudited)

The management of Hubbard County offers readers of the County's financial statements this narrative overview and analysis of the financial activities of Hubbard County for the fiscal year ended December 31, 2024. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements and the notes to the financial statements that follow this section.

Financial Highlights

The total net position of governmental activities is \$123,817,950, of which \$101,113,590 is the net investment in capital assets, \$23,602,308 is restricted for specific purposes, and (\$897,948) is unrestricted. The total net position of governmental activities increased by \$6,507,208 in 2024.

The total net position of business-type activities is \$779,948, of which \$3,657,325 is the net investment in capital assets, \$668,871 is restricted for specific purposes, and (\$3,546,248) is unrestricted. The total net position of business-type activities increased by \$1,458,422 for the year ended September 30, 2024.

At the close of 2024, the County's governmental funds reported combined ending fund balances of \$43,035,333, an increase of \$12,091,546 from the prior year. Of the total fund balance amount, \$1,268,974 is nonspendable, \$21,177,823 is legally or contractually restricted, \$11,300,744 is committed, \$6,224,456 is assigned for specific purposes, and \$3,063,336 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Hubbard County adopts annual budgets for its governmental funds, except for the Construction Capital Projects Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

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

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

Notes to the Financial Statements

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

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

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County’s financial position. The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$123,817,950 at the close of 2024. The largest portion of the County’s net position (approximately 82 percent) reflects its net investment in capital assets (i.e., land, permanent right-of-way, construction in progress, infrastructure, buildings and improvements, land improvements, machinery and equipment, software, and lease equipment). It should be noted that this amount is not available for future spending. Approximately 19 percent of the County’s net position is restricted and (0.73) percent of the County’s net position is unrestricted.

Statement of Net Position

Condensed Statement of Net Position	Governmental Activities – 2024	Governmental Activities – 2023	Business-Type Activities – 2024	Business-Type Activities – 2023	Total Primary Government – 2024	Total Primary Government – 2023
Assets						
Current and other assets	\$ 50,643,871	\$ 36,365,883	\$ (100,458)	\$ (1,027,882)	\$ 50,543,413	\$ 35,338,001
Capital assets	103,998,200	101,241,800	13,305,589	13,728,699	117,303,789	114,970,499
Total Assets	<u>\$ 154,642,071</u>	<u>\$ 137,607,683</u>	<u>\$ 13,205,131</u>	<u>\$ 12,700,817</u>	<u>\$ 167,847,202</u>	<u>\$ 150,308,500</u>
Deferred outflows of resources	<u>\$ 5,489,828</u>	<u>\$ 8,539,688</u>	<u>\$ 543,347</u>	<u>\$ 414,406</u>	<u>\$ 6,033,175</u>	<u>\$ 8,954,094</u>
Liabilities						
Long-term liabilities	\$ 24,010,840	\$ 16,778,967	\$ 11,382,446	\$ 12,388,273	\$ 35,393,286	\$ 29,167,240
Other liabilities	3,173,891	2,874,331	362,744	354,033	3,536,635	3,228,364
Total Liabilities	<u>\$ 27,184,731</u>	<u>\$ 19,653,298</u>	<u>\$ 11,745,190</u>	<u>\$ 12,742,306</u>	<u>\$ 38,929,921</u>	<u>\$ 32,395,604</u>
Deferred inflows of resources	<u>\$ 9,129,218</u>	<u>\$ 9,183,331</u>	<u>\$ 1,223,340</u>	<u>\$ 1,051,391</u>	<u>\$ 10,352,558</u>	<u>\$ 10,234,722</u>
Net position						
Net investment in capital assets	\$ 101,113,590	\$ 97,849,108	\$ 3,657,325	\$ 3,443,069	\$ 104,770,915	\$ 101,292,177
Restricted	23,602,308	11,008,634	668,871	109,933	24,271,179	11,118,567
Unrestricted	(897,948)	8,453,000	(3,546,248)	(4,231,476)	(4,444,196)	4,221,524
Total Net Position	<u>\$ 123,817,950</u>	<u>\$ 117,310,742</u>	<u>\$ 779,948</u>	<u>\$ (678,474)</u>	<u>\$ 124,597,898</u>	<u>\$ 116,632,268</u>

Changes in Net Position

Statement of Activities	Governmental Activities – 2024	Governmental Activities – 2023	Business-Type Activities – 2024	Business-Type Activities – 2023	Total Primary Government – 2024	Total Primary Government – 2023
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 11,404,444	\$ 11,022,809	\$ 9,090,038	\$ 7,201,382	\$ 20,494,482	\$ 18,224,191
Operating grants and contributions	15,068,728	15,252,069	1,346,709	1,670,022	16,415,437	16,922,091
Capital grants and contributions	1,836,941	2,417,853	-	-	1,836,941	2,417,853
General revenues						
Property taxes	20,129,582	19,224,643	-	-	20,129,582	19,224,643
Transportation sales tax	1,931,581	1,926,202	-	-	1,931,581	1,926,202
Mortgage registry and deed tax	30,184	29,455	-	-	30,184	29,455
Grants and contributions not restricted to specific programs	1,473,179	1,508,469	-	-	1,473,179	1,508,469
Payments in lieu of tax	1,269,659	1,065,683	-	-	1,269,659	1,065,683
Investment earnings	1,478,077	1,310,820	3,439	(119)	1,481,516	1,310,701
Miscellaneous	201,552	210,365	-	-	201,552	210,365
Total Revenues	\$ 54,823,927	\$ 53,968,368	\$ 10,440,186	\$ 8,871,285	\$ 65,264,113	\$ 62,839,653
Expenses						
General government	\$ 7,289,617	\$ 8,906,878	\$ -	\$ -	\$ 7,289,617	\$ 8,906,878
Public safety	11,098,614	9,880,342	-	-	11,098,614	9,880,342
Highways and streets	9,741,979	12,391,033	-	-	9,741,979	12,391,033
Sanitation	4,778,980	5,317,506	-	-	4,778,980	5,317,506
Human services	11,354,458	10,985,503	-	-	11,354,458	10,985,503
Health	61,708	46,048	-	-	61,708	46,048
Culture and recreation	980,779	685,873	-	-	980,779	685,873
Conservation of natural resources	2,712,158	2,559,915	-	-	2,712,158	2,559,915
Economic development	154,724	72,000	-	-	154,724	72,000
Interest	143,702	75,075	-	-	143,702	75,075
Heritage Community	-	-	8,981,764	8,170,753	8,981,764	8,170,753
Total Expenses	\$ 48,316,719	\$ 50,920,173	\$ 8,981,764	\$ 8,170,753	\$ 57,298,483	\$ 59,090,926
Change in net position	\$ 6,507,208	\$ 3,048,195	\$ 1,458,422	\$ 700,532	\$ 7,965,630	\$ 3,748,727
Net Position – January 1	117,310,742	114,262,547	(678,474)	(1,379,006)	116,632,268	112,883,541
Net Position – December 31	\$ 123,817,950	\$ 117,310,742	\$ 779,948	\$ (678,474)	\$ 124,597,898	\$ 116,632,268

Financial Analysis of the Government's Funds

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

Governmental Funds

At the end of 2024, the County's governmental funds reported combined ending fund balances of \$43,035,333. Of this amount, three percent constitutes nonspendable fund balance, 49 percent constitutes legally or contractually restricted fund balance, 26 percent constitutes committed fund balance, approximately 15 percent constitutes specifically assigned fund balance, and seven percent constitutes unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$14,250,562. Unrestricted fund balance (committed, assigned, and unassigned) of the General Fund was \$9,941,883. As a measure of the General Fund's liquidity, it is useful to compare the unrestricted fund balance and total fund balance to total fund expenditures for 2024. Unrestricted fund balance represents 48 percent of total General Fund expenditures, while total fund balance represents 69 percent of that same amount.

In 2024, the fund balance amount in the General Fund increased by \$1,193,822 due to increased tax and investment earnings and a decrease in general government expenditures.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$1,317,171 in 2024 due to an increase in shared revenues and state grants.

The fund balance of the Social Services Special Revenue Fund decreased by \$851,742 from the prior year due to the decrease in charges for services and miscellaneous revenues.

The fund balance of the Solid Waste Special Revenue Fund increased by \$285,937 from the prior year due to increased fines and miscellaneous revenue.

Proprietary Fund

The Heritage Community Enterprise Fund operating income in 2024 was \$488,627.

Total resident services and ancillary revenues increased 26 percent, from \$7,201,608 in fiscal year 2023 to \$9,090,038 in fiscal year 2024. Total occupancy percentages increased from 61 percent in 2023 to 68.8 percent in 2024.

General Fund Budgetary Highlights

Actual revenues were more than overall final budgeted revenues by \$1,400,776 with the largest positive variances in intergovernmental and investment earnings revenues. Overall final budgeted expenditures were more than actual expenditures by \$652,717 with the largest negative variance in public safety.

Capital Assets and Long-Term Debt

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2024, and business-type activities as of September 30, 2024, amounted to \$117,303,789 (net of accumulated depreciation and amortization). The total increase in the County's investment in capital assets for the current fiscal year was two percent.

Capital Assets at Year-End (Net of Accumulated Depreciation and Amortization)

Capital Asset	Governmental Activities – 2024	Governmental Activities – 2023	Business-Type Activities – 2024	Business-Type Activities – 2023	Total Primary Government – 2024	Total Primary Government – 2023
Land	\$ 885,724	\$ 885,724	\$ 117,299	\$ 117,299	\$ 1,003,023	\$ 1,003,023
Permanent right-of-way	3,693,686	3,693,686	-	-	3,693,686	3,693,686
Construction in progress	4,497,294	2,538,377	-	-	4,497,294	2,538,377
Infrastructure	77,840,134	76,416,457	-	-	77,840,134	76,416,457
Buildings and improvements	11,842,539	12,645,106	12,812,410	13,184,004	24,654,949	25,829,110
Land improvements	166,248	185,434	8,973	11,683	175,221	197,117
Machinery and equipment	4,496,959	4,549,414	320,350	357,215	4,817,309	4,906,629
Software	38,398	65,810	-	-	38,398	65,810
Lease equipment	537,218	261,792	46,557	58,498	583,775	320,290
Total Capital Assets	\$ 103,998,200	\$ 101,241,800	\$ 13,305,589	\$ 13,728,699	\$ 117,303,789	\$ 114,970,499

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

Long-Term Debt

At the end of the current fiscal year, the County’s governmental activities had total debt outstanding of \$13,085,412 and the County’s business-type activities had total debt outstanding of \$9,600,066 which is backed by the full faith and credit of the government.

Outstanding Bonded Debt at Year-End

Outstanding Debt	Governmental Activities – 2024	Governmental Activities – 2023	Business-Type Activities – 2024	Business-Type Activities – 2023	Total Primary Government – 2024	Total Primary Government – 2023
G.O. Bonds, net of premium	\$ -	\$ -	\$ 1,498,951	\$ 1,740,748	\$ 1,498,951	\$ 1,740,748
G.O. Refunding Bonds, net of premium	2,347,394	3,128,678	-	-	2,347,394	3,128,678
G.O. Jail Bonds, net of premium	10,738,018	-	-	-	10,738,018	-
G.O. Nursing Home Revenue Bonds, net of discount	-	-	8,101,115	8,485,480	8,101,115	8,485,480
Total Outstanding Debt	\$ 13,085,412	\$ 3,128,678	\$ 9,600,066	\$ 10,226,228	\$ 22,685,478	\$ 13,354,906

Minnesota statutes limit the amount of debt that a county may have to three percent of its total market value, excluding revenue bonds. At the end of 2024, overall debt of the County is below the three percent debt limit.

Hubbard County has received a bond rating from S&P Global Ratings.

Additional information on the County’s long-term debt and other long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Next Year’s Budget

The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. Revenue from intergovernmental sources, which includes federal and state revenues, totaled \$17,332,946 in 2024. This amounts to approximately 33 percent of the total governmental fund revenue received in 2024. This compares to intergovernmental revenues in 2023 of \$20,449,202, or 37.6 percent, of the total governmental fund revenue received.

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

The average 2024 unemployment rate for Hubbard County was 4.3 percent. This is higher than the statewide average rate of 3.0 percent and higher than the national average rate of 4.1 percent.

Hubbard County's population at July 1, 2024, was estimated at 22,050, an increase of 700 since 2020 (the last statewide census showing Hubbard County's population of 21,350).

On December 16, 2024, Hubbard County set its 2025 revenue and expenditure budgets.

Requests for Information

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

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

**Hubbard County
Park Rapids, Minnesota**

**Statement of Net Position
December 31, 2024
Including the Business-Type Information
As of September 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County HRA-EDA
Assets				
Cash and pooled investments	\$ 40,366,946	\$ 505,837	\$ 40,872,783	\$ 418,544
Taxes receivable – delinquent	409,473	-	409,473	2,134
Accounts receivable – net	445,544	882,516	1,328,060	42,262
Other receivables	-	871,360	871,360	-
Accrued interest receivable	662,411	-	662,411	-
Loans/Contracts receivable – net	879,864	-	879,864	595,147
Leases receivable	7,695	-	7,695	-
Due from other governments	4,199,242	-	4,199,242	-
Internal balances	2,721,987	(2,721,987)	-	-
Prepaid items	-	160,843	160,843	6,667
Inventories	351,694	-	351,694	-
Restricted assets				
Cash and pooled investments				
Resident trust funds	-	12,682	12,682	-
Board-designated – bond fund	-	179,378	179,378	-
Minnesota Urban and Rural Homesteading	-	-	-	358,504
Tenant security deposits	-	8,913	8,913	49,057
Investment	599,015	-	599,015	-
Capital assets				
Non-depreciable	9,076,704	117,299	9,194,003	499,240
Depreciable or amortizable – net of accumulated depreciation and amortization	94,921,496	13,188,290	108,109,786	4,012,270
Total Assets	\$ 154,642,071	\$ 13,205,131	\$ 167,847,202	\$ 5,983,825
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	\$ 86,902	\$ 3,923	\$ 90,825	\$ -
Deferred pension outflows	5,402,926	539,424	5,942,350	-
Total Deferred Outflows of Resources	\$ 5,489,828	\$ 543,347	\$ 6,033,175	\$ -

Exhibit 1
(Continued)

**Hubbard County
Park Rapids, Minnesota**

**Statement of Net Position
December 31, 2024
Including the Business-Type Information
As of September 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hubbard County HRA-EDA
Liabilities				
Accounts payable	\$ 990,112	\$ 147,462	\$ 1,137,574	\$ 46,649
Salaries payable	1,251,559	120,298	1,371,857	-
Due to related parties	-	68,295	68,295	-
Contracts payable	203,716	-	203,716	-
Due to other governments	305,299	-	305,299	3,292
Deposits	-	-	-	49,057
Accrued interest payable	121,513	4,094	125,607	10,689
Unearned revenue	301,692	-	301,692	-
Unearned rents	-	-	-	7,608
Current liabilities payable from restricted assets	-	22,595	22,595	-
Long-term liabilities				
Due within one year	2,245,331	327,245	2,572,576	127,585
Due in more than one year	13,423,152	9,536,555	22,959,707	3,507,944
Other postemployment benefits liability due in one year	62,898	3,250	66,148	-
Other postemployment benefits liability due in more than one year	801,432	58,921	860,353	-
Net pension liability	7,478,027	1,456,475	8,934,502	-
Total Liabilities	\$ 27,184,731	\$ 11,745,190	\$ 38,929,921	\$ 3,752,824
Deferred Inflows of Resources				
Deferred other postemployment benefits inflows	\$ 266,619	\$ 21,870	\$ 288,489	\$ -
Deferred pension inflows	8,855,624	1,201,470	10,057,094	-
Deferred lease inflows	6,975	-	6,975	-
Total Deferred Inflows of Resources	\$ 9,129,218	\$ 1,223,340	\$ 10,352,558	\$ -
Net Position				
Net investment in capital assets	\$ 101,113,590	\$ 3,657,325	\$ 104,770,915	\$ 875,981
Restricted for				
General government	1,136,507	-	1,136,507	-
Public safety	1,268,041	-	1,268,041	-
Highways and streets	6,217,608	-	6,217,608	-
Capital projects	10,036,742	-	10,036,742	-
Culture and recreation	702,486	-	702,486	-
Conservation of natural resources	1,846,131	-	1,846,131	-
Debt service	1,507,411	668,871	2,176,282	-
Opioid remediation activities	420,102	-	420,102	-
Permanent fund principal	467,280	-	467,280	-
Minnesota Urban and Rural Homesteading	-	-	-	911,888
Unrestricted	(897,948)	(3,546,248)	(4,444,196)	443,132
Total Net Position	\$ 123,817,950	\$ 779,948	\$ 124,597,898	\$ 2,231,001

Exhibit 2

**Hubbard County
Park Rapids, Minnesota**

**Statement of Activities
For the Year Ended December 31, 2024
Including the Business-Type Information
For the Year Ended September 30, 2024**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 7,289,617	\$ 806,775	\$ 635,483	\$ -
Public safety	11,098,614	819,100	978,512	-
Highways and streets	9,741,979	1,391,031	6,720,621	1,836,941
Sanitation	4,778,980	5,103,364	86,753	-
Human services	11,354,458	1,365,395	5,711,007	-
Health	61,708	-	-	-
Culture and recreation	980,779	2,094	47,465	-
Conservation of natural resources	2,712,158	1,916,685	888,887	-
Economic development	154,724	-	-	-
Interest	143,702	-	-	-
Total governmental activities	\$ 48,316,719	\$ 11,404,444	\$ 15,068,728	\$ 1,836,941
Business-type activities				
Heritage Community	8,981,764	9,090,038	1,346,709	-
Total Primary Government	\$ 57,298,483	\$ 20,494,482	\$ 16,415,437	\$ 1,836,941
Component unit				
Hubbard County Housing Redevelopment and Economic Development Authority (HRA-EDA)	\$ 1,100,454	\$ 769,668	\$ -	\$ -

General Revenues

Property taxes
Transportation sales tax
Mortgage registry and deed tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment earnings
Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning, as previously reported
Restatement (Note 5)

Net Position – Beginning, as restated

Net Position – Ending

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Unit	
Governmental	Business-Type	Total	Hubbard County	HRA-EDA
Activities	Activities			
\$ (5,847,359)	\$ -	\$ (5,847,359)		
(9,301,002)	-	(9,301,002)		
206,614	-	206,614		
411,137	-	411,137		
(4,278,056)	-	(4,278,056)		
(61,708)	-	(61,708)		
(931,220)	-	(931,220)		
93,414	-	93,414		
(154,724)	-	(154,724)		
(143,702)	-	(143,702)		
\$ (20,006,606)	\$ -	\$ (20,006,606)		
-	1,454,983	1,454,983		
\$ (20,006,606)	\$ 1,454,983	\$ (18,551,623)		
				\$ (330,786)
\$ 20,129,582	\$ -	\$ 20,129,582	\$ 120,000	
1,931,581	-	1,931,581	-	
30,184	-	30,184	-	
1,473,179	-	1,473,179	-	
1,269,659	-	1,269,659	-	
1,478,077	3,439	1,481,516	7,361	
201,552	-	201,552	125,870	
\$ 26,513,814	\$ 3,439	\$ 26,517,253	\$ 253,231	
\$ 6,507,208	\$ 1,458,422	\$ 7,965,630	\$ (77,555)	
117,310,742	(678,474)	116,632,268	2,274,747	
-	-	-	33,809	
117,310,742	(678,474)	116,632,268	2,308,556	
\$ 123,817,950	\$ 779,948	\$ 124,597,898	\$ 2,231,001	

Fund Financial Statements

Governmental Funds

Exhibit 3

**Hubbard County
Park Rapids, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2024**

	General	Road and Bridge	Social Services
<u>Assets</u>			
Cash and pooled investments	\$ 11,806,881	\$ 9,681,784	\$ 2,425,849
Investments – restricted	-	131,735	-
Taxes receivable – delinquent	258,142	72,336	61,251
Accounts receivable – net	209,103	23,267	49,671
Accrued interest receivable	590,108	-	-
Contracts receivable	-	-	-
Leases receivable	7,695	-	-
Due from other funds	3,056,330	18,120	-
Due from other governments	127,199	3,161,053	910,910
Advance to other funds	450,000	-	-
Inventories	-	351,694	-
	\$ 16,505,458	\$ 13,439,989	\$ 3,447,681
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 193,592	\$ 138,300	\$ 627,425
Salaries payable	714,190	110,364	318,974
Contracts payable	-	203,716	-
Due to other funds	125,508	46	14,521
Due to other governments	15,705	26,792	21,086
Unearned revenue	301,692	-	-
Advance from other funds	-	-	-
	\$ 1,350,687	\$ 479,218	\$ 982,006
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	\$ 258,142	\$ 72,336	\$ 61,251
Charges for services	193,428	-	-
County state-aid highway allotments	-	2,400,589	-
Land and timber sales	-	-	-
Interest	426,919	-	-
Grants	-	-	156,653
Miscellaneous revenue	18,745	-	-
Leases	6,975	-	-
	\$ 904,209	\$ 2,472,925	\$ 217,904

Solid Waste	Construction Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,538,961	\$ 9,977,255	\$ 3,936,216	\$ 40,366,946
-	-	467,280	599,015
-	-	17,744	409,473
163,503	-	-	445,544
-	72,303	-	662,411
-	-	879,864	879,864
-	-	-	7,695
-	-	-	3,074,450
80	-	-	4,199,242
-	-	-	450,000
-	-	-	351,694
\$ 2,702,544	\$ 10,049,558	\$ 5,301,104	\$ 51,446,334

\$ 22,549	\$ 2,828	\$ 5,418	\$ 990,112
70,912	-	37,119	1,251,559
-	-	-	203,716
7,428	-	324,149	471,652
122,527	-	-	186,110
-	-	-	301,692
450,000	-	-	450,000
\$ 673,416	\$ 2,828	\$ 366,686	\$ 3,854,841

\$ 158,869	\$ -	\$ 17,744	\$ 568,342
-	-	-	193,428
-	-	-	2,400,589
-	-	774,441	774,441
-	9,988	-	436,907
-	-	-	156,653
80	-	-	18,825
-	-	-	6,975
\$ 158,949	\$ 9,988	\$ 792,185	\$ 4,556,160

Exhibit 3
(Continued)

**Hubbard County
Park Rapids, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable	\$ 450,000	\$ 351,694	\$ -
Restricted	3,858,679	4,176,055	504,450
Committed	6,878,547	3,732,921	452,260
Assigned	-	2,227,176	1,291,061
Unassigned	3,063,336	-	-
Total Fund Balances	\$ 14,250,562	\$ 10,487,846	\$ 2,247,771
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,505,458	\$ 13,439,989	\$ 3,447,681

Solid Waste	Construction Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 467,280	\$ 1,268,974
-	10,036,742	2,601,897	21,177,823
103,150	-	133,866	11,300,744
1,767,029	-	939,190	6,224,456
-	-	-	3,063,336
\$ 1,870,179	\$ 10,036,742	\$ 4,142,233	\$ 43,035,333
\$ 2,702,544	\$ 10,049,558	\$ 5,301,104	\$ 51,446,334

Exhibit 4

**Hubbard County
Park Rapids, Minnesota**

**Reconciliation of Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position—Governmental Activities
December 31, 2024**

Fund balances – total governmental funds (Exhibit 3)	\$ 43,035,333
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 103,998,200
Deferred outflows of resources resulting from other postemployment benefits are not available resources and, therefore, are not reported in governmental funds.	86,902
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.	5,402,926
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.	4,549,185
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	\$ (12,005,000)
Unamortized premiums on bonds	(1,080,412)
Leases payable	(537,216)
Compensated absences	(2,045,855)
Other postemployment benefits liability	(864,330)
Net pension liability	(7,478,027)
Accrued interest payable	(121,513)
Long-term liabilities not reported in the governmental funds	<u>\$ (24,132,353)</u>
Deferred inflows of resources resulting from other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(266,619)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(8,855,624)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 123,817,950</u>

Exhibit 5

**Hubbard County
Park Rapids, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024**

	General	Road and Bridge	Social Services
Revenues			
Taxes	\$ 12,877,524	\$ 5,405,498	\$ 3,003,254
Licenses and permits	319,435	-	-
Intergovernmental	4,815,675	7,064,570	5,192,428
Charges for services	1,111,445	1,343,453	874,812
Fines and forfeitures	44,057	-	-
Investment earnings	1,034,817	119,599	431
Gifts and contributions	243,239	-	-
Land and timber sales	-	-	-
Settlements	-	-	300,617
Miscellaneous	547,435	47,578	479,775
Total Revenues	\$ 20,993,627	\$ 13,980,698	\$ 9,851,317
Expenditures			
Current			
General government	\$ 6,991,365	\$ -	\$ -
Public safety	10,007,098	-	-
Highways and streets	-	12,165,317	-
Sanitation	-	-	-
Human services	604,902	-	10,703,059
Public health	61,708	-	-
Culture and recreation	983,305	-	-
Conservation of natural resources	1,595,232	-	-
Economic development	154,724	-	-
Intergovernmental			
Highways and streets	-	454,601	-
Debt service			
Principal	163,526	22,133	-
Interest	24,752	1,645	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 20,586,612	\$ 12,643,696	\$ 10,703,059
Excess of Revenues Over (Under) Expenditures	\$ 407,015	\$ 1,337,002	\$ (851,742)
Other Financing Sources (Uses)			
Transfers in	\$ 323,264	\$ -	\$ -
Transfers out	(21,489)	-	-
Leases issued	485,032	-	-
Proceeds from sale of bonds	-	-	-
Premium on sale of bonds	-	-	-
Total Other Financing Sources (Uses)	\$ 786,807	\$ -	\$ -
Net Change in Fund Balance	\$ 1,193,822	\$ 1,337,002	\$ (851,742)
Fund Balance – January 1	13,056,740	9,170,675	3,099,513
Increase (decrease) in inventories	-	(19,831)	-
Fund Balance – December 31	\$ 14,250,562	\$ 10,487,846	\$ 2,247,771

Solid Waste	Construction Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 814,733	\$ 22,101,009
725	-	-	320,160
86,753	-	173,520	17,332,946
5,065,709	-	-	8,395,419
-	-	-	44,057
-	151,585	47,081	1,353,513
-	-	-	243,239
-	-	1,350,221	1,350,221
-	-	-	300,617
28,145	-	7,095	1,110,028
\$ 5,181,332	\$ 151,585	\$ 2,392,650	\$ 52,551,209
\$ -	\$ -	\$ -	\$ 6,991,365
-	682,738	-	10,689,836
-	-	-	12,165,317
4,916,884	-	-	4,916,884
-	-	-	11,307,961
-	-	-	61,708
-	-	-	983,305
-	-	1,108,479	2,703,711
-	-	-	154,724
-	-	-	454,601
-	-	747,513	933,172
-	-	103,778	130,175
-	176,325	-	176,325
\$ 4,916,884	\$ 859,063	\$ 1,959,770	\$ 51,669,084
\$ 264,448	\$ (707,478)	\$ 432,880	\$ 882,125
\$ 21,489	\$ -	\$ -	\$ 344,753
-	-	(323,264)	(344,753)
-	-	-	485,032
-	10,000,000	-	10,000,000
-	744,220	-	744,220
\$ 21,489	\$ 10,744,220	\$ (323,264)	\$ 11,229,252
\$ 285,937	\$ 10,036,742	\$ 109,616	\$ 12,111,377
1,584,242	-	1,982,009	28,893,179
-	-	-	(19,831)
\$ 1,870,179	\$ 10,036,742	\$ 2,091,625	\$ 40,984,725

Exhibit 6

**Hubbard County
Park Rapids, Minnesota**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Government-Wide
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2024**

Net change in fund balance – total governmental funds (Exhibit 5)	\$ 12,111,377
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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.

Deferred inflows of resources – unavailable revenues – December 31	\$ 4,549,185
Deferred inflows of resources – unavailable revenues – January 1	<u>(2,571,796)</u>
 Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	 \$ <u>1,977,389</u>

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

Expenditures for general capital assets and infrastructure	\$ 7,756,864
Current year depreciation and amortization	<u>(5,000,464)</u>
 Total adjustment to the government-wide statements for current year capital asset activity	 \$ <u>2,756,400</u>

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt	
General obligation bonds issued	\$ (10,000,000)
Premium on bonds issued	<u>(744,220)</u>
 Total adjustment to the government-wide statements for debt issuance and premiums	 \$ <u>(10,744,220)</u>

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

Principal repayments	\$ 725,000
Amortization of premiums on bonds	<u>62,486</u>
 Total adjustment to the government-wide statements for principal payments and amortization of premiums	 \$ <u>787,486</u>

Exhibit 6
(Continued)

Hubbard County
Park Rapids, Minnesota

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Government-Wide
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2024**

Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on leases	\$ 208,172
Leases issued	(485,032)
Leases terminated	<u>3,658</u>
 Total adjustment to the government-wide statements for principal payments on financing sources	 \$ <u>(273,202)</u>

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	\$ (19,831)
Change in deferred other postemployment benefits outflows	(11,389)
Change in deferred pension outflows	(3,038,471)
Change in accrued interest payable	(76,013)
Change in compensated absences	(274,589)
Change in other postemployment benefits liability	(37,301)
Change in net pension liability	3,309,953
Change in deferred other postemployment benefits inflows	66,658
Change in deferred pension inflows	<u>(27,039)</u>
 Total adjustment to the government-wide statements for other activities not reported in governmental funds	 \$ <u>(108,022)</u>

Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u><u>6,507,208</u></u>
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Proprietary Fund

Exhibit 7

**Hubbard County
Park Rapids, Minnesota**

**Statement of Net Position
Heritage Community Enterprise Fund
September 30, 2024**

Assets

Current assets

Cash and pooled investments	\$	505,837
Resident receivables		882,516
Other receivables		871,360
Prepaid items and other		160,843

Total current assets **\$ 2,420,556**

Restricted assets

Cash and pooled investments		
Resident trust funds	\$	12,682
Board-designated – bond fund		179,378
Tenant security deposits		8,913

Total restricted assets **\$ 200,973**

Noncurrent assets

Capital assets		
Non-depreciable	\$	117,299
Depreciable – net of accumulated depreciation		13,188,290

Total noncurrent assets **\$ 13,305,589**

Total Assets **\$ 15,927,118**

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$	3,923
Deferred pension outflows		539,424

Total Deferred Outflows of Resources **\$ 543,347**

Exhibit 7*(Continued)***Hubbard County
Park Rapids, Minnesota****Statement of Net Position
Heritage Community Enterprise Fund
September 30, 2024****Liabilities****Current liabilities**

Accounts payable	\$	147,462
Salaries payable		120,298
Compensated absences payable		156,026
Due to related parties		68,295
Due to other funds		2,721,987
Accrued interest payable		4,094
Leases payable		11,219
General obligation bonds payable		160,000
Other postemployment benefits liability		3,250

Total current liabilities **\$ 3,392,631**

Current liabilities payable from restricted assets

Tenant security deposits payable	\$	9,913
Resident trust funds payable		12,682

Total current liabilities payable from restricted assets **\$ 22,595**

Noncurrent liabilities

Compensated absences payable	\$	59,510
Leases payable		36,979
General obligation bonds payable		9,440,066
Other postemployment benefits liability		58,921
Net pension liability		1,456,475

Total noncurrent liabilities **\$ 11,051,951**

Total Liabilities **\$ 14,467,177**

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$	21,870
Deferred pension inflows		1,201,470

Total Deferred Inflows of Resources **\$ 1,223,340**

Net Position

Net investment in capital assets	\$	3,657,325
Restricted for debt service		668,871
Unrestricted		(3,546,248)

Total Net Position **\$ 779,948**

Exhibit 8**Hubbard County
Park Rapids, Minnesota****Statement of Revenues, Expenses, and Changes in Net Position
Heritage Community Enterprise Fund
For the Year Ended September 30, 2024**

Operating Revenues	
Charges for services	\$ 7,613,976
Rental income	1,113,508
Miscellaneous	362,554
	<hr/>
Total Operating Revenues	\$ 9,090,038
Operating Expenses	
Nursing services	\$ 3,050,303
Administration and fiscal services	1,391,383
Other care related	538,720
Dietary services	836,152
Laundry	170,313
Housekeeping services	242,518
Plant operations	442,466
Employee benefits	1,183,395
Depreciation and amortization	746,161
	<hr/>
Total Operating Expenses	\$ 8,601,411
Operating Income (Loss)	\$ 488,627
Nonoperating Revenues (Expenses)	
Investment earnings	\$ 3,439
Loss on disposal of assets	(1,367)
Interest expense	(378,986)
Noncapital grant revenue	1,346,709
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 969,795
Change in net position	\$ 1,458,422
Net Position – October 1	(678,474)
	<hr/>
Net Position – September 30	\$ 779,948

Exhibit 9**Hubbard County
Park Rapids, Minnesota****Statement of Cash Flows
Heritage Community Enterprise Fund
For the Year Ended September 30, 2024**

Cash Flows from Operating Activities	
Receipts from residents, programs, counties, and other revenue	\$ 8,009,262
Payments to employees	(5,572,270)
Payments to suppliers	(2,056,431)
	<u>380,561</u>
Net cash provided by (used in) operating activities	\$ 380,561
Cash Flows from Noncapital Financing Activities	
Noncapital grants	\$ 1,346,709
	<u>1,346,709</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (636,204)
Interest paid on long-term debt	(382,386)
Issuance of lease	(1,061)
Purchase of capital assets	(345,234)
	<u>(1,364,885)</u>
Net cash provided by (used in) capital and related financing activities	\$ (1,364,885)
Cash Flows from Investing Activities	
Investment earnings received	\$ 3,439
Deposits to bond fund and reinvested interest	(62,507)
	<u>(59,068)</u>
Net cash provided by (used in) investing activities	\$ (59,068)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 303,317
Cash and Cash Equivalents – October 1	202,520
Cash and Cash Equivalents – September 30	\$ 505,837
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 488,627
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization expense	\$ 746,161
(Increase) decrease in accounts receivable	(197,013)
(Increase) decrease in other receivable	(871,360)
(Increase) decrease in prepaid items	(53,598)
(Increase) decrease in deferred outflows of resources	(128,941)
Increase (decrease) in accounts payable	(6,077)
Increase (decrease) in salaries payable	20,063
Increase (decrease) in due to related parties	589,633
Increase (decrease) in tenant security deposits payable	(1,675)
Increase (decrease) in unearned revenue	(10,728)
Increase (decrease) in deferred inflows of resources	171,949
Increase (decrease) in net pension liability	(366,480)
	<u>(108,066)</u>
Total adjustments	\$ (108,066)
Net Cash Provided by (Used in) Operating Activities	\$ 380,561

Fiduciary Funds

Exhibit 10

**Hubbard County
Park Rapids, Minnesota**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024**

	Social Welfare Private-Purpose	
	Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 16,054	\$ 765,618
Taxes and special assessments receivable for other governments	-	783,652
Due from other funds	-	119,189
Due from other governments	-	320,436
Contracts receivable	-	151,673
Total Assets	\$ 16,054	\$ 2,140,568
<u>Liabilities</u>		
Due to others	\$ -	\$ 49,446
Due to other governments	-	1,009,530
Total Liabilities	\$ -	\$ 1,058,976
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	\$ -	\$ 107,304
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 16,054	\$ 974,288

Exhibit 11

**Hubbard County
Park Rapids, Minnesota**

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024**

	Social Welfare Private-Purpose	
	Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 155,195	\$ 322,910
Interest earnings	-	750
Property tax collections for other governments	-	23,592,922
Fees collected for state	-	6,739,964
Payments from state	-	139,018
Payments from other entities	-	956,263
Total Additions	\$ 155,195	\$ 31,751,827
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 158,241	-
Payments of property tax to other governments	-	22,236,167
Payments to state	-	6,739,964
Payments to other individuals/entities	-	1,953,219
Total Deductions	\$ 158,241	\$ 30,929,350
Change in Net Position	\$ (3,046)	\$ 822,477
Net Position – January 1	19,100	151,811
Net Position – December 31	\$ 16,054	\$ 974,288

Hubbard County Park Rapids, Minnesota

Notes to the Financial Statements

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

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

Blended Component Unit

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

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

Discretely Presented Component Unit

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

Discretely Presented Component Unit of the County

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Hubbard County Housing Redevelopment and Economic Development Authority (HRA-EDA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County Board appoints a voting majority of the HRA-EDA Board and can impose its will on the HRA-EDA.	Separate financial statements can be obtained at: Hubbard County HRA-EDA 100 – 8th Street East Park Rapids, Minnesota 56470

Hubbard County

Park Rapids, Minnesota

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

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations, which are described in Note 3.

Basic Financial Statements

Government-Wide Statements

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

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

Hubbard County

Park Rapids, Minnesota

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

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

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

The Construction Capital Projects Fund accounts for financial resources supporting capital projects during the life of the project.

The County reports the following major enterprise fund:

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

Additionally, the County reports the following funds:

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and

Hubbard County

Park Rapids, Minnesota

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

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

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

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

Cash and Cash Equivalents

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investing activities. Pooled and fund investments, if any, are reported at their fair value at December 31, 2024. A market approach is used to value all investments other than external investment pools, which are measured at net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2024 were \$1,034,817.

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

Receivables and Payables

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

Hubbard County

Park Rapids, Minnesota

governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance when occurring in the General Fund to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Restricted Assets

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

Capital Assets

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

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Hubbard County Park Rapids, Minnesota

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

Estimated Useful Lives of Capital Assets

Assets	Years
Infrastructure	15-70
Buildings and improvements	25-40
Land improvements	20-30
Machinery and equipment	3-15
Software	3-15
Right-to-use equipment	3-5

All capital assets, other than land and construction in progress, of business-type activities are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

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

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of compensatory time, paid time off (PTO), and a severance reserve and extended illness bank that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and the lesser amount of an employee's PTO balance or the amount that would be earned in one year. The noncurrent portion consists of the remaining amount of PTO and the severance reserve and extended illness bank.

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 that time. 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.

Hubbard County Park Rapids, Minnesota

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue associated with revenue received after the period of availability. 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 amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows for leases represent the lease revenues per lease agreements the County expects to recognize in future periods. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The fiduciary funds report prepaid property taxes for tax collections received prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These inflows occurred in the fiduciary funds under the full accrual basis of accounting and are only reported in the statement of fiduciary net position. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plans

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

Long-Term Obligations

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

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

Hubbard County

Park Rapids, Minnesota

Net Position and Fund Balance

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

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

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

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

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

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

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

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

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

Unassigned – 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.

It is the County’s policy to maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year’s budgeted expenditures of the General Fund. Unrestricted fund balance can be “spent down” if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, the replenishment will be funded by tax levies within five years.

Hubbard County

Park Rapids, Minnesota

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

Net Resident Service Revenues

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

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

Reconciliation of Gross Resident Service Revenues to Net Resident Service Revenues

Reconciling Items	Amount
Gross resident service revenues	\$ 8,333,061
Adjustments and allowances	(691,276)
Provisions for uncollectible accounts	(27,809)
Net Resident Service Revenues	<u>\$ 7,613,976</u>

Third-Party Reimbursement Agreements

Medicaid

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

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

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

Hubbard County

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

Medicare

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

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

Occupancy Percentages

During the year ended September 30, 2024, the Heritage Community's Heritage Living Center's occupancy percentage and the percentages of resident days covered under the Medicaid and Medicare programs were as follows:

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

Occupancy	Percentage
Total occupancy	68.8%
Medicaid	63.5%
Medicare	7.9%

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent 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.

Unearned Revenue

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

Hubbard County Park Rapids, Minnesota

Land Management

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

Note 2 – Detailed Notes

Assets

Deposits and Investments

Reconciliation of the County’s total deposits and investments to the basic financial statements as of December 31, 2024, are reported as follows:

Reconciliation of the County’s Total Deposits and Investments to the Basic Financial Statements as of December 31, 2024

Basic Financial Statement Accounts	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash and pooled investments	\$ 40,366,946	\$ 505,837	\$ 781,672	\$ 41,654,455
Restricted assets – Investments	599,015	-	-	599,015
Restricted assets – Cash and pooled investments				
Resident trust funds	-	12,682	-	12,682
Board designated – bond fund	-	179,378	-	179,378
Tenant security deposits	-	8,913	-	8,913
Total	\$ 40,965,961	\$ 706,810	\$ 781,672	\$ 42,454,443

Cash and Investments	Amount
Deposits	\$ 25,206,891
Petty cash and change funds	2,835
Investments	17,244,717
Total Deposits, Cash on Hand, and Investments	\$ 42,454,443

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2024, the County’s deposits were not exposed to custodial credit risk.

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or banker’s acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market value of securities in the portfolio will fall due to changes in general interest rates. The County will minimize Interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to see securities on the open market prior to maturity.

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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 policy of the County that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined in the County's Investment policy.

Credit Risk of Investments

Investment Type	Credit Rating	Rating Agency	Fair Value
U.S. Treasury Bills	A-1+	S&P	\$ 574,838
U.S. Treasury Bills	AA+	S&P	376,851
U.S. Treasury Notes	Aaa	Moody's	6,865,983
Federal Home Loan Bank	AA+	S&P	498,595
Federal Farm Credit Bank	AA+	S&P	499,100
Municipal bonds			
Kentucky Higher Ed Student LN Corp	AA+	S&P	259,241
Iowa Fin Auth Single Family MTG Rev	AAA	S&P	140,119
Desert Calif Cmnty College Dist	AA	S&P	93,442
Enfield Conn Taxable Go Ref BDS 2020	AA	S&P	309,220
San Diego Calif Cmnty College Dist	AAA	S&P	98,840
Santa Clara Cnty Calif Taxable Elec 2016 Go BDS	AAA	S&P	241,813
Austin Tex Taxable CTFS Oblig 2024	AAA	S&P	246,156
Maryland St CMNTY Dev Admin Dept HSG	AAA	Moody's	235,249
Sunnyvale Calif Sch Dist Taxable Go Ref BDS	AA1	S&P	112,706
Rhode Island HSG&MTG Fin Corp	AA+	S&P	301,503
Homeownership Opportunity Taxable Texas St Taxable Go Ref BDS 2021A	AAA	S&P	50,280
New York NY City Transitional Fin Auth Rev	AAA	S&P	122,787
El Dorado Calif UN High Sch Dist	AA	S&P	121,326
Skokie ILL Taxable Go BDS 2022	AA	S&P	58,531
Wheaton ILL Taxable Go BDS 2021	AAA	S&P	92,216
Mississippi Home Corp Single Family MTG Rev	Aaa	Moody's	265,241
Idaho HSG&FIN assn Single Family MTG Rev	Aa1	Moody's	635,248
Iowa Fina Auth Single Family MTG Rev Taxable BDS	AAA	S&P	65,090
Maryland St Cmnty Dev Admin Dept HSG&CMNTY Dev Taxable Res Rev Baldwin & Woodville WIS	Aa1	Moody's	194,992
Area Sch Dist	AA-	S&P	192,456
Iowa Fina Auth Single Family MTG Rev Taxable BDS	AAA	S&P	95,046
Grossmont Calif UN High Sch Dist Taxable Elec	Aa2	Moody's	129,689
Chicago Heights ILL Taxable Go Ref BDS 2020	AA	S&P	98,082
Idaho HSG & FIN assn Single Family MTG Rev	Aa1	Moody's	124,700
Grossmont Calif UN High Sch Dist Taxable Elec	Aa2	Moody's	138,856
Negotiable certificates of deposit	N/R	N/R	1,763,661
MAGIC Fund	N/R	N/R	2,242,860
Total			<u>\$ 17,244,717</u>

N/R – Not Rated

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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 that are in the possession of an outside party. At December 31, 2024, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County's investment policy is to minimize this risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issue will be minimized.

The following table presents the County's deposit and investment balances at December 31, 2024, and information relating to potential investment risk:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2024

Investment Type	<u>Interest Rate</u> <u>Risk</u> Maturity Date	Carrying (Fair) Value
U.S. Treasury Securities		
United States Treasury Bills	02/13/2025	\$ 249,760
United States Treasury Bills	02/13/2025	216,923
United States Treasury Bills	03/20/2025	73,339
United States Treasury Bills	04/22/2025	251,739
United States Treasury Bills	04/22/2025	159,928
Total United States Treasury Bills		\$ 951,689
U.S. Government Agency Securities		
United States Treasury Notes	03/31/2025	\$ 499,490
United States Treasury Notes	05/15/2025	994,500
United States Treasury Notes	06/30/2025	601,446
United States Treasury Notes	07/31/2025	480,317
United States Treasury Notes	08/15/2025	134,112
United States Treasury Notes	09/30/2025	688,669
United States Treasury Notes	10/15/2025	578,144
United States Treasury Notes	11/15/2025	589,728
United States Treasury Notes	12/15/2025	898,470
United States Treasury Notes	01/15/2026	200,327
United States Treasury Notes	02/28/2026	401,608
United States Treasury Notes	03/15/2026	401,720
United States Treasury Notes	04/15/2026	397,452
Total United States Treasury Notes		\$ 6,865,983
U.S. Government Agency Securities		
Federal Home Loan Bank	09/18/2029	\$ 498,595
Federal Farm Credit Bank	09/11/2030	499,100

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Investment Type	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Total U.S. Government Agency Securities		\$ 997,695
Municipal Bonds		
Kentucky Higher Ed Student LN Corp	06/01/2025	\$ 259,241
Iowa Fin Auth Single Family MTG Rev	07/01/2025	140,119
Desert Calif Cmnty College Dist	08/01/2025	93,442
Enfield Conn Taxable Go Ref BDS 2020	08/01/2025	309,220
San Diego Calif Cmnty College Dist	08/01/2025	98,840
Santa Clara Cnt Calif Taxable Elec 2016 Go BDS	08/01/2025	241,813
Austin Tex Taxable CTFS Oblig 2024	09/01/2025	246,156
Maryland St CMNTY Dev Admin Dept HSG	09/01/2025	235,249
Sunnyvale Calif Sch Dist Taxable Go Ref BDS	09/01/2025	112,706
Rhode Island HSG&MTG Fin Corp	10/01/2025	301,503
Homeownership Opportunity Taxable Texas St Taxable Go Ref BDS 2021A	10/01/2025	50,280
New York NY City Transitional Fin Auth Rev	11/01/2025	122,787
El Dorado Calif UN High Sch Dist	12/01/2025	121,326
Skokie ILL Taxable Go BDS 2022	12/01/2025	58,531
Wheaton ILL Taxable Go BDS 2021	12/01/2025	92,216
Mississippi Home Corp Single Family MTG Rev	12/01/2025	265,241
Idaho HSG&FIN assn Single Family MTG Rev	01/01/2026	635,248
Iowa Fina Auth Single Family MTG Rev Taxable BDS	01/01/2026	65,090
Maryland St Cmnty Dev Admin Dept HSG&CMNTY Dev Taxable Res Rev Baldwin & Woodville WIS Area Sch Dist	03/01/2026 04/01/2026	194,992 192,456
Iowa Fina Auth Single Family MTG Rev Taxable BDS	07/01/2026	95,046
Grossmont Calif UN High Sch Dist Taxable Elec	08/01/2026	129,689
Chicago Heights ILL Taxable Go Ref BDS 2020	12/01/2026	98,082
Idaho HSG \$ FIN assn Single Family MTG Rev	07/01/2027	124,700
Grossmont Calif UN High Sch Dist Taxable Elec	08/01/2027	138,856
Total Municipal Bonds		\$ 4,422,829
Negotiable Certificates of Deposit		
Spokane Teachers CR UN Liberty Lake Wash SH CTF	02/25/2025	\$ 248,469
Connexus CR UN Wausau Wis SH CTF	03/21/2025	248,422
Walpole Co-Operative BK Mass CTF DEP	05/29/2025	243,005
Bank Hapoalim B M New York BRH CTF DEP	09/29/2025	244,706
Live Oak BKG Co Wilmington N C CTF DEP	03/22/2028	250,877
PIMA FED CR UN Tuscon ARIZ SH CTF	04/14/2026	253,721
LEADERS CR UN JACKSON TENN SH CKF	08/30/2028	256,469
CFG Community BK Lutherville MD CTF DEP	07/31/2029	17,992
Total Negotiable Certificates of Deposit		\$ 1,763,661
MAGIC Fund	N/A	\$ 2,242,860
Total Investments		\$ 17,244,717

N/A – Not Applicable

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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:* Unobserved inputs.

At December 31, 2024, the County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2024

Investments by Fair Value Level	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury	\$ 7,817,672	\$ 3,047,119	\$ 4,770,553	\$ -
U.S. Agencies	997,695	-	997,695	-
Municipal Bonds	4,422,829	-	4,422,829	-
Negotiable certificates of deposit	1,763,661	-	1,763,661	-
Total Investments Included in the Fair Value Hierarchy	\$ 15,001,857	\$ 3,047,119	\$ 11,954,738	\$ -
Investments Measured at the Net Asset Value (NAV)	December 31, 2024			
MAGIC Fund	<u>\$ 2,242,860</u>			

All Level 1 debt securities are valued using a market approach quoted in active markets for those securities. All Level 2 debt securities are valued using a market approach 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 with other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio Series.

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

Hubbard County Park Rapids, Minnesota

Receivables

Receivables as of December 31, 2024, for the County’s governmental activities, and as of September 30, 2024, for the County’s business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

Receivables as of December 31, 2024

Receivables – Governmental Activities	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	\$ 409,473	\$ -	\$ 409,473	\$ -
Accounts receivable	1,973,688	(1,528,144)	445,544	-
Accrued interest receivable	662,411	-	662,411	-
Contracts receivable	879,864	-	879,864	-
Leases receivable	7,695	-	7,695	148
Due from other governments	4,199,242	-	4,199,242	-
Total Governmental Activities	\$ 8,132,373	\$ (1,528,44)	\$ 6,604,229	\$ 148

Receivables as of September 30, 2024

Receivables – Business-Type Activities	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Accounts receivable	\$ 900,516	\$ (18,000)	\$ 882,516	\$ -
Other receivables	871,360	-	871,360	-
Total Business-Type Activities	\$ 1,771,876	\$ (18,000)	\$ 1,753,876	\$ -

The County has entered into lease agreements as a lessor and, as of December 31, 2024, there are two active lease receivables for office space with various lessees. Fixed lease receipts range from \$150 per quarter to \$1,412 per month and extend to periods ending May 30, 2025, through March 31, 2026. During 2024, the General Fund received total principal and interest payments of \$16,749 and \$800, respectively.

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Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2024, and for the business-type activities for the year ended September 30, 2024, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets – Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 885,724	\$ -	\$ -	\$ 885,724
Permanent right-of-way	3,693,686	-	-	3,693,686
Construction in progress	2,538,377	4,007,735	(2,048,818)	4,497,294
Total capital assets not depreciated	\$ 7,117,787	\$ 4,007,735	\$ (2,048,818)	\$ 9,076,704
Capital assets depreciated and amortized				
Infrastructure	\$ 108,522,858	\$ 3,585,945	\$ -	\$ 112,108,803
Buildings and improvements	26,527,924	5,236	-	26,533,160
Land improvements	785,532	-	-	785,532
Machinery and equipment	14,223,497	879,988	(522,336)	14,581,149
Software	176,951	-	(13,446)	163,505
Lease equipment	629,295	1,326,778	(37,410)	1,918,663
Total capital assets depreciated and amortized	\$ 150,866,057	\$ 5,797,947	\$ (573,192)	\$ 156,090,812
Less: accumulated depreciation and amortized for				
Infrastructure	\$ 32,106,401	\$ 2,162,268	\$ -	\$ 34,268,669
Buildings and improvements	13,882,818	807,803	-	14,690,621
Land improvements	600,098	19,186	-	619,284
Machinery and equipment	9,674,083	932,443	(522,336)	10,084,190
Software	111,141	27,412	(13,446)	125,107
Lease equipment	367,503	1,051,352	(37,410)	1,381,445
Total accumulated depreciation and amortization	\$ 56,742,044	\$ 5,000,464	\$ (573,192)	\$ 61,169,316
Total capital assets depreciated and amortized, net	\$ 94,124,013	\$ 797,483	\$ -	\$ 94,921,496
Governmental Activities Capital Assets, Net	\$ 101,241,800	\$ 4,805,218	\$ (2,048,818)	\$ 103,998,200

Hubbard County Park Rapids, Minnesota

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities – Depreciation and Amortization	Amount
General government	\$ 298,005
Public safety	1,265,862
Highways and streets, including depreciation of infrastructure assets	2,772,467
Sanitation	54,104
Human services	68,937
Culture and recreation	35,329
Conservation of natural resources	505,760
Total Depreciation and Amortization Expense – Governmental Activities	\$ 5,000,464

Business-Type Activities

Changes in Capital Assets for the Year Ended September 30, 2024

Capital Assets – Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 117,299	\$ -	\$ -	\$ 117,299
Capital assets depreciated and amortized				
Buildings and improvements	\$ 19,630,906	\$ 253,176	\$ (41,061)	\$ 19,843,021
Land improvements	194,300	-	-	194,300
Machinery and equipment	1,363,573	92,058	(21,877)	1,433,754
Lease equipment	61,183	1,061	-	62,244
Total capital assets depreciated and amortized	\$ 21,249,962	\$ 346,295	\$ (62,938)	\$ 21,533,319
Less: accumulated depreciation and amortization for				
Buildings and improvements	\$ 6,446,902	\$ 623,403	\$ (39,694)	\$ 7,030,611
Land improvements	182,617	2,710	-	185,327
Machinery and equipment	1,006,358	107,046	-	1,113,404
Lease equipment	2,685	13,002	-	15,687
Total accumulated depreciation and amortization	\$ 7,638,562	\$ 746,161	\$ (39,694)	\$ 8,345,029
Total capital assets depreciated and amortized, net	\$ 13,611,400	\$ (399,866)	\$ (23,244)	\$ 13,188,290
Business-Type Activities Capital Assets, Net	\$ 13,728,699	\$ (399,866)	\$ (23,244)	\$ 13,305,589

Depreciation and amortization of \$746,161 are charged to the Heritage Community.

Hubbard County Park Rapids, Minnesota

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Due To/From Other Funds as of December 31, 2024

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Land Management Special Revenue Fund	\$ 323,264	Forfeited tax sale reimbursement
General Fund	Road and Bridge Special Revenue Fund	46	Charges for services
General Fund	Social Services Special Revenue Fund	11,033	Reimbursement
General Fund	Heritage Community Enterprise Fund	<u>2,721,987</u>	Reimbursement
Total Due to General Fund		<u>\$ 3,056,330</u>	
Road and Bridge Special Revenue Fund	General Fund	\$ 6,319	Charges for services
Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	3,488	Charges for services
Road and Bridge Special Revenue Fund	Solid Waste Special Revenue Fund	7,428	Charges for services
Road and Bridge Special Revenue Fund	Land Management Special Revenue Fund	<u>885</u>	Charges for services
Total Due to Road and Bridge Special Revenue Fund		<u>\$ 18,120</u>	
Tax and Penalties Custodial Fund	General Fund	<u>\$ 119,189</u>	Reimbursement
Total Due to Other Funds		<u>\$ 3,193,639</u>	

The interfund receivables and payables are expected to be paid within one year of December 31, 2024.

Advance From/To Other Funds

Advances From/To Other Funds as of December 31, 2024

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Special Revenue Fund	<u>\$ 450,000</u>

The advance to the Solid Waste Special Revenue Fund is to provide financing for a landfill closure. This balance will be paid by the Solid Waste Special Revenue Fund over four years, beginning in 2024.

Interfund Transfers

Interfund Transfers as of December 31, 2024

Transfer-In Fund	Transfer-Out Fund	Amount	Purpose
Solid Waste Special Revenue Fund	General Fund	\$ 21,489	Solid waste levy
General Fund	Land Management Special Revenue Fund	<u>323,264</u>	Forfeited tax settlement
Total Transfers Between Funds		<u>\$ 344,753</u>	

Hubbard County Park Rapids, Minnesota

Liabilities

Leases

Governmental Activities

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

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments As of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 176,284	\$ 37,248
2026	144,492	24,808
2027	149,971	12,690
2028	66,469	2,247
Total Governmental Activities Lease Payments	\$ 537,216	\$ 76,993

Business-Type Activities

Heritage Community leases copiers, scanners, mailing equipment, and telephone system for various terms under long-term noncancelable lease agreements. The leases expire at various dates through December 2028 and provide varying renewal options. Implied interest rates are approximately 5.5 percent. During the year ended September 30, 2024, Heritage Community entered into a new lease agreement, therefore, writing off the net book value of the previously held leased asset and liability of approximately \$67,000 and \$72,000, respectively, resulting in a gain on disposal of assets, which nets to approximately \$5,000.

The scheduled maturities for the lease obligations as of September 30, 2024, are as follows:

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments As of September 30, 2024

Year Ending December 31	Principal	Interest
2025	\$ 11,232	\$ 2,297
2026	11,865	1,663
2027	12,534	994
2028	12,567	320
Total Business-Type Activities Lease Payments	\$ 48,198	\$ 5,274

Hubbard County Park Rapids, Minnesota

Long-Term Debt

General Obligation Bonds

Governmental Activities' Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General obligation bonds					
2020A G.O. Refunding Bonds	2031	\$190,000- \$760,000	4.0000	\$ 4,065,000	\$ 2,005,000
2024A G.O. Jail Bonds	2044	\$310,000- \$665,000	4.0000	10,000,000	10,000,000
Total general obligation bonds				<u>\$ 14,065,000</u>	\$ 12,005,000
Add: unamortized premium					<u>1,080,412</u>
Total General Obligation Bonds, Net					<u><u>\$ 13,085,412</u></u>

Debt Service Requirements

Debt service requirements at December 31, 2024, were as follows:

Debt Service Requirements as of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 760,000	\$ 417,387
2026	190,000	480,450
2027	505,000	465,000
2028	525,000	441,225
2029	555,000	416,275
2030-2034	2,450,000	1,727,650
2035-2039	2,525,000	1,161,825
2040-2044	3,080,000	600,600
2045-2046	1,415,000	57,100
Total	<u>\$ 12,005,000</u>	<u>\$ 5,767,512</u>

Hubbard County Park Rapids, Minnesota

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2020A G.O. Refunding Bonds	\$ 2,730,000	\$ -	\$ (725,000)	\$ 2,005,000	\$ 760,000
2024A G.O. Jail Bonds	-	10,000,000	-	10,000,000	-
Premium on bonds	398,678	744,220	(62,486)	1,080,412	-
Total bonds payable	\$ 3,128,678	\$ 10,744,220	\$ (787,486)	\$ 13,085,412	\$ 760,000
Lease payable	264,014	485,032	(211,830)	537,216	176,284
Compensated absences	1,771,266	274,589*	-	2,045,855	1,309,047
Governmental Activities Long-Term Liabilities	\$ 5,163,958	\$ 11,503,841	\$ (999,316)	\$ 15,668,483	\$ 2,245,331

*The change in the compensated absences liability is presented as a net change.

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

Business-Type Activities

General Obligation Bonds

The General Obligation Housing Revenue Refunding Bonds, Series 2014, issued for \$1,795,000 are dated April 22, 2014. Installments of \$110,000 to \$160,000 are due annually, with interest from 2.00 percent to 3.00 percent through August 2027. The balance due on these bonds is \$475,000 as of September 30, 2024.

The Taxable General Obligation Nursing Home Revenue Bonds, Series 2014, issued for \$10,145,000 represent debt incurred for the purpose of providing financing for the Heritage Capital Project and are dated December 16, 2014. Installments of \$250,000 to \$2,685,000 are due annually, with interest from 1.25 percent to 4.50 percent through October 1, 2039. These bonds were transferred to Heritage Living Center during fiscal year 2022 as part of the Heritage Center, LLC, winddown transaction. As of October 1, 2021, the outstanding balance was \$9,275,000 and was added to Heritage Living Center during the year ended September 30, 2022. The balance due on these bonds is \$8,180,000 as of September 30, 2024.

The General Obligation Housing Development Revenue Bonds, Series 2017, issued for \$1,460,000 are dated November 15, 2017. Installments of \$60,000 to \$125,000 are due annually, with interest at 3.00 percent through October 1, 2034. These bonds were issued during fiscal year 2018 to defease the Series 2008 Bonds. The proceeds were put into an escrow account and then used to defease the Series 2008 Bonds on October 1, 2018. The balance due on these bonds is \$990,000 as of September 30, 2024.

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Debt Service Requirements

Debt service requirements for business-type activities at September 30, 2024, are as follows:

Debt Service Requirements as of September 30, 2024

Year Ending September 30	General Obligation Bonds Principal	General Obligation Bonds Interest
2025	\$ 160,000	\$ 172,514
2026	655,000	357,640
2027	675,000	335,340
2028	535,000	312,290
2029	550,000	292,150
2030-2034	3,085,000	1,115,575
2035-2040	3,985,000	454,710
Total	\$ 9,645,000	\$ 3,040,219

Changes in Long-Term Liabilities

Long-term liability activity for the business-type activities for the year ended September 30, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended September 30, 2024

Business-Type Activities Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Revenue Bonds, Series 2014	\$ 625,000	\$ -	\$ (150,000)	\$ 475,000	\$ 160,000
General Obligation Nursing Home Revenue Bonds, Series 2014	8,570,000	-	(390,000)	8,180,000	-
General Obligation Revenue Bonds, Series 2017	1,075,000	-	(85,000)	990,000	-
Add: bond premium (discount)	(43,772)	-	(1,162)	(44,934)	-
Leases	59,402	-	(11,204)	48,198	11,219
Compensated absences	215,358	178	-	215,536	156,026
Business-Type Activities Long- Term Liabilities	\$ 10,500,988	\$ 178	\$ (637,366)	\$ 9,863,800	\$ 327,245

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Fund Balances

Fund balances at year-end December 31, 2024, were as follows:

Fund Balances as of December 31, 2024

Fund Balance	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Solid Waste Special Revenue Fund	Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable for							
Inventories	\$ -	\$ 351,694	\$ -	\$ -	\$ -	\$ -	\$ 351,694
Advance to other funds	450,000	-	-	-	-	-	450,000
Endowments	-	-	-	-	-	467,280	467,280
Total nonspendable	\$ 450,000	\$ 351,694	\$ -	\$ -	\$ -	\$ 467,280	\$ 1,268,974
Restricted for							
AIS prevention	\$ 751,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 751,645
Attorney forfeitures	77,883	-	-	-	-	-	77,883
Attorney pretrial diversion program	7,265	-	-	-	-	-	7,265
Conceal and carry permits	103,940	-	-	-	-	-	103,940
Drug eradication	10,112	-	-	-	-	-	10,112
DWI assessment	79,021	-	-	-	-	-	79,021
DWI forfeitures	23,881	-	-	-	-	-	23,881
Enhanced 911	569,215	-	-	-	-	-	569,215
Government forfeitures	25,691	-	-	-	-	-	25,691
Law library	46,809	-	-	-	-	-	46,809
Regional library	122,359	-	-	-	-	-	122,359
Missing heirs	7,682	-	-	-	-	-	7,682
Parks and recreation	580,127	-	-	-	-	-	580,127
Probation	50,695	-	-	-	-	-	50,695
Recorder's equipment	572,686	-	-	-	-	-	572,686
Recorder's technology	221,558	-	-	-	-	-	221,558
Sheriff's contingent fund	5,000	-	-	-	-	-	5,000
K-9 unit	10,930	-	-	-	-	-	10,930
Sentence to serve	43,790	-	-	-	-	-	43,790
Sheriff operations	42,009	-	-	-	-	-	42,009
Public safety	303,757	-	-	-	-	-	303,757
Statewide affordable housing	202,624	-	-	-	-	-	202,624
Transit tax projects	-	4,043,687	-	-	-	-	4,043,687
Fuel facility	-	132,368	-	-	-	-	132,368
Transit system	-	-	84,348	-	-	-	84,348
Opioid remediation	-	-	420,102	-	-	-	420,102
Capital projects	-	-	-	-	10,036,742	-	10,036,742
Forest development	-	-	-	-	-	779,158	779,158
Memorial forest	-	-	-	-	-	261,146	261,146
Natural resource improvements	-	-	-	-	-	54,182	54,182
Debt service	-	-	-	-	-	1,507,411	1,507,411
Total restricted	\$ 3,858,679	\$ 4,176,055	\$ 504,450	\$ -	\$ 10,036,742	\$ 2,601,897	\$ 21,177,823

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Fund Balance	General Fund	Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	Solid Waste Special Revenue Fund	Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Committed for							
Building maintenance	\$ 3,090,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,090,637
Building replacement	-	742,292	-	-	-	-	742,292
Capital improvements	1,357,402	889,699	-	-	-	-	2,247,101
County cars	87,044	-	-	-	-	-	87,044
County road projects	-	1,800,000	-	-	-	-	1,800,000
Departmental designations	906,312	-	-	-	-	-	906,312
Emergency management	1,086	-	-	-	-	-	1,086
Employee benefits/severance	1,055,650	300,930	452,260	103,150	-	133,866	2,045,856
Employee flex plan	60,034	-	-	-	-	-	60,034
Employee group health	26,434	-	-	-	-	-	26,434
Extension publications	1,325	-	-	-	-	-	1,325
Investigations	107,147	-	-	-	-	-	107,147
SWAT team	12,062	-	-	-	-	-	12,062
Survey re-monumentation	173,414	-	-	-	-	-	173,414
Total committed	\$ 6,878,547	\$ 3,732,921	\$ 452,260	\$ 103,150	\$ -	\$ 133,866	\$ 11,300,744
Assigned to							
Highways and streets	\$ -	\$ 1,739,286	\$ -	\$ -	\$ -	\$ -	\$ 1,739,286
Equipment purchases	-	487,890	-	-	-	-	487,890
Human services	-	-	1,291,061	-	-	-	1,291,061
Conservation of natural resources	-	-	-	-	-	939,190	939,190
Sanitation	-	-	-	1,767,029	-	-	1,767,029
Total assigned	\$ -	\$ 2,227,176	\$ 1,291,061	\$ 1,767,029	\$ -	\$ 939,190	\$ 6,224,456
Unassigned	\$ 3,063,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,063,336
Total Fund Balances	\$ 14,250,562	\$ 10,487,846	\$ 2,247,771	\$ 1,870,179	\$ 10,036,742	\$ 4,142,233	\$ 43,035,333

Other Postemployment Benefits (OPEB)

Plan Description

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

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

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on

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the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. A separate, audited GAAP-basis postemployment plan report is not issued.

Funding Policy

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

Employees Covered by the OPEB Benefit Terms, Actuarial Valuation

Type of Participant Covered by the OPEB Benefit Terms	Governmental Activities	Business-Type Activities	Total Number of Participants
Actuarial valuation date	January 1, 2023	October 1, 2024	N/A
Inactive employees or beneficiaries currently receiving benefit payments	7	-	7
Active plan participants	216	53	269
Total	223	53	276

Total OPEB Liability

The governmental activities total OPEB liability of \$864,330 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2023. The business-type activities total OPEB liability of \$62,171 was measured as of October 1, 2024, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through funds that have personal services expenditures.

The total OPEB liability actuarial valuation in the fiscal year-ends December 31, 2024, and October 1, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Governmental Activities

- The current year inflation rate is 2.50 percent.
- The salary increases are the salary scales used to value GASB 75 liabilities are similar to the tables used to value pension liabilities for Minnesota public employees. The rates are based on the most recent four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and a review of the inflation assumption.
- The health care cost trend is 6.25 percent, grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years.

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Business-Type Activities

- The current year inflation rate is 2.50 percent.
- The salary increases are 3.00 percent.
- The health care cost trend is 6.50 percent, decreasing to 5.00 percent over six years and then to 4.00 percent over the next 48 years.

For the governmental activities, the current year discount rate is 3.70 percent, which decreased from the prior year rate. For the business-type activities, the current year discount rate is 4.50 percent, which is an increase from the prior year rate by 0.10 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

For the governmental activities, mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

For the business-type activities, mortality rates are based on MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability

Total OPEB Changes for the Year	Governmental Activities December 31, 2024	Business-Type Activities September 30, 2024	Total OPEB Liability
Balance Beginning of the Year	\$ 827,029	\$ 64,330	\$ 891,359
Service cost	\$ 88,306	\$ 6,711	\$ 95,017
Interest	35,314	3,035	38,349
Assumption changes	18,009	920	18,929
Difference between expected and actual experience	-	(8,662)	(8,662)
Plan changes	(38,712)	-	(38,712)
Benefit payments	(65,616)	(4,163)	(69,779)
Net change	\$ 37,301	\$ (2,159)	\$ 35,142
Balance End of the Year	\$ 864,330	\$ 62,171	\$ 926,501

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OPEB Liability Sensitivity

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

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

Change in Discount Rate	Governmental Activities December 31, 2024 Discount Rate	Governmental Activities December 31, 2024 Total OPEB Liability	Business-Type Activities September 30, 2024 Discount Rate	Business-Type Activities September 30, 2024 Total OPEB Liability	Total OPEB Liability
1% Decrease	2.70%	\$ 925,255	3.50%	\$ 66,588	\$ 991,843
Current	3.70%	864,330	4.50%	62,171	926,501
1% Increase	4.70%	807,899	5.50%	58,031	865,930

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

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

Change in Health Care Trend Rate	Governmental Activities December 31, 2024 Health Care Trend Rate	Governmental Activities December 31, 2024 Total OPEB Liability	Business-Type Activities September 30, 2024 Health Care Trend Rate	Business-Type Activities September 30, 2024 Total OPEB Liability	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 774,411	5.50% Decreasing to 4.00%	\$ 56,311	\$ 830,722
Current	6.25% Decreasing to 5.00%	864,330	6.50% Decreasing to 5.00%	62,171	926,501
1% Increase	7.25% Decreasing to 6.00%	971,209	7.50% Decreasing to 6.00%	69,035	1,040,244

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

Governmental Activities

For the year ended December 31, 2024, the governmental activities recognized OPEB expense of (\$17,968). The governmental activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 30,861	\$ 85,344
Difference between actual and expected results	-	181,275
Contributions made subsequent to the measurement date	56,041	-
Total	\$ 86,902	\$ 266,619

The \$56,041 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ (56,848)
2026	(41,766)
2027	(49,311)
2028	(30,028)
2029	(30,028)
Thereafter	(27,777)

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Business-Type Activities

For the year ended September 30, 2024, the business-type activities recognized OPEB expense of (\$14,200). The business-type activities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of September 30, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 690	\$ 4,140
Difference between actual and expected results	-	17,730
Contributions made subsequent to the measurement date	3,233	-
Total	\$ 3,923	\$ 21,870

The \$3,233 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended September 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of September 30, 2024

Year Ended September 30	OPEB Expense Amount
2025	\$ (15,316)
2026	(3,930)
2027	(1,934)

Total OPEB Expense

The total OPEB expense recognized by the County for the year ended December 31, 2024, was (\$32,168).

Changes in Actuarial Assumptions

The following changes in plan provisions, actuarial methods, and assumptions occurred in 2024:

Governmental Activities

- Elected Officials hired after June 20, 2023, are no longer eligible for post-employment County contributions toward medical insurance. Also, the service accrual for this benefit is frozen as of December 31, 2023.
- The discount rate was changed from 4.00 percent to 3.70 percent.

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Business-Type Activities

- The health care trend rates were updated.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 4.40 percent to 4.50 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, 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.

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

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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 a maximum of 1.50 percent. The 2024 annual increase was 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.

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 a maximum of 2.50 percent. The 2024 annual increase was 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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 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

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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 and disability qualification requirements vary by plan.

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 2023.

Member and Employer Required Contribution Rates

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

Employer Contributions For the Year Ended December 31, 2024

Pension	Contribution
General Employees Plan	\$ 1,158,274
Police and Fire Plan	387,622
Correctional Plan	251,309

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

Pension Costs

General Employees Plan

At December 31, 2024, the County reported a liability of \$6,490,761 for its proportionate share of the General Employees Plan’s net pension liability, of which \$1,456,475 was the Heritage Community’s portion as of September 30, 2024. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2024, the County’s proportion was 0.1801 percent. It was 0.1737 percent measured as of June 30, 2023. The County recognized pension expense of \$702,505 for its proportionate share of the General Employees Plan’s pension expense, of which (\$11,400) was the Heritage Community Enterprise Fund’s share.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$231,624 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Plan.

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Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional \$4,500 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

Total General Employees Plan Net Pension Liability Associated with the County	Governmental Activities	Business-Type Activities	Total
The County's proportionate share of the net pension liability	\$ 5,034,286	\$ 1,456,475	\$ 6,490,761
State of Minnesota's proportionate share of the net pension liability associated with the County	130,176	37,700	167,876
Total	<u>\$ 5,164,462</u>	<u>\$ 1,494,175</u>	<u>\$ 6,658,637</u>

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

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

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Governmental Activities Deferred Outflows of Resources	Governmental Activities Deferred Inflows of Resources	Business- Type Activities Deferred Outflows of Resources	Business-Type Activities Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 471,280	\$ -	\$ 136,947	\$ -	\$ 608,227	\$ -
Changes in actuarial assumptions	22,634	1,908,716	7,111	551,252	29,745	2,459,968
Difference between projected and actual investment earnings	-	1,467,399	-	422,948	-	1,890,347
Changes in proportion	483,334	13,638	320,303	227,270	803,637	240,908
Contributions paid to PERA subsequent to the measurement date	458,680	-	75,063	-	533,743	-
Total	<u>\$ 1,435,928</u>	<u>\$ 3,389,753</u>	<u>\$ 539,424</u>	<u>\$ 1,201,470</u>	<u>\$ 1,975,352</u>	<u>\$ 4,591,223</u>

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The \$533,743 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Governmental Activities Pension Expense Amount	Business-Type Activities Pension Expense Amount	Total Pension Expense Amount
2025	\$ (1,267,228)	\$ (542,075)	\$ (1,809,303)
2026	(137,678)	(11,721)	(149,399)
2027	(621,751)	(71,682)	(693,433)
2028	(385,848)	(111,631)	(497,479)

Police and Fire Plan

At December 31, 2024, the County reported a liability of \$2,117,558 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.1610 percent. It was 0.1545 percent measured as of June 30, 2023. The County recognized pension expense of \$442,691 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized \$45,707 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional \$9,029 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total Police and Fire Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 2,117,558
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>80,720</u>
Total	<u>\$ 2,198,278</u>

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

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 808,671	\$ -
Changes in actuarial assumptions	2,313,670	2,992,479
Difference between projected and actual investment earnings	-	599,163
Changes in proportion	198,137	322,020
Contributions paid to PERA subsequent to the measurement date	<u>192,749</u>	<u>-</u>
Total	<u>\$ 3,513,227</u>	<u>\$ 3,913,662</u>

The \$192,749 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (41,704)
2026	548,184
2027	(310,058)
2028	(856,985)
2029	67,379

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Correctional Plan

At December 31, 2024, the County reported a liability of \$326,183 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 1.0702 percent. It was 1.0774 percent measured as of June 30, 2023. The County recognized pension expense of \$492,189 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed \$5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$56,251 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Correctional Plan.

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:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 231,841	\$ -
Changes in actuarial assumptions	-	1,110,967
Difference between projected and actual investment earnings	-	439,080
Changes in proportion	93,294	2,162
Contributions paid to PERA subsequent to the measurement date	128,636	-
Total	<u>\$ 453,771</u>	<u>\$ 1,552,209</u>

The \$128,636 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (1,091,700)
2026	159,853
2027	(173,312)
2028	(121,915)

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Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$1,637,385.

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2024

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
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	7.00%	7.00%	7.00%

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, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

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Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, 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.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Police and Fire Plan

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

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Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.90 percent to 2.20 percent for service earned after June 30, 2025.

Pension Liability Sensitivity

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

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2024

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 14,176,867	6.00%	\$ 5,004,202	6.00%	\$ 2,650,638
Current	7.00%	6,490,761	7.00%	2,117,558	7.00%	326,183
1% Increase	8.00%	168,238	8.00%	(252,982)	8.00%	(1,525,606)

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are

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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. For the year ended December 31, 2024, the total employee and employer contributions were each \$7,587, which represents five percent of covered payroll.

Note 3 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

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

Management Agreement

During 2023, Heritage Community was managed by Ecumen and Knute Nelson. Knute Nelson merged with another entity, and Vivie was formed effective January 1, 2024.

Ecumen's management agreement terminated effective September 28, 2023. During the year ended September 30, 2023, Heritage Living Center, Heritage Manor, and Heritage Cottages each incurred a monthly fee of \$18,000 per month, \$2,500 per month, and \$3,000 per month, respectively.

On September 1, 2023, Heritage Community entered into a management agreement with Knute Nelson, here in referred to as Vivie. The agreement automatically renews for one year after the original 37-month term, unless 60 days' notice is given by either party. Effective September 1, 2023, Heritage Living Center, Heritage Manor, and Heritage Cottages each incurred a monthly fee of 4.25 percent of gross annual operating revenues plus a \$3,500 monthly technology fee.

Management fees amounted to approximately \$376,500 for the year ended September 30, 2024.

Heritage Community had unpaid management fees of approximately \$68,000 at September 30, 2024.

Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims

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liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2024 and \$1,000,000 per claim in 2025. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2018, the County entered into an agreement with PrimeHealth to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to PrimeHealth, who provides bookkeeping services to the entity, including the payment of claims.

Tax Abatements

The City of Park Rapids, Independent School District No. 309 (Park Rapids Area Schools), and the County have entered into a tax abatement agreement on August 15, 2023, pursuant to Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statute, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment opportunities in the County. The abatement will equal the property tax calculated on increased annual net tax capacity above the base value established at the time of the tax abatement agreement each year for the duration of the abatement.

Heartland Lakes Development Commission, the developer, is to acquire, construct, and equip an approximately 58-unit, two-building multifamily workforce housing development on the abatement property to be owned and operated by the developer. With the project, the developer proposes to provide workforce housing and help alleviate a housing shortage in the County.

Part of the project is going to be financed through a loan of \$1,031,525 from the Hubbard County Housing Trust Fund in the HRA-EDA discretely presented component unit, approved on August 15, 2023, that will be covered by tax abatements with the City of Park Rapids, Independent School District No. 309 (Park Rapids Area Schools), and the County. The share of the three participants will be in tax-payable years 2026 through 2041 (commencing August 1, 2026, and ending no later than February 1, 2041), and will be \$578,569, \$158,825, and \$294,131, respectively.

Joint Ventures

Hubbard County Family Services Collaborative

The Hubbard County Family Services Collaborative was established in 1998 under the authority of Minn. Stat. §§ 142D.15 and 245.491. The Collaborative includes Hubbard County Social Services; Independent School District Numbers 306, 308, and 309; Saint Joseph's Area Health Services; Mahube Community Head Start Program; Stellher Human Services, Inc.; Hubbard County Probation; and the Park Rapids, Akeley, Walker, Nevis Education Cooperative. The purpose of the Collaborative is to improve the social, emotional, educational, and economic outcomes for all Hubbard County children, adolescents, and their families by mitigating risk factors, enhancing

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protective factors, and creating an integrated service delivery system for children, adolescents, and their families with multiple and special needs.

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

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

Financing is provided by state grants and contributions from its members. Hubbard County, in an agent capacity, reports the cash transactions of the Hubbard County Family Services Collaborative as a custodial fund on the County's financial statements. During 2024, Hubbard County contributed \$139,018 to the Collaborative.

[Kitchigami Regional Library](#)

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board, consisting of one County Commissioner and one lay person. Hubbard County appropriated \$253,012 to the Library for the year ended December 31, 2024. Separate financial information can be obtained from the Kitchigami Regional Library, PO Box 84, Pine River, Minnesota 56474, or www.krls.org.

[Mississippi Headwaters Board](#)

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

Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Hubbard County provided \$1,500 to this organization during 2024. Complete financial information can be obtained from the Mississippi Headwaters Board, Land Services Building, 322 Laurel Street, Brainerd, Minnesota 56401.

[North Country Community Health Service](#)

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

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

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

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

Hubbard County did not contribute to the Health Service for the year ended December 31, 2024. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

[Northwest Minnesota Regional Emergency Communication Board](#)

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

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

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

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

The Northwest Minnesota Regional Emergency Communication Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Hubbard County did not make any contributions during 2024. Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

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Northwestern Counties Data Processing Security Association

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

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

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Hubbard County did not contribute to the NCDPSA for the year ended December 31, 2024. Clearwater County is the fiscal agent and reports the transactions of the NCDPSA as a custodial fund in its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621.

Northwestern Minnesota Juvenile Center

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

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

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Adequate rates are charged so that the member counties do not experience any additional financial benefit or burden. Hubbard County made \$232,000 in payments to the Center in 2024. Beltrami County is the fiscal agent and reports the cash transactions of the Center appropriately on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, PO Box 247, 1231 – 5th Street Northwest, Bemidji, Minnesota 56619.

Paul Bunyan Drug Task Force

The Paul Bunyan Drug Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Beltrami, Cass, Hubbard, and Koochiching Counties; the Bureau of Indian Affairs; the Leech Lake and White Earth Reservations; and the Cities of Bemidji, International Falls, and Park

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Rapids. The purpose of the Paul Bunyan Drug Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

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

The Paul Bunyan Drug Task Force has no long-term debt. During 2024, Hubbard County contributed \$370 to the Paul Bunyan Drug Task Force. Financing is provided by the proceeds from forfeitures and seizures pursuant to Minn. Stat. § 609.531. Beltrami County, in an agent capacity, reports the cash transactions of the Paul Bunyan Drug Task Force on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer, Beltrami County Administration Building, 701 Minnesota Avenue Northwest, Suite 220, Bemidji, Minnesota 56601.

PrimeWest Health

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

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

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

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Hubbard County did not contribute to PrimeWest Health during 2024. Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Jointly-Governed Organizations

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three – Northwest Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the

Hubbard County Park Rapids, Minnesota

region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Hubbard County's responsibility does not extend beyond making this appointment.

[MAHUBE-OTWA Community Action Partnership, Inc.](#)

MAHUBE Community Council, Inc., was incorporated as a private, non-profit organization in July 1965 (serving Mahnomon, Hubbard, and Becker Counties). In April 2012, MAHUBE Community Council became MAHUBE-OTWA Community Action Partnership, Inc., serving the five-county area of Becker, Hubbard, Mahnomon, Otter Tail, and Wadena Counties. The 18-member Board composition includes members from three sectors: low-income, private organizations, and elected public offices from the five-county area. Board Director's terms of office are three years. MAHUBE-OTWA provides services for low-income and elderly persons living in the five-county area. In order to reduce poverty in its community, this community action agency works to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. During 2024, Hubbard County made payments of \$604,902 to MAHUBE-OTWA.

[Minnesota Counties Computer Cooperative](#)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During 2024, Hubbard County expended approximately \$156,000 to the MCCC.

[Segment Information](#)

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

Hubbard County Park Rapids, Minnesota

Condensed Statement of Net Position

Condensed Statement of Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Assets			
Current assets	\$ 2,298,789	\$ 38,682	\$ 83,085
Interfund receivables	-	6,195	24,926
Restricted assets	12,682	113,834	74,457
Capital assets	11,877,409	418,446	1,009,734
Total Assets	\$ 14,188,880	\$ 577,157	\$ 1,192,202
Deferred Outflows of Resources	\$ 543,347	\$ -	\$ -
Liabilities			
Current liabilities payable from restricted assets	\$ 12,682	\$ 9,913	\$ -
Interfund payables	31,121	-	-
Other current liabilities	1,677,370	1,350,857	364,404
Noncurrent liabilities	9,713,000	328,453	1,010,498
Total Liabilities	\$ 11,434,173	\$ 1,689,223	\$ 1,374,902
Deferred Inflows of Resources	\$ 1,223,340	\$ -	\$ -
Net Position			
Net investment in capital assets	\$ 3,728,096	\$ (70,007)	\$ (764)
Restricted – Expendable for debt service	489,493	104,921	74,457
Unrestricted	(2,142,875)	(1,146,980)	(256,393)
Total Net Position	\$ 2,074,714	\$ (1,112,066)	\$ (182,700)

Hubbard County Park Rapids, Minnesota

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

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Heritage Living Center	Heritage Manor	Heritage Cottages
Operating Revenues			
Charges for services	\$ 6,701,329	\$ 126,995	\$ 785,652
Rental income	-	660,861	452,647
Miscellaneous	397,571	73,904	101,682
Total Operating Revenues	\$ 7,098,900	\$ 861,760	\$ 1,339,981
Operating Expenses			
Depreciation and amortization expense	\$ 559,618	\$ 116,985	\$ 69,558
Other operating expenses	6,415,921	549,553	1,100,379
Total Operating Expenses	\$ 6,975,539	\$ 666,538	\$ 1,169,937
Operating Income (Loss)	\$ 123,361	\$ 195,222	\$ 170,044
Nonoperating Revenues (Expenses)			
Investment income (Loss)	\$ 2,664	\$ 292	\$ 483
Interest expense	(339,617)	(9,177)	(30,192)
Noncapital grant revenue	1,346,709	-	-
Gain (Loss) on disposal of assets	-	(1,367)	-
Total Nonoperating Revenues (Expenses)	\$ 1,009,756	\$ (10,252)	\$ (29,709)
Change in Net Position	\$ 1,133,117	\$ 184,970	\$ 140,335
Beginning Net Position	941,597	(1,297,036)	(323,035)
Ending Net Position	\$ 2,074,714	\$ (1,112,066)	\$ (182,700)

Note 4 – Subsequent Event

Bond Issue

The County approved issuance of \$2,010,000 General Obligation Capital Improvement Plan Bonds, Series 2025A, on March 4, 2025.

Note 5 – Component Unit Disclosures – Hubbard County Housing Redevelopment and Economic Development Authority

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

During the year ended December 31, 2024, the Hubbard County Board approved a resolution granting the HRA additional authority to operate as an Economic Development Authority (EDA). Effective August 6, 2024, the HRA is authorized to undertake economic development activities as permitted under Minnesota statutes and operates as a combined Housing and Redevelopment Authority–Economic Development Authority (HRA-EDA). The HRA-EDA's economic development powers are authorized under Minn. Stat. Ch. 469, §§ 469.091 through 469.1081.

Hubbard County

Park Rapids, Minnesota

Summary of Significant Accounting Policies

Measurement Focus

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

The Hubbard County HRA-EDA considers all revenues as available if collected within 90 days after the end of the current period, except for taxes, which have a 60-day accrual period. Property and other taxes, licenses, and interest are all considered susceptible to accrual.

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

Cash and Cash Equivalents

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

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

Capital Assets

Capital assets with useful lives of more than one year are stated at estimated historical cost and comprehensively reported in the statement of net position. Donated assets are stated at estimated fair market value on the date donated. The HRA-EDA generally capitalizes assets with a cost of \$5,000 or more (excluding stoves and refrigerators). Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method.

The estimated useful lives for depreciable assets are as follows:

Estimated Useful Lives of Capital Assets

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

Hubbard County

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Use of Estimates

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

Reclassifications

Certain amounts reported in the prior year have been reclassified to conform with the current year's presentation with no effect on previously reported change in net assets.

Detailed Notes

Deposits and Investments

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

Cash and Investments Composition as of December 31, 2024

Cash and Investments	Amount
Deposits	\$ 826,105

Of the deposits \$49,057 is restricted cash in the Housing Fund that includes amounts restricted for tenant security deposits. The General Fund also has restricted cash of \$358,504 for the Minnesota Urban and Rural Homesteading (MURL) program.

Deposits

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

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

The custodial credit risk for deposits is the risk that in the event of a bank failure, the HRA-EDA's deposits may not be recovered. The HRA-EDA's policy for custodial credit risk is to maintain compliance with Minnesota statutes that require all the HRA-EDA's deposits to be protected by insurance, surety bond, or pledged collateral. As of December 31, 2024, the HRA-EDA's deposits were not exposed to custodial credit risk.

Hubbard County Park Rapids, Minnesota

Investments

The HRA-EDA had no investments as of December 31, 2024.

Loans/Contracts Receivable

Loans/contracts receivable consists of amounts due from borrowers for the purchase or remodel of housing. The terms of the receivables range from zero to four percent, maturing from October 1, 2025, to September 1, 2039. At December 31, 2024, the HRA-EDA reported loans/contracts receivable (net of allowances) of \$595,147. Of this amount \$186,966 is reported in the HRA General Fund, and \$408,181 is part of the MURL program. An allowance for uncollectible General Fund loans has been established for loans for which collection is doubtful or questionable in the total amount of \$8,599 at December 31, 2024. The principal payments estimated to be received in 2025 on General Fund loans are \$47,923.

Capital Assets

The HRA-EDA's capital asset activity for the year ended December 31, 2024, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 537,040	\$ -	\$ (37,800)	\$ 499,240
Capital assets depreciated				
Buildings	\$ 5,150,834	\$ -	\$ (176,429)	\$ 4,974,405
Equipment	166,886	20,074	(2,012)	184,948
Total capital assets depreciated	\$ 5,317,720	\$ 20,074	\$ (178,441)	\$ 5,159,353
Less: accumulated depreciation for				
Buildings	\$ 916,542	\$ 163,218	\$ (69,163)	\$ 1,010,597
Equipment	109,790	28,006	(1,310)	136,486
Total accumulated depreciation	\$ 1,026,332	\$ 191,224	\$ (70,473)	\$ 1,147,083
Total capital assets depreciated, net	\$ 4,291,388	\$ (171,150)	\$ (107,968)	\$ 4,012,270
Total Capital Assets, Net	\$ 4,828,428	\$ (171,150)	\$ (145,768)	\$ 4,511,510

Hubbard County Park Rapids, Minnesota

Long-Term Debt

Long-term debt outstanding at December 31, 2024, for the HRA-EDA consists of the following:

Long-Term Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Outstanding Balance December 31, 2024
Bank Mortgage	2032	\$2,637/month	5.00	\$ 209,046
Bank Mortgage	2044	\$9,786/month	6.13	1,520,433
Bank Mortgage	2045	\$11,139/month	3.75	1,906,050
Total Long-Term Debt				<u>\$ 3,635,529</u>

Debt Service Requirements

Debt service requirements as of December 31, 2024, are as follows:

Debt Service Requirements as of December 31, 2024

Year Ended December 31	Principal	Interest
2025	\$ 127,585	\$ 172,298
2026	133,795	166,088
2027	140,322	159,561
2028	147,183	152,700
2029	154,399	145,484
2030-2034	828,783	608,324
2035-2039	941,300	399,895
2040-2044	1,103,774	133,948
2045-2049	58,388	19
Total	<u>\$ 3,635,529</u>	<u>\$ 1,938,317</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bank Mortgage	\$ 230,589	\$ -	\$ (21,543)	\$ 209,046	\$ 21,686
Bank Mortgage	1,562,917	-	(42,484)	1,520,433	42,634
Bank Mortgage	1,964,226	-	(58,176)	1,906,050	63,265
Long-Term Liabilities	<u>\$ 3,757,732</u>	<u>\$ -</u>	<u>\$ (122,203)</u>	<u>\$ 3,635,529</u>	<u>\$ 127,585</u>

Hubbard County Park Rapids, Minnesota

Conduit Debt Obligations

Not included in the financial statements are various conduit debt obligations issued under the name of the Hubbard County Housing and Redevelopment Authority-Economic Development Authority. The bonds are not secured by or payable from revenue or assets of the HRA-EDA. Neither the faith and credit nor the taxing power of the HRA-EDA is pledged to the payment of the principal and interest on the bonds nor is the HRA-EDA in any manner obligated to make any appropriations for payments on these bonds. At December 31, 2024, the aggregate principal amount of conduit debt obligations outstanding totaled \$1,465,000.

Prior Period Adjustments

In 2024, the HRA-EDA recorded prior-period adjustments resulting from correction of prior-year errors. Accordingly, the beginning net position has been restated as follows:

Financial Statement Accounts	Hubbard County HRA-EDA
Beginning Net Position (previously reported)	\$ 2,274,747
Cash and cash equivalents	\$ 401
Accounts receivable, net	(14,578)
Taxes receivable	551
Loans/contracts receivable, net	(17,150)
Internal balances	2,378
Accounts payable	(4,775)
General Fund balance/net position	20,718
Prepaid expenses	(4,310)
Depreciable capital assets	18,360
Inventory	(2,714)
Accrued interest	6,649
Deposits	2,159
Unearned rents	(4,135)
Other revenue	30,255
Total adjustments	\$ 33,809
Beginning Net Position (as restated)	\$ 2,308,556

The nature of the prior-period adjustments is attributable to the following corrections:

- Reclassification of cash balances between funds, resulting in changes to reported cash and internal due to/from balances.
- Adjustments to accounts receivable and the related allowance based on timing of accruals.
- Revisions to capital asset balances to capitalize expenditures that had been previously expensed.
- Adjustments to net loan receivable balances.

Hubbard County Park Rapids, Minnesota

- Corrections to inventory balances for items that were either improperly capitalized or no longer on hand and should have been expensed.
- Adjustments to prepaid and accrued balances to reflect amounts properly allocable to the year-end reporting period.
- Revisions to revenue balances.

Required Supplementary Information

Exhibit A-1

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 13,319,923	\$ 13,319,923	\$ 12,877,524	\$ (442,399)
Licenses and permits	235,925	235,925	319,435	83,510
Intergovernmental	3,795,348	3,795,348	4,815,675	1,020,327
Charges for services	965,783	965,783	1,111,445	145,662
Fines and forfeitures	41,900	41,900	44,057	2,157
Investment earnings	751,000	751,000	1,034,817	283,817
Gifts and contributions	195,000	195,000	243,239	48,239
Miscellaneous	287,972	287,972	547,435	259,463
Total Revenues	\$ 19,592,851	\$ 19,592,851	\$ 20,993,627	\$ 1,400,776
Expenditures				
Current				
General government				
Commissioners	\$ 284,746	\$ 284,746	\$ 300,767	\$ (16,021)
District court	170,000	170,000	51,182	118,818
Law library	16,500	16,500	15,323	1,177
Administrator	876,166	876,166	840,225	35,941
County auditor/treasurer	581,973	581,973	573,488	8,485
Elections	161,456	161,456	144,619	16,837
Purchasing	20,750	20,750	20,690	60
Data processing	817,985	817,985	871,931	(53,946)
Attorney	1,192,684	1,192,684	1,068,337	124,347
Recorder	133,350	133,350	78,094	55,256
Surveyor	233,578	233,578	212,564	21,014
Assessor	1,089,029	1,089,029	1,131,457	(42,428)
Passports	5,200	5,200	2,726	2,474
Motor pool	46,800	46,800	26,843	19,957
Buildings and grounds	1,007,009	1,007,009	1,036,213	(29,204)
Veterans service officer	174,645	174,645	173,038	1,607
Insurance	-	-	869	(869)
Other general government	1,247,077	1,247,077	442,999	804,078
Total general government	\$ 8,058,948	\$ 8,058,948	\$ 6,991,365	\$ 1,067,583
Public safety				
Sheriff	\$ 4,215,712	\$ 4,215,712	\$ 4,750,314	\$ (534,602)
Boat and water safety	89,833	89,833	41,356	48,477
Emergency services	56,929	56,929	54,303	2,626
Coroner	50,000	50,000	59,419	(9,419)
SWAT Team	10,000	10,000	5,920	4,080
Enhanced 911	73,999	73,999	100,541	(26,542)
Community corrections	4,256,441	4,256,441	4,584,239	(327,798)
Jail canteen	-	-	31,807	(31,807)
Sentence to serve	175,325	175,325	213,575	(38,250)
Probation and parole	195,350	195,350	165,624	29,726
Total public safety	\$ 9,123,589	\$ 9,123,589	\$ 10,007,098	\$ (883,509)
Human services				
Mahube Community Council	\$ -	\$ -	\$ 604,902	\$ (604,902)

Exhibit A-1
(Continued)

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Public health				
Nursing home	\$ 57,950	\$ 57,950	\$ 61,708	\$ (3,758)
Culture and recreation				
Historical society	\$ 13,000	\$ 13,000	\$ 306,684	\$ (293,684)
Parks	484,242	484,242	225,999	258,243
Regional library	248,711	248,711	253,012	(4,301)
Agricultural society	43,430	43,430	21,715	21,715
Snowmobile and ski trails	186,000	186,000	175,895	10,105
Total culture and recreation	\$ 975,383	\$ 975,383	\$ 983,305	\$ (7,922)
Conservation of natural resources				
County extension	\$ 198,665	\$ 198,665	\$ 170,067	\$ 28,598
Aquatic invasive species	432,672	432,672	394,840	37,832
Soil and water conservation	44,566	44,566	44,566	-
Environmental services	889,770	889,770	850,955	38,815
Natural resources grant	52,352	52,352	134,804	(82,452)
Total conservation of natural resources	\$ 1,618,025	\$ 1,618,025	\$ 1,595,232	\$ 22,793
Economic development				
Economic development	\$ 100,000	\$ 100,000	\$ 154,724	\$ (54,724)
Debt service				
Principal	\$ -	\$ -	\$ 163,526	\$ (163,526)
Interest	-	-	24,752	(24,752)
Total debt service	\$ -	\$ -	\$ 188,278	\$ (188,278)
Total Expenditures	\$ 19,933,895	\$ 19,933,895	\$ 20,586,612	\$ (652,717)
Excess of Revenues Over (Under) Expenditures	\$ (341,044)	\$ (341,044)	\$ 407,015	\$ 748,059
Other Financing Sources (Uses)				
Transfers in	\$ 425,000	\$ 425,000	\$ 323,264	\$ (101,736)
Transfers out	(21,489)	(21,489)	(21,489)	-
Leases issued	-	-	485,032	485,032
Total Other Financing Sources (Uses)	\$ 403,511	\$ 403,511	\$ 786,807	\$ 383,296
Net Change in Fund Balance	\$ 62,467	\$ 62,467	\$ 1,193,822	\$ 1,131,355
Fund Balance – January 1	13,056,740	13,056,740	13,056,740	-
Fund Balance – December 31	\$ 13,119,207	\$ 13,119,207	\$ 14,250,562	\$ 1,131,355

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 4,800,000	\$ 4,800,000	\$ 5,405,498	\$ 605,498
Intergovernmental	6,920,791	6,920,791	7,064,570	143,779
Charges for services	-	-	1,343,453	1,343,453
Investment earnings	-	-	119,599	119,599
Miscellaneous	1,163,250	1,163,250	47,578	(1,115,672)
Total Revenues	\$ 12,884,041	\$ 12,884,041	\$ 13,980,698	\$ 1,096,657
Expenditures				
Current				
Highways and streets				
Administration	\$ 671,225	\$ 671,225	\$ 663,441	\$ 7,784
Maintenance	3,384,555	3,384,555	2,694,932	689,623
Construction	6,348,781	6,348,781	6,584,637	(235,856)
Equipment maintenance and shop	1,242,815	1,242,815	994,266	248,549
Fuel facility	28,291	28,291	35,117	(6,826)
Materials for resale	1,117,750	1,117,750	1,167,075	(49,325)
Other highways and streets	20,195	20,195	25,849	(5,654)
Total highways and streets	\$ 12,813,612	\$ 12,813,612	\$ 12,165,317	\$ 648,295
Intergovernmental				
Highways and streets	\$ 405,335	\$ 405,335	\$ 454,601	\$ (49,266)
Debt service				
Principal	\$ -	\$ -	\$ 22,133	\$ (22,133)
Interest	-	-	1,645	(1,645)
Total debt service	\$ -	\$ -	\$ 23,778	\$ (23,778)
Total Expenditures	\$ 13,218,947	\$ 13,218,947	\$ 12,643,696	\$ 575,251
Net Change in Fund Balance	\$ (334,906)	\$ (334,906)	\$ 1,337,002	\$ 1,671,908
Fund Balance – January 1	9,170,675	9,170,675	9,170,675	-
Increase (decrease) in inventories	-	-	(19,831)	(19,831)
Fund Balance – December 31	\$ 8,835,769	\$ 8,835,769	\$ 10,487,846	\$ 1,652,077

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
Social Services Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 3,025,000	\$ 3,025,000	\$ 3,003,254	\$ (21,746)
Intergovernmental	4,832,010	4,832,010	5,192,428	360,418
Charges for services	639,000	639,000	874,812	235,812
Investment earnings	-	-	431	431
Settlements	-	-	300,617	300,617
Miscellaneous	725,382	725,382	479,775	(245,607)
Total Revenues	\$ 9,221,392	\$ 9,221,392	\$ 9,851,317	\$ 629,925
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,865,675	\$ 2,865,675	\$ 2,864,591	\$ 1,084
Social services	6,317,356	6,317,356	7,113,755	(796,399)
Transportation	608,062	608,062	724,713	(116,651)
Total Expenditures	\$ 9,791,093	\$ 9,791,093	\$ 10,703,059	\$ (911,966)
Net Change in Fund Balance	\$ (569,701)	\$ (569,701)	\$ (851,742)	\$ (282,041)
Fund Balance – January 1	3,099,513	3,099,513	3,099,513	-
Fund Balance – December 31	\$ 2,529,812	\$ 2,529,812	\$ 2,247,771	\$ (282,041)

Exhibit A-4

**Hubbard County
Park Rapids, Minnesota
Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Licenses and permits	\$ 700	\$ 700	\$ 725	\$ 25
Intergovernmental	85,986	85,986	86,753	767
Charges for services	5,120,500	5,120,500	5,065,709	(54,791)
Miscellaneous	20,000	20,000	28,145	8,145
Total Revenues	\$ 5,227,186	\$ 5,227,186	\$ 5,181,332	\$ (45,854)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 3,700,279	\$ 3,700,279	\$ 3,785,015	\$ (84,736)
Recycling	1,295,135	1,295,135	976,237	318,898
Demolition landfill	420,000	420,000	155,632	264,368
Total Expenditures	\$ 5,415,414	\$ 5,415,414	\$ 4,916,884	\$ 498,530
Excess of Revenues Over (Under) Expenditures	\$ (188,228)	\$ (188,228)	\$ 264,448	\$ 452,676
Other Financing Sources (Uses)				
Transfers in	21,489	21,489	21,489	-
Net Change in Fund Balance	\$ (166,739)	\$ (166,739)	\$ 285,937	\$ 452,676
Fund Balance – January 1	1,584,242	1,584,242	1,584,242	-
Fund Balance – December 31	\$ 1,417,503	\$ 1,417,503	\$ 1,870,179	\$ 452,676

Exhibit A-5

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024**

	2024	2023
Total OPEB Liability		
Service cost	\$ 95,017	\$ 89,729
Interest	38,349	23,567
Changes of benefit terms	-	-
Differences between expected and actual experience	(8,662)	(166,324)
Changes of assumption or other inputs	18,929	(99,892)
Benefit payments	(69,779)	(66,841)
Other changes	(38,712)	-
	\$ 35,142	\$ (219,761)
Total OPEB Liability – Beginning	891,359	1,111,120
Total OPEB Liability – Ending	\$ 926,501	\$ 891,359
 Covered-employee payroll	 \$ 18,753,580	 \$ 17,389,446
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 4.94%	 5.13%

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

	2022	2021	2020	2019	2018
\$	122,920	\$ 122,997	\$ 110,222	\$ 97,669	\$ 82,486
	24,365	34,935	41,464	34,714	32,469
	-	-	-	92,123	-
	(44,942)	(105,732)	(23,235)	(78,577)	-
	(600)	(29,285)	33,032	(27,041)	-
	(58,814)	(64,836)	(86,383)	(59,269)	(65,444)
	-	-	-	-	30,830
\$	42,929	\$ (41,921)	\$ 75,100	\$ 59,619	\$ 80,341
	1,068,191	1,110,112	1,035,012	975,393	895,052
\$	1,111,120	\$ 1,068,191	\$ 1,110,112	\$ 1,035,012	\$ 975,393
\$	15,436,892	\$ 15,640,685	\$ 14,437,555	\$ 13,887,636	\$ 13,363,027
	7.20%	6.83%	7.69%	7.45%	7.30%

Exhibit A-6

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Hubbard County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.1801	\$ 6,490,761	\$ 167,876	\$ 6,658,637	\$ 15,703,535	41.33	89.08
2023	0.1737	9,455,882	260,574	9,716,456	14,196,968	66.60	83.10
2022	0.1653	12,719,572	372,881	13,092,453	12,459,375	102.09	76.67
2021	0.1672	7,140,615	218,039	7,358,654	12,364,844	57.75	87.00
2020	0.1620	9,712,640	299,332	10,011,972	12,160,591	79.87	79.06
2019	0.1581	8,740,994	271,655	9,012,649	11,528,130	75.82	80.23
2018	0.1572	8,720,811	285,959	9,006,770	11,284,201	77.28	79.53
2017	0.1533	9,786,570	123,006	9,909,576	10,320,226	94.83	75.90
2016	0.1499	12,171,137	159,004	12,330,141	9,618,314	126.54	68.91
2015	0.1478	7,659,764	N/A	7,659,764	9,012,354	84.99	78.19

The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-7

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024**

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) (%)
2024	\$ 1,158,274	\$ 1,158,274	\$ -	\$ 16,288,957	7.11
2023	1,015,961	1,015,961	-	14,300,199	7.10
2022	937,710	937,710	-	12,933,549	7.25
2021	921,584	921,584	-	12,651,430	7.28
2020	915,057	915,057	-	12,811,274	7.14
2019	850,550	850,550	-	11,692,992	7.27
2018	820,478	820,478	-	11,661,024	7.04
2017	758,901	758,901	-	10,567,075	7.18
2016	718,199	718,199	-	9,887,946	7.26
2015	655,012	655,012	-	9,097,536	7.20

The County's year-end is December 31.

Exhibit A-8

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Hubbard County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.1610	\$ 2,117,558	\$ 80,720	\$ 2,198,278	\$ 2,201,199	96.20	90.17
2023	0.1545	2,668,014	107,521	2,775,535	2,029,355	131.47	86.47
2022	0.1656	7,206,258	314,747	7,521,005	2,011,166	358.31	70.53
2021	0.1477	1,140,087	51,242	1,191,329	1,745,294	65.32	93.66
2020	0.1400	1,845,350	43,474	1,888,824	1,579,319	116.84	87.19
2019	0.1387	1,476,602	N/A	1,476,602	1,462,514	100.96	89.26
2018	0.1350	1,438,961	N/A	1,438,961	1,423,030	101.12	88.84
2017	0.1340	1,809,159	N/A	1,809,159	1,375,562	131.52	85.43
2016	0.1330	5,337,521	N/A	5,337,521	1,277,137	417.93	63.88
2015	0.1290	1,465,742	N/A	1,465,742	1,177,598	124.47	86.61

The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-9

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2024**

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) (%)
2024	\$ 387,622	\$ 387,622	\$ -	\$ 2,189,953	17.70
2023	378,697	378,697	-	2,139,535	17.70
2022	327,751	327,751	-	1,851,700	17.70
2021	352,408	352,408	-	1,991,009	17.70
2020	301,756	301,756	-	1,704,840	17.70
2019	255,882	255,882	-	1,509,998	16.95
2018	232,512	232,512	-	1,435,259	16.20
2017	227,351	227,351	-	1,403,400	16.20
2016	215,093	215,093	-	1,327,734	16.20
2015	195,192	195,192	-	1,204,889	16.20

The County's year-end is December 31.

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

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 (%)
2024	1.0702	\$ 326,183	\$ 2,708,044	12.04	97.54
2023	1.0774	487,039	2,496,323	19.51	95.94
2022	0.9932	3,301,397	2,155,614	153.15	74.58
2021	0.9140	(150,152)	1,997,648	(7.52)	101.61
2020	0.8400	227,926	1,827,913	12.47	96.67
2019	0.8236	114,027	1,742,719	6.54	98.17
2018	0.8483	139,520	1,713,791	8.14	97.64
2017	0.7600	2,166,008	1,524,580	142.07	67.89
2016	0.7900	2,885,981	1,481,175	194.84	58.16
2015	0.7700	119,042	1,382,657	8.61	96.95

The measurement date for each year is June 30.

**Hubbard County
Park Rapids, Minnesota**

Schedule of Contributions

**PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

Year Ending	Statorily Required Contributions (a)	Actual Contributions in Relation to Statorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c) (%)
2024	\$ 251,309	\$ 251,309	-	\$ 2,870,799	8.75
2023	225,543	225,543	-	2,577,636	8.75
2022	196,778	196,778	-	2,248,885	8.75
2021	182,233	182,233	-	2,082,661	8.75
2020	175,932	175,932	-	2,010,655	8.75
2019	153,098	153,098	-	1,749,697	8.75
2018	154,077	154,077	-	1,760,884	8.75
2017	142,684	142,684	-	1,630,677	8.75
2016	131,469	131,469	-	1,502,504	8.75
2015	123,408	123,408	-	1,410,377	8.75

The County's year-end is December 31.

Hubbard County Park Rapids, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2024

Note 1 – General Budget Policies

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

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

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

Note 2 – Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2024:

Excess of Expenditures Over Budget for the Year Ended December 31, 2024

Fund/Function	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Commissioners	\$ 300,767	\$ 284,746	\$ 16,021
Data processing	871,931	817,985	53,946
Assessor	1,131,457	1,089,029	42,428
Buildings and grounds	1,036,213	1,007,009	29,204
Insurance	869	-	869
Public safety			
Sheriff	4,750,314	4,215,712	534,602
Coroner	59,419	50,000	9,419
Enhanced 911	100,541	73,999	26,542
Community corrections	4,584,239	4,256,441	327,798
Jail canteen	31,807	-	31,807
Sentence to serve	213,575	175,325	38,250
Human services			
Mahube Community Council	604,902	-	604,902
Public health			
Nursing home	61,708	57,950	3,758
Culture and recreation			
Historical society	306,684	13,000	293,684
Regional library	253,012	248,711	4,301

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Fund/Function	Expenditures	Final Budget	Excess
Conservation of natural resources			
Natural resources grant	134,804	52,352	82,452
Economic development			
Economic development	154,724	100,000	54,724
Debt service			
Principal	163,526	-	163,526
Interest	24,752	-	24,752
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Construction	6,584,637	6,348,781	235,856
Fuel facility	35,117	28,291	6,826
Materials for resale	1,167,075	1,117,750	49,325
Other highways and streets	25,849	20,195	5,654
Intergovernmental			
Highways and streets	454,601	405,335	49,266
Debt service			
Principal	22,133	-	22,133
Interest	1,645	-	1,645
Social Services Special Revenue Fund			
Current			
Human services			
Social services	7,113,755	6,317,356	796,399
Transportation	724,713	608,062	116,651
Solid Waste Special Revenue Fund			
Current			
Sanitation			
Solid waste	3,785,015	3,700,279	84,736

Note 3 – Employer Contributions to Other Postemployment Benefits

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

Governmental Activities

2024

- Elected officials hired after June 20, 2023, are no longer eligible for post-employment County contributions toward medical insurance. Also, the service accrual for this benefit is frozen as of December 31, 2023.
- The discount rate was changed from 4.00 percent to 3.70 percent.

2023

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public

Hubbard County Park Rapids, Minnesota

Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

2022

- No changes occurred in 2022.

2021

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

2020

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

2019

- The postemployment subsidized benefit provided to elected officials was changed to remove the sunset date of December 31, 2014, for benefit accruals. All elected service is used to determine the postemployment subsidized medical benefit at termination or retirement.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for police and fire employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

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

Hubbard County

Park Rapids, Minnesota

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

Business-Type Activities

2024

- The health care trend rates were updated.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.
- The discount rate changed from 4.40 percent to 4.50 percent.

2023

- The health care trend rates were updated.
- The inflation rate changed from 2.00 percent to 2.50 percent.
- The discount rate changed from 2.30 percent to 4.40 percent.

2022

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

2021

- No changes occurred in 2021.

2020

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

Hubbard County

Park Rapids, Minnesota

2019

- No changes occurred in 2019.

2018

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

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

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

General Employees Retirement Plan

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

Hubbard County Park Rapids, Minnesota

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the

Hubbard County Park Rapids, Minnesota

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

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

2019

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

2018

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

2017

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

Hubbard County Park Rapids, Minnesota

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

2016

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

Public Employees Police and Fire Plan

2024

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.

Hubbard County Park Rapids, Minnesota

- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

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

2021

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

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2018

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

2017

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

Hubbard County Park Rapids, Minnesota

percent per year through 2064 and 2.50 percent thereafter.

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

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.90 percent to 2.20 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Hubbard County Park Rapids, Minnesota

- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.

Hubbard County Park Rapids, Minnesota

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

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

Supplementary Information

**Hubbard County
Park Rapids, Minnesota**

Nonmajor Governmental Funds

Nonmajor Special Revenue Fund

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

Nonmajor Debt Service Fund

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

Nonmajor Permanent Fund

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

**Hubbard County
Park Rapids, Minnesota**
**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024**

	Land Management Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
<u>Assets</u>				
Cash and pooled investments	\$ 2,374,623	\$ 1,507,411	\$ 54,182	\$ 3,936,216
Investment	-	-	467,280	467,280
Taxes receivable – delinquent	-	17,744	-	17,744
Contracts receivable	879,864	-	-	879,864
Total Assets	\$ 3,254,487	\$ 1,525,155	\$ 521,462	\$ 5,301,104
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 5,418	\$ -	\$ -	\$ 5,418
Salaries payable	37,119	-	-	37,119
Due to other funds	324,149	-	-	324,149
Total Liabilities	\$ 366,686	\$ -	\$ -	\$ 366,686
Deferred Inflows of Resources				
Unavailable revenue				
Taxes	\$ -	\$ 17,744	\$ -	\$ 17,744
Land and timber sales	774,441	-	-	774,441
Total Deferred Inflows of Resources	\$ 774,441	\$ 17,744	\$ -	\$ 792,185
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 467,280	\$ 467,280
Restricted	1,040,304	1,507,411	54,182	2,601,897
Committed	133,866	-	-	133,866
Assigned	939,190	-	-	939,190
Total Fund Balances	\$ 2,113,360	\$ 1,507,411	\$ 521,462	\$ 4,142,233
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,254,487	\$ 1,525,155	\$ 521,462	\$ 5,301,104

Exhibit B-2

**Hubbard County
Park Rapids, Minnesota**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2024**

	Land Management Special Revenue Fund	Building Bonds Debt Service Fund	Environmental Trust Permanent Fund	Total
Revenues				
Taxes	\$ -	\$ 814,733	\$ -	\$ 814,733
Intergovernmental	167,855	5,665	-	173,520
Investment earnings	-	22,369	24,712	47,081
Land and timber sales	1,350,221	-	-	1,350,221
Miscellaneous	7,095	-	-	7,095
Total Revenues	\$ 1,525,171	\$ 842,767	\$ 24,712	\$ 2,392,650
Expenditures				
Current				
Conservation of natural resources	\$ 1,108,064	\$ -	\$ 415	\$ 1,108,479
Debt service				
Principal	22,513	725,000	-	747,513
Interest	8,578	95,200	-	103,778
Total Expenditures	\$ 1,139,155	\$ 820,200	\$ 415	\$ 1,959,770
Excess of Revenues Over (Under) Expenditures	\$ 386,016	\$ 22,567	\$ 24,297	\$ 432,880
Other Financing Sources (Uses)				
Transfers out	(323,264)	-	-	(323,264)
Net Change in Fund Balance	\$ 62,752	\$ 22,567	\$ 24,297	\$ 109,616
Fund Balance – January 1	2,050,608	1,484,844	497,165	4,032,617
Fund Balance – December 31	\$ 2,113,360	\$ 1,507,411	\$ 521,462	\$ 4,142,233

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
Land Management Special Revenue Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	\$ 135,000	\$ 135,000	\$ 167,855	\$ 32,855
Land and timber sales	1,638,000	1,638,000	1,350,221	(287,779)
Miscellaneous	8,000	8,000	7,095	(905)
Total Revenues	\$ 1,781,000	\$ 1,781,000	\$ 1,525,171	\$ (255,829)
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	\$ 990,821	\$ 990,821	\$ 961,722	\$ 29,099
Access road	47,000	47,000	7,978	39,022
Forest development	175,500	175,500	112,973	62,527
Miscellaneous	19,200	19,200	25,391	(6,191)
Total conservation of natural resources	\$ 1,232,521	\$ 1,232,521	\$ 1,108,064	\$ 124,457
Debt service				
Principal	\$ -	\$ -	\$ 22,513	\$ (22,513)
Interest	-	-	8,578	(8,578)
Total debt service	\$ -	\$ -	\$ 31,091	\$ (31,091)
Total Expenditures	\$ 1,232,521	\$ 1,232,521	\$ 1,139,155	\$ 93,366
Excess of Revenues Over (Under) Expenditures	\$ 548,479	\$ 548,479	\$ 386,016	\$ (162,463)
Other Financing Sources (Uses)				
Transfers out	(474,500)	(474,500)	(323,264)	151,236
Net Change in Fund Balance	\$ 73,979	\$ 73,979	\$ 62,752	\$ (11,227)
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ 73,979	\$ 73,979	\$ 62,752	\$ (11,227)

Exhibit B-4

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
Building Bonds Debt Service Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 819,700	\$ 819,700	\$ 814,733	\$ (4,967)
Intergovernmental	-	-	5,665	5,665
Investment earnings	-	-	22,369	22,369
Total Revenues	\$ 819,700	\$ 819,700	\$ 842,767	\$ 23,067
Expenditures				
Debt service				
Principal	\$ 819,700	\$ 819,700	\$ 725,000	\$ 94,700
Interest	-	-	95,200	(95,200)
Total Expenditures	\$ 819,700	\$ 819,700	\$ 820,200	\$ (500)
Net Change in Fund Balance	\$ -	\$ -	\$ 22,567	\$ 22,567
Fund Balance – January 1	1,484,844	1,484,844	1,484,844	-
Fund Balance – December 31	\$ 1,484,844	\$ 1,484,844	\$ 1,507,411	\$ 22,567

**Hubbard County
Park Rapids, Minnesota**

**Budgetary Comparison Schedule
Environmental Trust Permanent Fund
For the Year Ended December 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Investment earnings	\$ 2,000	\$ 2,000	\$ 24,712	\$ 22,712
Miscellaneous	5,000	5,000	-	(5,000)
Total Revenues	\$ 7,000	\$ 7,000	\$ 24,712	\$ 17,712
Expenditures				
Current				
Conservation of natural resources				
Natural resources	2,550	2,550	415	2,135
Net Change in Fund Balance	\$ 4,450	\$ 4,450	\$ 24,297	\$ 19,847
Fund Balance – January 1	497,165	497,165	497,165	-
Fund Balance – December 31	\$ 501,615	\$ 501,615	\$ 521,462	\$ 19,847

Hubbard County Park Rapids, Minnesota

Fiduciary Funds

Custodial Funds

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

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

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

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

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

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

Exhibit C-1

**Hubbard County
Park Rapids, Minnesota
Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2024**

	Taxes and Penalties	State Revenue
<u>Assets</u>		
Cash and pooled investments	\$ 137,614	\$ 103,010
Taxes and special assessments receivable for other governments	783,652	-
Due from other funds	119,189	-
Due from other governments	320,436	-
Contracts receivable	-	-
	<hr/>	<hr/>
Total Assets	\$ 1,360,891	\$ 103,010
<u>Liabilities</u>		
Due to others	\$ 49,446	\$ -
Due to other governments	426,809	103,010
	<hr/>	<hr/>
Total Liabilities	\$ 476,255	\$ 103,010
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	\$ 107,304	\$ -
	<hr/>	<hr/>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 777,332	\$ -
	<hr/> <hr/>	<hr/> <hr/>

		Hubbard County		
Jail Canteen	Tax Forfeited Land	Family Services Collaborative	Total Custodial Funds	
\$ 68,509	\$ 479,711	\$ (23,226)	\$ 765,618	
-	-	-	783,652	
-	-	-	119,189	
-	-	-	320,436	
-	151,673	-	151,673	
\$ 68,509	\$ 631,384	\$ (23,226)	\$ 2,140,568	
\$ -	\$ -	\$ -	\$ 49,446	
-	479,711	-	1,009,530	
\$ -	\$ 479,711	\$ -	\$ 1,058,976	
\$ -	\$ -	\$ -	\$ 107,304	
\$ 68,509	\$ 151,673	\$ (23,226)	\$ 974,288	

Exhibit C-2

**Hubbard County
Park Rapids, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2024**

	Taxes and Penalties	State Revenue
<u>Additions</u>		
Contributions from individuals	\$ -	\$ -
Interest earnings	-	-
Property tax collections for other governments	23,592,922	-
Fees collected for state	4,988,000	1,751,964
Payments from state	-	-
Payments from other entities	-	-
	\$ 28,580,922	\$ 1,751,964
<u>Deductions</u>		
Payments of property tax to other governments	\$ 22,236,167	\$ -
Payments to state	4,988,000	1,751,964
Payments to other individuals/entities	263,114	-
	\$ 27,487,281	\$ 1,751,964
Change in Net Position	\$ 1,093,641	\$ -
Net Position – January 1	(316,309)	-
Net Position – December 31	\$ 777,332	\$ -

Jail Canteen	Civil Process	Tax Forfeited Land	Hubbard County Family Services Collaborative	Total Custodial Funds
\$ 322,910	\$ -	\$ -	\$ -	\$ 322,910
-	-	-	750	750
-	-	-	-	23,592,922
-	-	-	-	6,739,964
-	-	-	139,018	139,018
-	469,338	485,761	1,164	956,263
\$ 322,910	\$ 469,338	\$ 485,761	\$ 140,932	\$ 31,751,827
\$ -	\$ -	\$ -	\$ -	\$ 22,236,167
-	-	-	-	6,739,964
285,183	469,338	479,711	455,873	1,953,219
\$ 285,183	\$ 469,338	\$ 479,711	\$ 455,873	\$ 30,929,350
\$ 37,727	\$ -	\$ 6,050	\$ (314,941)	\$ 822,477
30,782	-	145,623	291,715	151,811
\$ 68,509	\$ -	\$ 151,673	\$ (23,226)	\$ 974,288

Other Schedules

Exhibit D-1

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2024**

	<u>Governmental Funds</u>
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 5,534,414
Market value credit	139,608
Police aid	277,460
County program aid	1,333,571
Enhanced 911	192,440
Out-of-home placement aid	51,019
Cannabis aid	2,114
Statewide local housing aid	101,312
Local homeless prevention aid	6,469
Select Committee on Recycling and the Environment (SCORE)	86,753
Riparian protection aid	40,000
Aquatic invasive species aid	263,911
	<u>8,029,071</u>
Total appropriations and shared revenue	\$ 8,029,071
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ <u>1,203,891</u>
Payments	
State	
Payments in lieu of taxes	\$ <u>1,269,659</u>
Grants	
State	
Minnesota Department of Corrections	\$ 16,560
Human Services	1,481,382
Natural Resources	239,646
Public Safety	8,392
Transportation	405,460
Veterans Affairs	10,000
Board of Water and Soil Resources	167,518
Historical Society	47,465
Secretary of State	67,291
	<u>2,443,714</u>
Total state	\$ 2,443,714
Federal	
Department of Agriculture	\$ 294,782
Justice	1,839
Transportation	1,904,562
Health and Human Services	2,159,925
Homeland Security	25,503
	<u>4,386,611</u>
Total federal	\$ 4,386,611
Total state and federal grants	\$ 6,830,325
Total Intergovernmental Revenue	\$ <u>17,332,946</u>

Exhibit D-2

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	<u>\$ 294,782</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Missing Children's Assistance	16.543	225101	<u>\$ 1,839</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	1052112	\$ 1,820,431
Recreational Trails Program	20.219	0017-24-1A	31,450
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1054526	181,609
Federal Transit Cluster			
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	Agr#1057875	82,678
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC24-2024-HUBBO-058	2,210
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$19,896)	20.600	A-OFFICR24-2024-HUBBSO-028	17,686
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC24-2024-HUBBO-058	858
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$38,928)	20.608	A-OFFICR24-2024-HUBBSO-028	38,070
Total U.S. Department of Transportation			<u>\$ 2,174,992</u>
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2301MNFPS	\$ 5,387
Temporary Assistance for Needy Families	93.558	2401MNTANF	232,015
Child Support Services	93.563	2301MNCSES	424,851
Child Support Services (Total Child Support Services 93.563 \$466,267)	93.563	2301MNCES	41,416
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2401MNRCMA	2,275
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCCDF	6,365
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	6,794
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	2,304
Foster Care – Title IV-E	93.658	2401MNFOST	197,713
Social Services Block Grant	93.667	2401MNSOSR	137,880
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	1,037
Children's Health Insurance Program	93.767	2305MN5021	494
Medicaid Cluster			
Medical Assistance Program	93.778	2405MN5ADM	1,020,858
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,028,004)	93.778	2405MN5MAP	7,146
Total U.S. Department of Health and Human Services			<u>\$ 2,086,535</u>

Exhibit D-2
(Continued)

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2022-HUBBARCO-4186	\$ <u>25,503</u>
Total Federal Awards			\$ <u>4,583,651</u>

Hubbard County did not pass any federal awards through to subrecipients during the year ended December 31, 2024.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 294,782
Total expenditures for Federal Transit Cluster	82,678
Total expenditures for Highway Safety Cluster	19,896
Total expenditures for CCDF Cluster	6,365
Total expenditures for Medicaid Cluster	1,028,004

Hubbard County Park Rapids, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hubbard County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hubbard County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hubbard County.

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

Note 2 – De Minimis Cost Rate

Hubbard County has elected to not use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rates, as applicable, allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,386,611
Grants received more than 60 days after year-end, considered unavailable revenue in 2024	
Highway Planning and Construction (Assistance Listing Number 20.205)	314,465
MaryLee Allen Promoting Safe and Stable Families (Assistance Listing Number 93.556)	646
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (Assistance Listing Number 93.566)	676
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	1,152
Foster Care – Title IV-E (Assistance Listing Number 93.658)	2,710
Unavailable revenue in 2023, recognized as revenue in 2024	
Formula Grants for Rural Areas and Tribal Transit Program (Assistance Listing Number 20.509)	(44,035)
MaryLee Allen Promoting Safe and Stable Families (Assistance Listing Number 93.556)	(716)
Temporary Assistance for Needy Families (Assistance Listing Number 93.558)	(77,146)
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	(712)
Expenditures per Schedule of Expenditures of Federal Awards	\$ 4,583,651

Management and Compliance Section



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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hubbard County, Minnesota, as of and for the year ended December 31, 2024, including the business-type activities and Heritage Community Enterprise Fund as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 19, 2025. Our report includes a reference to other auditors who audited the financial statements of the business-type activities, Heritage Community Enterprise Fund, and the Hubbard County Housing Redevelopment and Economic Development Authority (HRA-EDA) discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hubbard County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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

the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-002 and 2024-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Hubbard County’s Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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

May 19, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor



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

Independent Auditor's Report

Board of County Commissioners
Hubbard County
Park Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hubbard County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Hubbard County's major federal programs for the year ended December 31, 2024. Hubbard County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Hubbard County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

May 19, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

**Hubbard County
Park Rapids, Minnesota**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024**

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over the major federal programs:

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

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

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

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
93.563	Child Support Services

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

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

Section II – Financial Statement Findings

2024-001 Documenting and Monitoring Internal Controls

Prior Year Finding Number: 2023-001

Year of Finding Origination: 2007

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: County management is responsible for establishing and maintaining internal control over financial reporting. This responsibility requires performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management,

Hubbard County Park Rapids, Minnesota

and for external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Condition: Hubbard County maintains narratives to document the controls in place over its significant transaction cycles. However, there are no formal risk assessment and monitoring procedures in place to determine if the internal controls are still effective or if changes are needed to maintain a sound internal control structure.

Context: Local governments may establish controls but fail to review those controls periodically to ensure they are appropriate for the changes that take place over time.

Effect: The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes that reduce or negate the effectiveness of internal controls may go unnoticed without a formal and timely risk assessment and monitoring process in place.

Cause: The County has informed us that it lacks resources dedicated to establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring of those controls.

Recommendation: Hubbard County management should develop a formal plan to assess risk and monitor the internal control structure on a regular basis and at least annually. The County should also document the monitoring activity to show the results of the review, any changes required, and who performed the work.

View of Responsible Official: Concur

2024-002 Audit Adjustment

Prior Year Finding Number: 2023-002

Year of Finding Origination: 2021

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or a 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: A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

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

Effect: The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: the General Fund required an adjustment to decrease cash and increase due from other

Hubbard County Park Rapids, Minnesota

funds by \$2,721,987 to account for the reimbursement due from the Heritage Community Enterprise Fund for expenditures that were covered by the General Fund.

Cause: Staff overlooked this activity when financial statement information was prepared.

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

View of Responsible Official: Concur

2024-003 **Cash Reconciliation**

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

Condition: During 2024, cash reconciliations were not completed between the Treasurer's cash system and the general ledger. A review of the County's cash identified the following:

- cash of \$2,721,987 was provided to the Heritage Community Enterprise Fund which was recorded in the Treasurer's cash system but not recorded in the general ledger;
- ACH payments of \$656,403 were posted to the tax system and recorded in the Treasurer's cash system but not recorded in the general ledger;
- cash was mistakenly increased by \$555,745 instead of investment earnings when the interest receivable entry was recorded in the general ledger; and
- a remaining immaterial unidentified difference.

Context: The County did not complete a year-end reconciliation of the cash balance and did not identify accounting errors made during the year.

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

Cause: The County indicated they have not been able to reconcile the cash due to time constraints, limited personnel, and changes in job duties.

Recommendation: We recommend the County balance the cash to ensure all activity has been recorded and perform monthly reconciliations of the cash balance between the Treasurer's cash system and the general ledger.

Hubbard County

Park Rapids, Minnesota

View of Responsible Official: Concur

2024-004 **Taxes and Penalties Custodial Fund Reconciliation**

Prior Year Finding Number: 2023-004

Year of Finding Origination: 2022

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

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

- the General Fund was overpaid \$119,189 from the November 2024 tax settlement;
- payments in lieu of tax of \$49,446 were not distributed to taxing districts;
- ACH payments of \$656,403 were posted to the tax system but were not recorded in the general ledger; and
- a remaining immaterial unidentified difference.

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

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

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

Recommendation: We recommend the County implement procedures to reconcile the balance of the Taxes and Penalties Custodial Fund at least annually at year-end to ensure activity is accurately recorded.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Hubbard County Auditor – Treasurer

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**Representation of Hubbard County
Park Rapids, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2024

Finding Number: 2024-001

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Marie Knutson, Hubbard County Auditor-Treasurer

Corrective Action Planned:

Hubbard County has engaged a financial consultant to review county financial transactions processing and systems with the intention of implementing a new set of internal controls. Controls will be developed, and staff will be trained. Staff are in the process of financial policy review and have established a financial team group that meets quarterly.

Anticipated Completion Date:

December 31, 2026

Finding Number: 2024-002

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Marie Knutson, Hubbard County Auditor-Treasurer

Corrective Action Planned:

Hubbard County has engaged a financial consultant to review county audit adjustments and work with staff to create a set of procedures of balancing and verification. All JE and Audit adjustments will be entered into the county financial system within thirty days of receipt or discrepancy identified. Staff have worked on segregation of duties within the department to allow for scrutiny of financial activity.

Anticipated Completion Date:

August 31, 2026



Hubbard County Auditor – Treasurer

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Finding Number: 2024-003

Finding Title: Cash Reconciliation

Name of Contact Person Responsible for Corrective Action:

Robin Hansen, Hubbard County Finance Manager

Corrective Action Planned:

Cash reconciliation will be administered between the auditor side and treasurer side monthly after the bank statements are reconciled. Differences between records and balances will be documented, reviewed and resolved in a timely manner.

Anticipated Completion Date:

August 31, 2026

Finding Number: 2024-004

Finding Title: Taxes and Penalties Custodial Fund Reconciliation

Name of Contact Person Responsible for Corrective Action:

Marie Knutson, Hubbard County Auditor-Treasurer

Corrective Action Planned:

Staff have worked to create a procedure for reconciliation between the tax system and the IFS accounting system. Reconciliation will be performed monthly and performed again following the processing of tax settlements. The balancing and verification of each system are done by separate staff to ensure there is a multi-step review for accuracy between revenue and disbursements.

Anticipated Completion Date:

September 30, 2025



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Representation of Hubbard County Park Rapids, Minnesota

Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2024

Finding Number: 2023-001

Year of Finding Origination: 2007

Finding Title: Documenting and Monitoring Internal Controls

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

Summary of Corrective Action Previously Reported: Hubbard County has engaged a financial consultant to review county financial transactions processing and systems with the intention of implementing a new set of internal controls. Controls will be developed, and staff will be trained.

Status: Not Corrected. The County is in review of the financial policies with the Board. An internal financial group has been established to meet quarterly. The County has reorganized the Auditor-Treasurer department and added one staff position in 2025. With these changes, the County should have the capacity to complete and correct.

Finding Number: 2023-002

Year of Finding Origination: 2021

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: Hubbard County has engaged a financial consultant to review county financial transactions processing and systems with the intention of implementing a new set of internal controls. All JE and Audit adjustments will be entered into the county financial system within thirty days of receipt.

Status: Not Corrected. Staffing issues and turnover played a large factor in this remaining uncorrected. County continues to work with financial consultants, have implemented segregation of duties within the department to allow for more scrutiny of financial activity.



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Finding Number: 2023-003

Year of Finding Origination: 2022

Finding Title: Bank Reconciliation

Summary of Condition: During 2023, the County delayed making needed adjustments to correct timing delays and errors recorded in cash in the general ledger. The adjustments relate to activity up to ten months prior to year-end.

Summary of Corrective Action Previously Reported: Hubbard County has engaged a financial consultant to review county financial transactions processing and systems with the intention of implementing a new set of internal controls. Controls will be developed, and staff will be trained.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2023-004

Year of Finding Origination: 2022

Finding Title: Taxes and Penalties Custodial Fund Reconciliation

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

- the County did not record an interfund loan of \$538,891 needed due to a cash deficit;
- collections in the current and prior year of \$94,279 were not settled or distributed by the third settlement date;
- a remaining unidentified difference of \$195,501.

Summary of Corrective Action Previously Reported: Staff have worked with tax system vendors to identify errors in the county tax and reconciliation process and have corrected them. Tax calculations, distributions and reconciliations will be correct for tax year 2025 and forward.

Status: Not Corrected. Staff have since worked to create a procedure for reconciliation between the tax system and the IFS accounting system. Reconciliation has been performed monthly and performed again following the processing of tax settlements. The balancing and verification of each system are done by separate staff to ensure there is a multi-step review for accuracy between revenue and disbursements.



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Finding Number: 2023-005

Year of Finding Origination: 2023

Finding Title: Tax Levy

Summary of Condition: During 2023, the County did not include \$489,083 of school district property taxes in the amounts assessed to property taxpayers.

Summary of Corrective Action Previously Reported: Staff have worked with tax system vendors to identify errors in the county tax and reconciliation process and have corrected them. Tax calculations, distributions and reconciliations will be correct for tax year 2025 and forward.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2022-007

Year of Finding Origination: 2021

Finding Title: Reporting – LCTS Spending Report

Program: 93.778 Medical Assistance Program

Summary of Condition: Reviewing the 2023 LCTS Annual Spending Report, we noted that the amounts reported as spent reflected funds paid to the recipient school districts rather than the spending of the funds by the school districts on the Hubbard County Family Services' behalf. The classification of reported amounts into the specific spending categories was estimated based on set allocation rates rather than the actual uses of the funds. Support for the allocation rates used could not be provided.

Summary of Corrective Action Previously Reported: The School Districts within the LCTS did not follow the correct reporting procedures, despite the County and DHS informing them of the procedures. In discussions with DHS it was decided that the funding will be withheld in the future until the proper reporting is completed. The collaborative board completed a new Interagency Agreement and has designated Mahube-Otwa as the Fiscal Agency for reporting, claiming, and receiving payments.

Status: Not Corrected. With change of staff, continued collaborative efforts have been made between the school districts, Mahube-Otwa and the County. This action has allowed for this to be corrected moving forward.