State of Minnesota

Office of the State Audit

Julie Blaha
State Auditor

Martin County
Fairmont, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

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

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

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

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

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

Martin County
Fairmont, Minnesota

Year Ended December 31, 2022

Audit Practice Division
Office of the State Auditor
State of Minnesota

Martin County
Fairmont, Minnesota

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Martin County
Fairmont, Minnesota

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Introductory Section

Martin County
Fairmont, Minnesota

Organization
2022

Office	Name	Term Expires
Commissioners		
1st District	Elliot Belgard*	January 2025
2nd District	James Forshee	January 2023
3rd District	Kathy Smith	January 2025
4th District	Richard Koons	January 2027
5th District	Steven Flohrs	January 2025
Officers		
Elected		
Interim Attorney	Taylor McGowan	January 2023
Interim Auditor/Treasurer	Michael Forstner	January 2023
Judge	Michael D. Trushenski	January 2025
County Recorder	Diane Sanders	January 2023
Sheriff	Jeff Markquart	January 2027
Surveyor	Ben Madsen	January 2027
Appointed		
Assessor	Mike Sheplee	December 2024
Highway Engineer	Kevin Peyman	April 2026
Medical Examiner	Dr. Kelly Mills	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Trushenski	Indefinite
County Coordinator	Scott Higgins	Indefinite

*Chair

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Martin County
Fairmont, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

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substantial doubt shortly thereafter.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

September 11, 2023

Management’s Discussion and Analysis

Martin County
Fairmont, Minnesota

Management's Discussion and Analysis
December 31, 2022
(Unaudited)

As management of Martin County, we offer readers of the Martin County financial statements this narrative overview and analysis of the financial activities of Martin County for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets and deferred outflows of resources of Martin County exceeded its liabilities and deferred inflows of resources at the close of 2022 by $123,799,405. Of this amount, $22,755,533 (unrestricted net position) may be used to meet Martin County's ongoing obligations to citizens and creditors.
- Martin County's total net position increased by $10,055,172 in 2022.
- At the close of 2022, Martin County's governmental funds reported combined ending fund balances of $41,808,911, of which $10,256,563 is unassigned and is available for spending at the County's discretion.
- At the close of 2022, unassigned fund balance for the General Fund was $14,413,227, or 98.71 percent, of total General Fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. Martin County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $123,799,405 at the close of 2022. The largest portion of Martin County's net position (70.2 percent) reflects its investment in capital assets (for example, land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2021	2022
Assets		
Current and other assets	$ 60,012,316	$ 62,532,042
Capital assets	89,146,495	94,685,955
Total Assets	$ 149,158,811	$ 157,217,997
Deferred Outflows of Resources	$ 4,634,429	$ 6,007,874
Liabilities		
Long-term liabilities outstanding	$ 30,356,741	$ 36,953,874
Other liabilities	4,006,657	1,901,892
Total Liabilities	$ 34,363,398	$ 38,855,766
Deferred Inflows of Resources	$ 5,685,609	$ 570,700
Net Position		
Net investment in capital assets	$ 83,774,080	$ 86,861,547
Restricted	11,487,214	14,182,325
Unrestricted	18,482,939	22,755,533
Total Net Position	$ 113,744,233	$ 123,799,405

The unrestricted net position amount of $22,755,533 as of December 31, 2022, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

The following table summarizes the changes in net position for 2022.

Changes in Governmental Net Position

		2021		2022
Revenues				
Program revenues				
Fees, charges, fines, and other	$	4,681,017	$	10,556,643
Operating grants and contributions		8,244,820		13,867,570
Capital grants and contributions		241,161		471,231
General revenues				
Property taxes		17,693,573		18,360,295
Other		2,139,914		975,303
Total Revenues	$	33,000,485	$	44,231,042
Expenses				
General government	$	7,643,199	$	7,613,568
Public safety		5,198,598		6,494,842
Highways and streets		7,328,272		8,878,814
Sanitation		563,191		634,768
Human services		3,189,505		3,829,992
Culture and recreation		866,334		998,939
Conservation of natural resources		4,861,688		4,958,062
Economic development		186,818		157,831
Interest		590,134		609,054
Total Expenses	$	30,427,739	$	34,175,870
Change in Net Position	$	2,572,746	$	10,055,172
Net Position – January 1		111,171,487		113,744,233
Net Position – December 31	$	113,744,233	$	123,799,405

Financial Analysis of The County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $41,808,911. Of this amount, $10,256,563 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Martin County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $14,413,227, while the total fund balance was $18,755,642. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to annual expenditures. Unassigned fund balance represents 98.71 percent of total General Fund expenditures for 2022, while total fund balance represents 128.45 percent of total General Fund expenditures. In 2022, the total fund balance in the General Fund increased by $3,375,899, with unassigned fund balance increasing by $2,533,040, assigned fund balances decreasing by $11,086, and restricted fund balance increasing by $853,945.

In 2022, the Road and Bridge Special Revenue Fund showed excess revenues and other financing sources over expenditures of $2,607,139 and a decrease in inventories of $904 for a net increase in fund balance of $2,606,235. The primary source of funding is intergovernmental state aid, followed by property taxes. State aid revenue fluctuates annually, and recognition is dependent on the status of state funded projects. The County incurred less construction costs that were covered by taxes in 2022, resulting in an increase in fund balance.

In 2022, the Human Services Special Revenue Fund's fund balance decreased by $102,053. The decrease in fund balance was due to the County levying a lower amount and using the fund's reserves.

In 2022, the Ditch Special Revenue Fund's fund balance decreased by $788,570 to ($235,732). The decrease in fund balance was planned and accounts for the complete spend down of bonds issued in 2020 for various ditch repairs and improvements. There were two projects that occurred but have not been levied and will be bonded.

In 2022, the Building Capital Projects Fund's fund balance decreased by $2,088,032. The County spent down the 2020 bond proceeds as work progressed on the courthouse exterior restoration, garage, and generator projects.

General Fund Budgetary Highlights

No budget amendments were made for 2022. There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by $2,844,569, or 19.37 percent, primarily due to taxes and intergovernmental revenue exceeding budget. The County has historically not budgeted for power line taxes and market value credits. Total expenditures were over budget by $26,172, or 0.18 percent.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounts to $94,685,955 (net of accumulated depreciation and amortization). This investment in capital assets includes land and right-of-way, construction in progress, buildings and improvements, land improvements, machinery, furniture, and equipment, infrastructure, and vehicles. The total increase in the County's investment in capital assets, net of depreciation, for the current fiscal year was $5,539,460.

Governmental Capital Assets
(Net of Depreciation/Amortization)

	2021	2022
Land and right-of-way	$ 1,328,711	$ 1,328,711
Construction in progress	4,038,700	6,973,418
Buildings and improvements	4,078,450	3,963,791
Land improvements	29,688	27,630
Machinery, furniture, and equipment	1,916,655	1,873,504
Infrastructure	76,821,284	79,228,593
Vehicles	933,007	1,290,308
Total	$ 89,146,495	$ 94,685,955

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

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding of $22,088,000, which is backed by the full faith and credit of the government.

Governmental Outstanding Debt

	2021	2022
General obligation bonds	$ 23,299,000	$ 22,088,000

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

Minnesota statutes limit the amount of debt that a county may levy to three percent of its total market value. As of the end of 2022, Martin County is well below the three percent debt limit imposed by state statutes.

Economic Factors and Next Year's Budgets

The County is dependent on the State of Minnesota for a significant portion of its revenue. The County Board approved an expenditure budget of $33,741,006 for 2023, which represents an increase over the 2022 Board adopted budget. The increase reflects the County's planned investment in infrastructure and technology.

Requests For Information

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

Basic Financial Statements

Government-Wide Financial Statements

Martin County
Fairmont, Minnesota

Exhibit 1

Statement of Net Position
Governmental Activities
December 31, 2022

Assets		
Cash and pooled investments	$	41,690,066
Petty cash and change funds		1,187
Taxes receivable – delinquent		319,196
Special assessments receivable		
Delinquent		67,475
Noncurrent		14,016,861
Accounts receivable		58,556
Accrued interest receivable		47,764
Loan receivable		248,271
Leases receivable		70,053
Due from other governments		4,958,592
Inventories		1,054,021
Capital assets		
Non-depreciable or amortizable		8,302,129
Depreciable or amortizable – net of accumulated depreciation and amortization		86,383,826
Total Assets	**$**	**157,217,997**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	175,212
Deferred pension outflows		5,832,662
Total Deferred Outflows of Resources	**$**	**6,007,874**
Liabilities		
Accounts payable	$	335,369
Salaries payable		353,946
Contracts payable		1,030,484
Due to other governments		66,763
Accrued interest payable		20,802
Unearned revenue		94,528
Long-term liabilities		
Due within one year		2,235,628
Due in more than one year		21,630,876
Other postemployment benefits liability		1,477,576
Net pension liability		11,609,794
Total Liabilities	**$**	**38,855,766**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	270,749
Deferred pension inflows		228,788
Deferred lease inflows		71,163
Total Deferred Inflows of Resources	**$**	**570,700**

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

Martin County
Fairmont, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
Governmental Activities
December 31, 2022

Net Position

Net investment in capital assets	$	86,861,547
Restricted for		
General government		584,894
Public safety		1,190,824
Highways and streets		4,834,981
Sanitation		2,231,107
Culture and recreation		821,980
Conservation of natural resources		3,074,963
Economic development		284,631
Debt service		1,048,522
Opioid remediation activities		110,423
Unrestricted		22,755,533
Total Net Position	**$**	**123,799,405**

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

Martin County
Fairmont, Minnesota

Exhibit 2

Statement of Activities
Governmental Activities
For the Year Ended December 31, 2022

		Program Revenues			
	Expenses	**Fees, Charges, Fines, and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 7,613,568	$ 1,209,614	$ 4,222,289	$ -	$ (2,181,665)
Public safety	6,494,842	343,564	251,717	-	(5,899,561)
Highways and streets	8,878,814	444,022	8,714,052	471,231	750,491
Sanitation	634,768	716,709	72,440	-	154,381
Human services	3,829,992	-	110,423	-	(3,719,569)
Culture and recreation	998,939	129,312	-	-	(869,627)
Conservation of natural resources	4,958,062	7,685,072	470,000	-	3,197,010
Economic development	157,831	28,350	26,649	-	(102,832)
Interest	609,054	-	-	-	(609,054)
Total Governmental Activities	**$ 34,175,870**	**$ 10,556,643**	**$ 13,867,570**	**$ 471,231**	**$ (9,280,426)**

General Revenues	
Property taxes	$ 18,360,295
Mortgage registry and deed tax	17,441
Wind power production tax	289,579
Wheelage tax	220,028
Grants and contributions not restricted to specific programs	1,706,050
Unrestricted investment earnings	(1,290,015)
Gain on sale of capital assets	32,220
Total general revenues	**$ 19,335,598**
Change in net position	**$ 10,055,172**
Net Position – January 1	**113,744,233**
Net Position – December 31	**$ 123,799,405**

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

Fund Financial Statements

Governmental Funds

Martin County
Fairmont, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 18,693,390	$ 10,222,430
Petty cash and change funds	1,137	50
Taxes receivable – delinquent	190,215	45,966
Special assessments receivable		
Delinquent	5,610	-
Noncurrent	522,597	-
Accounts receivable	58,556	-
Accrued interest receivable	47,764	-
Loans receivable	-	-
Lease receivable	70,053	-
Due from other governments	66,696	4,161,615
Advances to other funds	546,041	-
Inventories	-	1,054,021
Total Assets	**$ 20,202,059**	**$ 15,484,082**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 217,001	$ 49,595
Salaries payable	260,413	93,533
Contracts payable	-	-
Due to other governments	41,424	4,650
Unearned revenue	94,528	-
Advances from other funds	-	-
Total Liabilities	**$ 613,366**	**$ 147,778**
Deferred Inflows of Resources		
Unavailable revenue	$ 761,888	$ 4,190,804
Leases	71,163	-
Total Deferred Inflows of Resources	**$ 833,051**	**$ 4,190,804**

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

Exhibit 3

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,431,182	$ -	$ 5,643,765	$ 3,699,299	$ 41,690,066
-	-	-	-	1,187
68,289	-	8,109	6,617	319,196
-	-	-	61,865	67,475
-	13,494,264	-	-	14,016,861
-	-	-	-	58,556
-	-	-	-	47,764
-	-	-	248,271	248,271
-	-	-	-	70,053
-	730,281	-	-	4,958,592
-	-	-	-	546,041
-	-	-	-	1,054,021
$ 3,499,471	**$ 14,224,545**	**$ 5,651,874**	**$ 4,016,052**	**$ 63,078,083**
$ -	$ 33,178	$ 10,979	$ 24,616	$ 335,369
-	-	-	-	353,946
-	435,334	595,150	-	1,030,484
-	20,689	-	-	66,763
-	-	-	-	94,528
-	546,041	-	-	546,041
$ -	**$ 1,035,242**	**$ 606,129**	**$ 24,616**	**$ 2,427,131**
$ 68,289	$ 13,425,035	$ 8,109	$ 316,753	$ 18,770,878
-	-	-	-	71,163
$ 68,289	**$ 13,425,035**	**$ 8,109**	**$ 316,753**	**$ 18,842,041**

Martin County
Fairmont, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 1,054,021
Advances to other funds	546,041	-
Restricted for		
Law library	109,076	-
Sheriff's contingency	5,000	-
Prosecutorial purposes	6,428	-
E-911 system	790,688	-
Recorder's equipment purchases	457,043	-
Endowments	1,036	-
Victim assistance	45,851	-
Supervision fees	24,833	-
Veteran's van	18,055	-
Inmate commissary	25,938	-
Conceal and carry	292,086	-
Aquatic invasive species aid	511,422	-
Riparian aid	474,857	-
Library capital improvement	109,734	-
Library	711,210	-
Steve Donnelly award	720	-
Capital projects	-	-
Ditch maintenance and construction	-	-
Solid waste	-	-
Economic development	-	-
Opioid Remediation	-	-
Debt service	-	-
Committed for human services	-	-
Assigned to		
Forfeited land	133,835	-
Ditch camera replacement	26,088	-
Computer/tax systems	52,474	-
Road and bridge	-	10,091,479
Building projects	-	-
Unassigned	14,413,227	-
Total Fund Balances	**$ 18,755,642**	**$ 11,145,500**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 20,202,059**	**$ 15,484,082**

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

Exhibit 3

(Continued)

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 1,054,021
-	-	-	-	546,041
-	-	-	-	109,076
-	-	-	-	5,000
-	-	-	-	6,428
-	-	-	-	790,688
-	-	-	-	457,043
-	-	-	-	1,036
-	-	-	-	45,851
-	-	-	-	24,833
-	-	-	-	18,055
-	-	-	-	25,938
-	-	-	-	292,086
-	-	-	-	511,422
-	-	-	-	474,857
-	-	-	-	109,734
-	-	-	-	711,210
-	-	-	-	720
-	-	1,095,577	-	1,095,577
-	3,920,932	-	-	3,920,932
-	-	-	2,231,107	2,231,107
-	-	-	284,631	284,631
-	-	-	110,423	110,423
-	-	-	1,048,522	1,048,522
3,431,182	-	-	-	3,431,182
-	-	-	-	133,835
-	-	-	-	26,088
-	-	-	-	52,474
-	-	-	-	10,091,479
-	-	3,942,059	-	3,942,059
-	(4,156,664)	-	-	10,256,563
$ 3,431,182	**$ (235,732)**	**$ 5,037,636**	**$ 3,674,683**	**$ 41,808,911**
$ 3,499,471	**$ 14,224,545**	**$ 5,651,874**	**$ 4,016,052**	**$ 63,078,083**

Martin County
Fairmont, Minnesota

Exhibit 4

Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Position December 31, 2022

Fund balances – total governmental funds (Exhibit 3)		**$ 41,808,911**
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.		94,685,955
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		18,770,878
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.		
Deferred outflows related to other postemployment benefits		175,212
Deferred inflows related to other postemployment benefits		(270,749)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.		
Deferred outflows related to pensions		5,832,662
Deferred inflows related to pensions		(228,788)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(20,802)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (22,088,000)	
Premium on bonds	(717,464)	
Leases payable	(327,652)	
Compensated absences	(733,388)	
Other postemployment benefits liability	(1,477,576)	
Net pension liability	(11,609,794)	(36,953,874)
Net Position of Governmental Activities (Exhibit 1)		**$ 123,799,405**

Martin County
Fairmont, Minnesota

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

	General	Road and Bridge
Revenues		
Taxes	$ 11,479,597	$ 2,687,367
Special assessments	89,506	-
Licenses and permits	71,316	-
Intergovernmental	6,039,469	10,736,326
Settlements	-	-
Charges for services	332,406	16,064
Fines and forfeits	22,081	-
Investment earnings (loss)	(1,294,216)	-
Miscellaneous	788,906	427,958
Total Revenues	**$ 17,529,065**	**$ 13,867,715**
Expenditures		
Current		
General government	$ 6,823,819	$ -
Public safety	5,983,502	-
Highways and streets	-	10,569,419
Sanitation	-	-
Culture and recreation	927,990	-
Conservation of natural resources	142,088	-
Economic development	108,136	-
Intergovernmental		
Highways and streets	-	717,802
Human services	-	-
Capital outlay		
General government	483,315	-
Public safety	-	-
Highways and streets	-	10,234
Debt service		
Principal	125,898	2,226
Interest and fiscal charges	7,099	210
Bond issuance costs	-	-
Total Expenditures	**$ 14,601,847**	**$ 11,299,891**
Excess of Revenues Over (Under) Expenditures	**$ 2,927,218**	**$ 2,567,824**

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

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,658,939	$ -	$ 624,425	$ 362,007	$ 18,812,335
-	2,494,626	-	625,820	3,209,952
-	-	-	-	71,316
69,000	441,000	6,584	79,245	17,371,624
-	-	-	110,423	110,423
-	-	-	1,080	349,550
-	-	-	-	22,081
-	132,154	-	-	(1,162,062)
-	1,586,762	212,820	125,422	3,141,868
$ 3,727,939	**$ 4,654,542**	**$ 843,829**	**$ 1,303,997**	**$ 41,927,087**
$ -	$ -	$ 119,190	$ -	$ 6,943,009
-	-	-	-	5,983,502
-	-	-	-	10,569,419
-	-	-	634,768	634,768
-	-	-	-	927,990
-	4,008,992	-	-	4,151,080
-	-	-	49,695	157,831
-	-	-	-	717,802
3,829,992	-	-	-	3,829,992
-	-	1,831,323	-	2,314,638
-	-	973,848	-	973,848
-	-	-	-	10,234
-	956,000	-	255,000	1,339,124
-	478,120	-	178,578	664,007
-	-	7,500	-	7,500
$ 3,829,992	**$ 5,443,112**	**$ 2,931,861**	**$ 1,118,041**	**$ 39,224,744**
$ (102,053)	**$ (788,570)**	**$ (2,088,032)**	**$ 185,956**	**$ 2,702,343**

Martin County
Fairmont, Minnesota

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

	General	Road and Bridge
Other Financing Sources (Uses)		
Sale of capital assets	$ 3,139	$ 29,081
Leases issued	445,542	10,234
Total Other Financing Sources (Uses)	**$ 448,681**	**$ 39,315**
Net Change in Fund Balances	**$ 3,375,899**	**$ 2,607,139**
Fund Balances – January 1	**15,379,743**	**8,539,265**
Increase (decrease) in inventories	**-**	**(904)**
Fund Balances – December 31	**$ 18,755,642**	**$ 11,145,500**

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

Exhibit 5

(Continued)

Human Services	Ditch	Building	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 32,220
-	-	-	-	455,776
$ -	**$ -**	**$ -**	**$ -**	**$ 487,996**
$ (102,053)	**$ (788,570)**	**$ (2,088,032)**	**$ 185,956**	**$ 3,190,339**
3,533,235	**552,838**	**7,125,668**	**3,488,727**	**38,619,476**
-	**-**	**-**	**-**	**(904)**
$ 3,431,182	**$ (235,732)**	**$ 5,037,636**	**$ 3,674,683**	**$ 41,808,911**

Exhibit 6

Reconciliation of the Changes in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities For the Year Ended December 31, 2022

Net change in fund balances – total governmental funds (Exhibit 5)		**$ 3,190,339**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue – December 31	$ 18,770,878	
Unavailable revenue – January 1	(17,359,960)	1,410,918
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 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 of.		
Capital outlay expenditures	$ 8,780,804	
Depreciation and amortization expense	(3,232,706)	
Net book value of assets sold or disposed	(8,638)	5,539,460
Issuing long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new debt – leases payable	$ (455,776)	
Repayment of debt principal	1,339,124	
Amortization of premiums on debt	45,609	928,957
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	$ (904)	
Change in net pension asset	(63,659)	
Change in deferred other postemployment benefits outflows	(12,265)	
Change in deferred pension outflows	1,385,710	
Change in accrued interest payable	16,634	
Change in compensated absences	(25,669)	
Change in other postemployment benefits liability	73,774	
Change in net pension liability	(7,574,195)	
Change in deferred other postemployment benefits inflows	(60,967)	
Change in deferred pension inflows	5,247,039	(1,014,502)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 10,055,172**

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

Fiduciary Funds

Martin County
Fairmont, Minnesota

Exhibit 7

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

		Custodial Funds
Assets		
Cash and pooled investments	$	1,308,999
Taxes receivable for other governments		878,189
Special assessments receivable for other governments		277,237
Accounts receivable		2,675
Total Assets	**$**	**2,467,100**
Liabilities		
Due to others	$	114,372
Due to other governments		1,173,545
Total Liabilities	**$**	**1,287,917**
Deferred Inflows		
Prepaid taxes	**$**	**13,024**
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**1,166,159**

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

Martin County
Fairmont, Minnesota

Exhibit 8

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

		Custodial Funds
Additions		
Contributions from individuals	$	104,463
Property tax collections for other governments		25,094,456
Other taxes and fees collected for the state		707,834
Payments from state		2,339,858
Refunds collected for other entities		230,000
Payments from other entities		112,998
Total Additions	**$**	**28,589,609**
Deductions		
Payments of property tax to other governments	$	21,371,225
Payments to the state		4,089,917
Payments to other individuals/entities		2,780,048
Total Deductions	**$**	**28,241,190**
Change in Net Position	**$**	**348,419**
Net Position – January 1	**$**	**817,740**
Net Position – December 31	**$**	**1,166,159**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

Martin County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Coordinator serves as the clerk of the Board of Commissioners, but does not vote in its decisions.

Blended Component Unit

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

Component Unit of the County

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

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations as described in Note 5 – Summary of Significant Contingencies and Other Items.

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 County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2022. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, or bond covenants. The County reports negative pooled investment earnings of $1,294,216 due to a decrease in the market value of investments.

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

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance 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 May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2017 through 2022 and noncurrent special assessments payable in 2023 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

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

Loans Receivable

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

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

Inventories

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

Capital Assets

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

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

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives, 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
Building and improvements	20-40
Land improvements	20-30
Machinery, furniture, equipment, and vehicles	2-12
Infrastructure	50-75

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated Paid Time Off (PTO), extended sick leave and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion of this liability is 100 percent of the PTO and compensatory time accruals at the end of 2022. Compensated absences are liquidated through the General Fund and the Road and Bridge Special Revenue Fund.

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

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

Unearned Revenue

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

Classification of Net Position

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

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

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.

Classification of Fund Balances

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

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

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

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

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

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

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

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

Use of Estimates

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

Change in Accounting Principles

During the year ended December 31, 2022, Martin County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases.

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget at the department level for the year ended December 31, 2022:

Excess of Expenditures Over Budget

	Expenditures	Final Budget	Excess
Building Capital Projects Funds			
Capital Outlay			
General Government	$ 1,831,323	$ 1,072,000	$ 759,323
Public safety	973,848	-	973,848
Debt Service			
Bond issuance costs	7,500	-	7,500

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

Deficit Fund Equity – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of $235,732 as of December 31, 2022. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Summary of Ditch Systems

114 ditches with positive fund balances	$ 3,920,932
60 ditches with deficit fund balances	(4,156,664)
Total Fund Balance	$ (235,732)

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

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

Government funds		
Cash and pooled investments	$	41,690,066
Petty cash and change funds		1,187
Fiduciary funds		
Cash and pooled investments		1,308,999
Total Cash and Investments	$	43,000,252

Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate depositories for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

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

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

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

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

(4) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;

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

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

Fair Value Measurement

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

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

At December 31, 2022, the County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 19,073,305	$ -	$ 19,073,305	$ -
U.S. treasury bills	3,974,653	-	3,974,653	-
Negotiable certificates of deposit	4,945,557	-	4,945,557	-
Total Investments Included in the Fair Value Hierarchy	$ 27,993,515	$ -	$ 27,993,515	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 203,632			
Total Investments Measured at NAV	$ 203,632			

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

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

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

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

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

Interest Rate Risk

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

At December 31, 2022, the County had the following investments with specified maturity dates:

Investment Maturity Dates as of December 31, 2022

Investment Type	Carrying (Fair) Value	Maturity Dates 0-1 Year	Over 1 Year
Negotiable certificates of deposit	$ 4,945,557	$ 957,602	$ 3,987,955
U.S. government securities*	19,073,305	5,467,250	13,606,055
U.S. treasury bills	3,974,653	3,974,653	-
Total	$ 27,993,515	$ 10,399,505	$ 17,594,010

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. Investments in negotiable certificates of deposit and the MAGIC Portfolio are unrated. The County's other exposure to credit risk as of December 31, 2022, is as follows:

Credit Risk Exposure

Moody's Rating		Fair Value
Aaa	$	19,073,305

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. As of December 31, 2022, the County's investments were not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal. The County's investment policy places a limit of no more than twenty percent of the investment pool may be invested with any one issuer, with the exception of U.S. government securities and U.S. government agencies securities. As of December 31, 2022, the County's investments were primarily in U.S. government securities and an external investment pool and therefore, not subject to concentration of credit risk disclosure requirements. The County's remaining investments in any one issuer did not represent five percent or more of the County's investments.

Receivables

Receivables as of December 31, 2022, for the County are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 319,196	$ -
Special assessments – delinquent	67,475	-
Special assessments – noncurrent	14,016,861	12,342,180
Accounts	58,556	-
Accrued interest	47,764	-
Loans	248,271	248,271
Leases	70,053	-
Due from other governments	4,958,592	-
Total Governmental Activities	$ 19,786,768	$ 12,590,451

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

The County has entered into lease agreements as a lessor and as of December 31, 2022, there are four active lease receivable agreements for land and office space with various lessees. Fixed annual lease receipts range between $1,889 and $38,735 and extend to periods ending in 2023. During 2022, the General Fund received total principal and interest payments of $82,094.

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land and right-of-way	$ 1,328,711	$ -	$ -	$ 1,328,711
Construction in progress	4,038,700	3,010,830	76,112	6,973,418
Total capital assets not depreciated	$ 5,367,411	$ 3,010,830	$ 76,112	$ 8,302,129
Capital assets depreciated				
Buildings and improvements	$ 9,934,448	$ -	$ -	$ 9,934,448
Land improvements	58,576	-	-	58,576
Machinery, furniture, and equipment	5,970,341	258,139	647,945	5,580,535
Infrastructure	115,909,528	4,715,281	-	120,624,809
Vehicles	2,693,986	416,890	18,653	3,092,223
Total capital assets depreciated	$ 134,566,879	$ 5,390,310	$ 666,598	$ 139,290,591
Less: accumulated depreciation for				
Buildings and improvements	$ 5,855,998	$ 198,691	$ -	$ 6,054,689
Land improvements	28,888	2,058	-	30,946
Machinery, furniture, and equipment	4,053,686	336,506	639,307	3,750,885
Infrastructure	39,088,244	2,307,972	-	41,396,216
Vehicles	1,760,979	255,596	18,653	1,997,922
Total accumulated depreciation	$ 50,787,795	$ 3,100,823	$ 657,960	$ 53,230,658
Total capital assets depreciated, net	$ 83,779,084	$ 2,289,487	$ 8,638	$ 86,059,933
Capital assets amortized				
Buildings and improvements	$ -	$ 114,915	$ -	$ 114,915
Machinery, furniture, and equipment	-	59,072	-	59,072
Vehicles	-	281,789	-	281,789
Total capital assets amortized	$ -	$ 455,776	$ -	$ 455,776
Less: accumulated amortization for				
Buildings and improvements	$ -	$ 30,883	$ -	$ 30,883
Machinery, furniture, and equipment	-	15,218	-	15,218
Vehicles	-	85,782	-	85,782
Total accumulated amortization	$ -	$ 131,883	$ -	$ 131,883
Total capital assets amortized, net	$ -	$ 323,893	$ -	$ 323,893
Total Capital Assets, Net	$ 89,146,495	$ 5,624,210	$ 84,750	$ 94,685,955

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

Depreciation and Amortization Expense Charged to Functions/Programs

General government	$	191,579
Public safety		172,856
Highways and streets, including depreciation of infrastructure assets		2,810,750
Culture and recreation		36,881
Conservation of natural resources		20,640
Total Depreciation and Amortization Expense	$	3,232,706

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2022, is as follows:

Advances From/To Other Funds

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

Receivable Fund	Payable Fund		Amount
General Fund	Ditch Special Revenue Fund	$	546,041

The advance to the Ditch Special Revenue Fund is to provide financing for improvement project costs of the ditch systems. This balance will be paid from future ditch special assessments.

Liabilities and Deferred Inflows of Resources

Long-Term Debt

Bonds

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
G.O. Crossover Refunding Bonds, Series 2014B (Road Reconstruction)	2023	$225,000-$255,000	2.00-2.20	$ 1,670,000	$ 240,000
G.O. Drainage Ditch Bonds, Series 2016A	2037	$75,000-$410,000	2.00-2.75	7,270,000	5,565,000
G.O. Drainage Ditch Bonds, Series 2017A	2038	$110,000-$270,000	2.00-3.25	4,755,000	3,585,000
G.O. Courthouse Bonds, Series 2019A	2036	$5,000-$155,000	2.125-3.00	1,875,000	1,870,000
G.O. Capital Improvement Plan Bonds, Series 2020A	2042	$120,000-$175,000	1.00-3.00	2,970,000	2,970,000
G.O. Drainage Ditch Bonds, Series 2020A	2041	$160,000-$235,000	1.00-3.00	3,965,000	3,805,000
G.O. Capital Improvement Plan Bonds, Series 2021A	2042	$110,000-$165,000	2.00-3.00	2,645,000	2,645,000
G.O. Drainage Ditch Refunding Bonds, Series 2021A	2035	$65,000-$160,000	2.00-3.00	1,345,000	1,185,000
MPFA Obligations	2029	$26,197-$33,000	1.00	628,307	223,000
Total				$ 27,123,307	$ 22,088,000
Plus: unamortized premiums					$ 717,464
Total General Obligation Bonds, Net					$ 22,805,464

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

Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2023	$ 1,416,000	$ 500,645
2024	1,311,000	468,145
2025	1,307,000	434,285
2026	1,337,000	400,690
2027	1,327,000	366,870
2028-2032	6,590,000	1,375,487
2033-2037	6,130,000	678,439
2038-2042	2,670,000	149,600
Total	$ 22,088,000	$ 4,374,161

Leases

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's Department, copier leases for various departments, office space for various departments, and a postage machine. Leases range from two 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 and Road and Bridge Special Revenue Fund.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2022

Year Ending December 31	Principal	Interest
2023	$ 138,869	$ 5,492
2024	121,096	2,635
2025	48,570	815
2026	11,647	261
2027	7,470	67
Total future minimum lease obligations	$ 327,652	$ 9,270

Changes in Long-Term Liabilities

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 23,299,000	$ -	$ 1,211,000	$ 22,088,000	$ 1,416,000
Plus: unamortized premiums	763,073	-	45,609	717,464	-
Total bonds payable	$ 24,062,073	$ -	$ 1,256,609	$ 22,805,464	$ 1,416,000
Compensated absences	707,719	561,100	535,431	733,388	680,759
Leases	-	455,776	128,124	327,652	138,869
Total Long-Term Liabilities	$ 24,769,792	$ 1,016,876	$ 1,920,164	$ 23,866,504	$ 2,235,628

Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue as of December 31, 2022, for the County’s governmental funds are as follows:

Governmental Funds Unavailable Revenue as of December 31, 2022

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	$ 13,604,022
Highway allotments that do not provide current financial resources	4,144,838
Loans	248,271
Grants	25,804
Interest	17,662
Charges for services and miscellaneous	730,281
Total Governmental Funds	$ 18,770,878

Contract Commitments

The County has active contract commitments as of December 31, 2022. The commitments include the following:

Contract Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Courthouse roof project	$ 2,141,799	$ 366,265
Ditch projects	5,862,484	197,645
Justice Center	841,745	1,148,255

Other Postemployment Benefits (OPEB)

Plan Description

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

The County provides postemployment health insurance for elected and non-elected employees (except those employees whose positions are included in a collective bargaining unit), who retire with 20 or more years of County employment. The monthly payments are the single premium for the plan selected by the employee prior to retirement. Specifics of an employee's benefit vary with individual conditions and requirements such as hired date; full-time employment at date of retirement; years of continuous, uninterrupted service; age; and the Public Employees Retirement Association eligibility. All benefits cease at age 65. As of December 31, 2022, four retirees were receiving the continued health insurance benefit. The County's contributions for the year were $44,306.

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Martin County Board of Commissioners. Pursuant to the provisions of the plan, retirees are required to pay varying amounts of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

As of the January 1, 2022, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms
As of the January 1, 2022, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	109
Total	113

Total OPEB Liability

The County's total OPEB liability of $1,477,576 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2022. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 percent for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which did not change from the prior year rate. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount – Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

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

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

Balance at December 31, 2021	$ 1,551,350
Changes for the year	
Service cost	$ 101,538
Interest	32,204
Changes in assumptions	5,815
Differences between expected and actual experience	(127,487)
Benefit payments	(85,844)
Net change	$ (73,774)
Balance at December 31, 2022	$ 1,477,576

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 as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 1,589,653
Current	2.00%	1,477,576
1% Increase	3.00%	1,371,919

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 as of December 31, 2022

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 1,329,251
Current	6.50% Decreasing to 5.00%	1,477,576
1% Increase	7.50% Decreasing to 6.00%	1,651,847

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

For the year ended December 31, 2022, the County recognized OPEB expense of $86,514. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 89,667	$ 16,570
Difference between expected and actual experience of the plan	-	254,179
Contributions made subsequent to the measurement date	85,545	-
Total	$ 175,212	$ 270,749

The $85,545 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ended December 31	OPEB Expense Amount
2023	$ (47,228)
2024	(47,224)
2025	(38,941)
2026	(38,947)
2027	(8,742)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2022:

- The health care trend rates, mortality tables, salary increase rates, and withdrawal rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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

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

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

Benefits Provided

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

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

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

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

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

Contributions

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

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	$	429,418
Police and Fire Plan		210,637
Correctional Plan		78,232

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of $5,908,345 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by

PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0746 percent. It was 0.0761 percent measured as of June 30, 2021. The County recognized pension expense of $864,619 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional $25,920 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
As of December 31, 2022

The County's proportionate share of the net pension liability	$	5,908,345
State of Minnesota's proportionate share of the net pension liability associated with the County		173,470
Total	$	6,081,815

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
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 49,351	$ 64,067
Changes in actuarial assumptions	1,363,239	23,161
Difference between projected and actual investment earnings	48,814	-
Changes in proportion	159,077	48,043
Contributions paid to PERA subsequent to the measurement date	214,075	-
Total	$ 1,834,556	$ 135,271

The $214,075 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2023	$ 590,542
2024	579,777
2025	(219,431)
2026	534,322

Police and Fire Plan

At December 31, 2022, the County reported a liability of $4,299,386 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.9880 percent. It was 0.1018 percent measured as of June 30, 2021. The County recognized pension expense of $440,806 for its proportionate share of the Police and Fire Plan's pension expense.

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

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $36,427 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

The County's proportionate share of the net pension liability	$ 4,299,386
State of Minnesota's proportionate share of the net pension liability associated with the County	187,792
Total	$ 4,487,178

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $8,892 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 264,620	$ -
Changes in actuarial assumptions	2,558,080	25,141
Difference between projected and actual investment earnings	19,228	-
Changes in proportion	53,364	19,297
Contributions paid to PERA subsequent to the measurement date	106,230	-
Total	$ 3,001,522	$ 44,438

The $106,230 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2023	$ 552,078
2024	551,978
2025	492,390
2026	900,549
2027	353,859

Correctional Plan

At December 31, 2022, the County reported a liability of $1,402,063 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.4218 percent. It was 0.3875 percent measured as of June 30, 2021. The County recognized pension expense of $489,206 for its proportionate share of the Correctional Plan's pension expense.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 42,816
Changes in actuarial assumptions	884,502	1,634
Difference between projected and actual investment earnings	66,627	-
Changes in proportion	7,720	4,629
Contributions paid to PERA subsequent to the measurement date	37,735	-
Total	$ 996,584	$ 49,079

The $37,735 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2023	$ 405,701
2024	417,716
2025	(26,284)
2026	112,637

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,794,631.

Actuarial Assumptions

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

Actuarial Assumptions for the Year Ended June 30, 2022

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

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 per year through December 31, 2054, and 1.50 percent per year thereafter. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 9,332,540	4.40%	$ 6,506,569	4.42%	$ 2,469,664
Current	6.50%	5,908,345	5.40%	4,299,386	5.42%	1,402,063
1% Increase	7.50%	3,099,976	6.40%	2,515,010	6.42%	562,690

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

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

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

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

	Employee	Employer
Contribution amount	$ 3,244	$ 3,244
Percentage of covered payroll	5.00%	5.00%

Note 4 – Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

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

Joint Ventures

Faribault – Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minn. Stat. §471.59) to provide welfare and health services to county residents (Minn. Stats. §§ 402.01-.10). The Faribault – Martin – Watonwan

Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has twelve members, five County Commissioners and one citizen member from each of the two counties. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

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

Faribault/Martin County Transit Board

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

During 2022, Martin County contributed $33,480 to the Board. Financial information can be obtained by contacting the Faribault/Martin Transit Director at 201 Lake Avenue, Fairmont, Minnesota 56031.

Minnesota River Valley Drug Task Force

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

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Fairmont, Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Martin County contributed $18,975 to the Task Force in 2022. Current financial statements are not available.

Prairieland Solid Waste Board (Prairieland)

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

The Prairieland Solid Waste Board reported a change in net position of $371,741 in 2022. The full faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each county’s proportional share of the principal and interest when due.

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

Red Rock Rural Water System

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

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

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

Rural Minnesota Energy Board

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

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

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

South Central Minnesota Regional Emergency Communications Board

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

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory

Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Communications Board. During 2022, the County paid $3,236 to the Board.

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

South Central Workforce Service Area Joint Powers Board

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

Martin County made no contributions to this organization in 2022.

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

Jointly-Governed Organizations

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, the County paid $8,724 to the GBERBA.

Intelligent Transit Consortium

The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include the counties of Meeker, Pipestone, Sherburne, Wright, Brown, and Martin. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and upgrade costs. It is expected that there will be upgrades every three years. During 2022, the County did not contribute any funding to the Transit Consortium.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Martin County expended $7,794 to the MCCC.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Martin County paid $2,730 to the Network.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

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

Sentencing to Service

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

South Central Community-Based Initiative Joint Powers Board

The South Central Community-Based Initiative Joint Powers Board was established pursuant to Minn. Stats. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Martin County did not contribute to the Joint Powers Board in 2022.

South Central Emergency Medical Service Joint Powers Board

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel, and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. During the year, Martin County did not contribute to the SCEMS.

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. The project involves Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Le Sueur, Martin, Nicollet, Sibley, Steele, Waseca, and Watonwan Counties. Martin County did not contribute to the Project in 2022.

South Central Service Cooperative

The South Central Service Cooperative (SCSC) is one of nine regional agencies called service cooperatives, established in 1976 by Minn. Stat. § 123A.21. The SCSC specializes in providing insurance services. Health insurance pools are formed by groups who band together to leverage economies of scale to lower costs and achieve claim cost stability. The SCSC manages the pools, manages premium collection, conducts carrier proposals every four years and negotiates stop loss and administrative costs which are approximately 20 percent lower than the commercial market. These pools are governed by state law and an elected board of directors and consist of public employers who maintain a Joint Powers Agreement with the Service Cooperative. The County did not contribute to the SCSC in 2022.

Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued $20,315,000 of revenue bonds to construct housing units in Martin County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Martin County's proportionate share of the operating deficit for 2022 is $84,963.

The proportionate share of the counties may change for years 2023 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

Agricultural Best Management Loan Program

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

Opioid Settlement Funds

Martin County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributers, and pharmacy chains. The county is expected to receive $952,454 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement (MOA)* identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of MOA, the County created a special revenue fund. Funds are restricted until expended. The MOA requires that the county recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the county does not record a receivable for the settlement. For the year ended December 21, 2022, the county received $110,423 as part of the settlement.

Required Supplementary Information

Martin County
Fairmont, Minnesota

Exhibit A-1

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 11,389,557	$ 11,389,557	$ 11,479,597	$ 90,040
Special assessments	99,000	99,000	89,506	(9,494)
Licenses and permits	64,700	64,700	71,316	6,616
Intergovernmental	1,734,100	1,734,100	6,039,469	4,305,369
Charges for services	358,300	358,300	332,406	(25,894)
Fines and forfeits	25,800	25,800	22,081	(3,719)
Investment earnings (loss)	200,000	200,000	(1,294,216)	(1,494,216)
Miscellaneous	813,039	813,039	788,906	(24,133)
Total Revenues	**$ 14,684,496**	**$ 14,684,496**	**$ 17,529,065**	**$ 2,844,569**
Expenditures				
Current				
General government				
Commissioners	$ 261,997	$ 261,997	$ 265,730	$ (3,733)
Courts	114,500	114,500	115,411	(911)
County administration	959,815	959,815	1,051,853	(92,038)
Human resources	249,915	249,915	218,180	31,735
Forfeited land	8,000	8,000	15,801	(7,801)
County coordinator	285,406	285,406	293,886	(8,480)
County auditor/treasurer	730,636	730,636	804,243	(73,607)
County assessor	711,505	711,505	686,248	25,257
Drainage administrator	227,211	227,211	216,248	10,963
Elections	120,000	120,000	249,165	(129,165)
Data processing	451,139	451,139	396,404	54,735
Attorney	873,800	873,800	659,798	214,002
Recorder	475,881	475,881	379,602	96,279
Buildings and plant	602,586	602,586	584,054	18,532
Planning and zoning	661,151	661,151	694,813	(33,662)
Veterans service officer	202,861	202,861	192,383	10,478
Total general government	**$ 6,936,403**	**$ 6,936,403**	**$ 6,823,819**	**$ 112,584**
Public safety				
Sheriff	$ 6,025,118	$ 6,025,118	$ 5,624,386	$ 400,732
Coroner	30,000	30,000	45,242	(15,242)
Civil defense	111,576	111,576	130,377	(18,801)
Victim/witness	187,165	187,165	183,497	3,668
Total public safety	**$ 6,353,859**	**$ 6,353,859**	**$ 5,983,502**	**$ 370,357**

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

Exhibit A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Culture and recreation				
Administration	$ 26,000	$ 26,000	$ 4,850	$ 21,150
Library	869,861	869,861	762,168	107,693
Parks	145,060	145,060	160,972	(15,912)
Total culture and recreation	**$ 1,040,921**	**$ 1,040,921**	**$ 927,990**	**$ 112,931**
Conservation of natural resources				
County extension	**$ 138,554**	**$ 138,554**	**$ 142,088**	**$ (3,534)**
Economic development				
Economic development	**$ 105,938**	**$ 105,938**	**$ 108,136**	**$ (2,198)**
Capital outlay				
General government	**$ -**	**$ -**	**$ 483,315**	**$ (483,315)**
Debt service				
Principal	$ -	$ -	$ 125,898	$ (125,898)
Interest	-	-	7,099	(7,099)
Total debt service	**$ -**	**$ -**	**$ 132,997**	**$ (132,997)**
Total Expenditures	**$ 14,575,675**	**$ 14,575,675**	**$ 14,601,847**	**$ (26,172)**
Excess of Revenues Over (Under) Expenditures	**$ 108,821**	**$ 108,821**	**$ 2,927,218**	**$ 2,818,397**
Other Financing Sources (Uses)				
Sale of capital assets	$ -	$ -	$ 3,139	$ 3,139
Leases issued	-	-	445,542	445,542
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 448,681**	**$ 448,681**
Net Change in Fund Balance	**$ 108,821**	**$ 108,821**	**$ 3,375,899**	**$ 3,267,078**
Fund Balance – January 1	**15,379,743**	**15,379,743**	**15,379,743**	**-**
Fund Balance – December 31	**$ 15,488,564**	**$ 15,488,564**	**$ 18,755,642**	**$ 3,267,078**

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

Martin County
Fairmont, Minnesota

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,723,646	$ 2,723,646	$ 2,687,367	$ (36,279)
Intergovernmental	6,216,945	6,216,945	10,736,326	4,519,381
Charges for services	13,500	13,500	16,064	2,564
Miscellaneous	317,500	317,500	427,958	110,458
Total Revenues	**$ 9,271,591**	**$ 9,271,591**	**$ 13,867,715**	**$ 4,596,124**
Expenditures				
Current				
Highways and streets				
Administration	$ 496,476	$ 496,476	$ 362,616	$ 133,860
Engineering and construction	3,527,932	3,527,932	5,239,475	(1,711,543)
Maintenance	3,017,005	3,017,005	2,862,799	154,206
Equipment and maintenance shops	1,750,178	1,750,178	2,102,628	(352,450)
Miscellaneous	-	-	1,901	(1,901)
Total highways and streets	**$ 8,791,591**	**$ 8,791,591**	**$ 10,569,419**	**$ (1,777,828)**
Intergovernmental				
Highways and streets	**$ 500,000**	**$ 500,000**	**$ 717,802**	**$ (217,802)**
Capital Outlay				
Highways and streets	**$ -**	**$ -**	**$ 10,234**	**$ (10,234)**
Debt Service				
Principal	$ -	$ -	$ 2,226	$ (2,226)
Interest	-	-	210	(210)
Total debt service	**$ -**	**$ -**	**$ 2,436**	**$ (2,436)**
Total Expenditures	**$ 9,291,591**	**$ 9,291,591**	**$ 11,299,891**	**$ (2,008,300)**
Excess of Revenues Over (Under) Expenditures	**$ (20,000)**	**$ (20,000)**	**$ 2,567,824**	**$ 2,587,824**
Other Financing Sources (Uses)				
Sale of capital assets	20,000	20,000	29,081	9,081
Leases issued	-	-	10,234	10,234
Total Other Financing Sources (Uses)	**$ 20,000**	**$ 20,000**	**$ 39,315**	**$ 19,315**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 2,607,139**	**$ 2,607,139**
Fund Balance – January 1	**8,539,265**	**8,539,265**	**8,539,265**	**-**
Increase (decrease) in inventories	**-**	**-**	**(904)**	**(904)**
Fund Balance – December 31	**$ 8,539,265**	**$ 8,539,265**	**$ 11,145,500**	**$ 2,606,235**

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

Martin County
Fairmont, Minnesota

Exhibit A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,742,783	$ 3,742,783	$ 3,658,939	$ (83,844)
Intergovernmental	-	-	69,000	69,000
Total Revenues	**$ 3,742,783**	**$ 3,742,783**	**$ 3,727,939**	**$ (14,844)**
Expenditures				
Intergovernmental				
Human services	3,834,070	3,834,070	3,829,992	4,078
Net Change in Fund Balance	**$ (91,287)**	**$ (91,287)**	**$ (102,053)**	**$ (10,766)**
Fund Balance – January 1	**3,533,235**	**3,533,235**	**3,533,235**	**-**
Fund Balance – December 31	**$ 3,441,948**	**$ 3,441,948**	**$ 3,431,182**	**$ (10,766)**

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

Martin County
Fairmont, Minnesota

Exhibit A-4

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 101,538	$ 99,909	$ 83,358	$ 74,423	$ 78,851
Interest	32,204	42,611	61,443	54,747	55,123
Differences between expected and actual experience	(127,487)	-	(258,895)	-	-
Changes of assumption or other inputs	5,815	80,816	47,426	(49,718)	-
Benefit payments	(85,844)	(82,250)	(112,228)	(148,545)	(133,437)
Net change in total OPEB liability	**$ (73,774)**	**$ 141,086**	**$ (178,896)**	**$ (69,093)**	**$ 537**
Total OPEB Liability – Beginning	**1,551,350**	**1,410,264**	**1,589,160**	**1,658,253**	**1,657,716**
Total OPEB Liability – Ending	**$ 1,477,576**	**$ 1,551,350**	**$ 1,410,264**	**$ 1,589,160**	**$ 1,658,253**
Covered-employee payroll	$ 7,237,796	$ 6,684,795	$ 6,474,378	$ 6,414,503	$ 6,227,673
Total OPEB liability (asset) as a percentage of covered-employee payroll	20.41%	23.21%	21.78%	24.77%	26.63%

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

Martin County
Fairmont, Minnesota

Exhibit A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Martin County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0746 %	$ 5,908,345	$ 173,470	$ 6,081,815	$ 5,586,947	105.75 %	76.67 %
2021	0.0761	3,249,811	99,212	3,349,023	5,481,913	59.28	87.00
2020	0.0719	4,310,734	132,718	4,443,452	5,124,830	84.11	79.06
2019	0.0700	3,842,499	119,495	3,961,994	4,920,386	78.09	80.23
2018	0.0710	3,927,693	89,505	4,017,198	4,757,883	82.55	79.53
2017	0.0720	4,615,584	58,061	4,673,645	4,659,138	99.07	75.90
2016	0.0900	5,634,936	73,588	5,708,524	4,307,337	130.82	68.91
2015	0.0720	3,731,414	N/A	3,731,414	4,230,434	88.20	78.19

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

Martin County
Fairmont, Minnesota

Exhibit A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 429,418	$ 429,418	$ -	$ 5,725,562	7.50 %
2021	411,546	411,546	-	5,486,330	7.50
2020	402,335	402,335	-	5,363,907	7.50
2019	372,334	372,334	-	4,964,446	7.50
2018	367,738	367,738	-	4,903,167	7.50
2017	342,029	342,029	-	4,560,387	7.50
2016	342,010	342,010	-	4,560,120	7.50
2015	321,516	321,516	-	4,286,873	7.50

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

Exhibit A-7

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

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Martin County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.9880 %	$ 4,299,386	$ 187,792	$ 4,487,178	$ 1,202,957	357.40 %	70.53 %
2021	0.1018	785,788	35,335	821,123	1,202,653	65.34	93.66
2020	0.0969	1,277,246	30,065	1,307,311	1,092,604	116.90	87.19
2019	0.0970	1,031,598	N/A	1,031,598	1,021,194	101.02	89.26
2018	0.0940	1,001,943	N/A	1,001,943	991,202	101.08	88.84
2017	0.0940	1,269,112	N/A	1,269,112	960,915	132.07	85.43
2016	0.0860	3,451,330	N/A	3,451,330	830,547	415.55	63.88
2015	0.0850	965,799	N/A	965,799	779,811	123.85	86.61

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

Martin County
Fairmont, Minnesota

Exhibit A-8

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 210,637	$ 210,637	$ -	$ 1,190,041	17.70 %
2021	217,658	217,658	-	1,229,710	17.70
2020	201,720	201,720	-	1,139,662	17.70
2019	179,469	179,469	-	1,058,818	16.95
2018	163,771	163,771	-	1,010,934	16.20
2017	153,357	153,357	-	946,648	16.20
2016	148,453	148,453	-	916,379	16.20
2015	130,256	130,256	-	804,054	16.20

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

Exhibit A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.4218 %	$ 1,402,063	$ 924,722	151.62 %	74.58 %
2021	0.3875	(63,659)	855,726	(7.44)	101.61
2020	0.3306	89,705	719,304	12.47	96.67
2019	0.3560	49,261	758,879	6.49	98.17
2018	0.3500	57,877	718,706	8.05	97.64
2017	0.3600	1,026,004	716,729	143.15	67.89
2016	0.3600	1,315,130	670,375	196.18	58.16
2015	0.3800	58,748	683,419	8.60	96.95

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

Martin County
Fairmont, Minnesota

Exhibit A-10

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 78,232	$ 78,232	$ -	$ 894,070	8.75 %
2021	77,880	77,880	-	890,062	8.75
2020	69,220	69,220	-	791,089	8.75
2019	64,083	64,083	-	732,377	8.75
2018	66,312	66,312	-	757,856	8.75
2017	60,968	60,968	-	696,773	8.75
2016	61,453	61,453	-	702,335	8.75
2015	58,190	58,190	-	665,030	8.75

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

Note 1 – Budget Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Ditch, Area Development, and Opioid Settlement Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the department level. The Board of Commissioners did not make any budgetary adjustments during 2022.

Note 2 – Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2022:

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Commissioners	$ 265,730	$ 261,997	$ 3,733
Courts	115,411	114,500	911
County administration	1,051,853	959,815	92,038
Forfeited land	15,801	8,000	7,801
County coordinator	293,886	285,406	8,480
County auditor/treasurer	804,243	730,636	73,607
Elections	249,165	120,000	129,165
Planning and zoning	694,813	661,151	33,662
Public safety			
Coroner	45,242	30,000	15,242
Civil defense	130,377	111,576	18,801
Culture and recreation			
Parks	160,972	145,060	15,912
Conservation of natural resources			
County extension	142,088	138,554	3,534
Economic development			
Economic development	108,136	105,938	2,198
Capital outlay			
General government	483,315	-	483,315
Debt service			
Principal	125,898	-	125,898
Interest	7,099	-	7,099
Road and Bridge Special Revenue Fund			
Current			
Highway and streets			
Engineering and construction	5,239,475	3,527,932	1,711,543
Equipment and maintenance shops	2,102,628	1,750,178	352,450
Miscellaneous	1,901	-	1,901
Intergovernmental			
Highway and streets	717,802	500,000	217,802
Capital outlay			
Highway and streets	10,234	-	10,234
Debt service			
Principal	2,226	-	2,226
Interest	210	-	210

Note 3 – Other Postemployment Benefits Funded Status

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

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

The following changes in actuarial assumptions occurred:

2022

- The health care trend rates, morality tables, salary increase rates and withdrawal rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

2021

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

2020

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

2019

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

2018

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The mortality table was updated from RP-2000 White Collar Mortality Table to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The mortality, retirement, and withdrawal rates for all employees were updated.

- No disability rates were reflected.

- The salary increase rate was changed from 4.00 percent to 3.00 percent.

- The percentage of future spouses who are assumed to continue on one of the County's medical plans post-employment was changed from 50 percent if the retiree was eligible for a subsidy and zero percent if the retiree was not eligible for a subsidy to ten percent for all.

- The aging factors were updated.

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

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

General Employees Retirement Plan

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 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.

<u>2019</u>

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

<u>2018</u>

- 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.

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

2016

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

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

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

Public Employees Police and Fire Plan

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.

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

2021

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

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

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

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

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

Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

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

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- 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.

<u>2017</u>

- 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 percent per year through 2064 and 2.50 percent thereafter.

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

2016

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.

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

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

2021

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

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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

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

- 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.

<u>2017</u>

- 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.

<u>2016</u>

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

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

Supplementary Information

Combining and Individual Fund Statements and Schedules

Martin County
Fairmont, Minnesota

Exhibit B-1

Budgetary Comparison Schedule
Building Capital Projects Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 617,000	$ 617,000	$ 624,425	$ 7,425
Intergovernmental	-	-	6,584	6,584
Miscellaneous	217,035	217,035	212,820	(4,215)
Total Revenues	**$ 834,035**	**$ 834,035**	**$ 843,829**	**$ 9,794**
Expenditures				
Current				
General government				
Building operations	**$ 138,503**	**$ 138,503**	**$ 119,190**	**$ 19,313**
Capital Outlay				
General government	$ 1,072,000	$ 1,072,000	$ 1,831,323	$ (759,323)
Public safety	-	-	973,848	(973,848)
Total Capital Outlay	**$ 1,072,000**	**$ 1,072,000**	**$ 2,805,171**	**$ (1,733,171)**
Debt Service				
Bond issuance costs	**$ -**	**$ -**	**$ 7,500**	**$ (7,500)**
Total Expenditures	**$ 1,210,503**	**$ 1,210,503**	**$ 2,931,861**	**$ (1,721,358)**
Net Change in Fund Balance	**$ (376,468)**	**$ (376,468)**	**$ (2,088,032)**	**$ (1,711,564)**
Fund Balance – January 1	**7,125,668**	**7,125,668**	**7,125,668**	**-**
Fund Balance – December 31	**$ 6,749,200**	**$ 6,749,200**	**$ 5,037,636**	**$ (1,711,564)**

Martin County
Fairmont, Minnesota

Nonmajor Funds

Nonmajor Special Revenue Funds

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

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

Opioid Settlement Special Revenue Fund – to account for collections and program expenditures related to the National Prescription Opiate Litigation settlement.

Nonmajor Debt Service Fund

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

Martin County
Fairmont, Minnesota

Exhibit C-1

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds				Debt	Total Nonmajor
	Solid Waste	Area Development	Opioid Settlement	Total	Service Fund	Governmental Funds
Assets						
Cash and pooled investments	$ 2,255,723	$ 284,631	$ 110,423	$ 2,650,777	$ 1,048,522	$ 3,699,299
Taxes receivable – delinquent	-	-	-	-	6,617	6,617
Special assessments receivable						
Delinquent	61,865	-	-	61,865	-	61,865
Loans receivable	-	248,271	-	248,271	-	248,271
Total Assets	**$ 2,317,588**	**$ 532,902**	**$ 110,423**	**$ 2,960,913**	**$ 1,055,139**	**$ 4,016,052**
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	**$ 24,616**	**$ -**	**$ -**	**$ 24,616**	**$ -**	**$ 24,616**
Deferred Inflows of Resources						
Unavailable revenue	**$ 61,865**	**$ 248,271**	**$ -**	**$ 310,136**	**$ 6,617**	**$ 316,753**
Fund Balances						
Restricted for						
Solid waste	$ 2,231,107	$ -	$ -	$ 2,231,107	$ -	$ 2,231,107
Economic development	-	284,631	-	284,631	-	284,631
Opioid Remediation	-	-	110,423	110,423	-	110,423
Debt service	-	-	-	-	1,048,522	1,048,522
Total Fund Balances	**$ 2,231,107**	**$ 284,631**	**$ 110,423**	**$ 2,626,161**	**$ 1,048,522**	**$ 3,674,683**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,317,588**	**$ 532,902**	**$ 110,423**	**$ 2,960,913**	**$ 1,055,139**	**$ 4,016,052**

Martin County
Fairmont, Minnesota

Exhibit C-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue Funds				Debt	Total Nonmajor
	Solid Waste	Area Development	Opioid Settlement	Total	Service Fund	Governmental Funds
Revenues						
Taxes	$ -	$ -	$ -	$ -	$ 362,007	$ 362,007
Special assessments	625,820	-	-	625,820	-	625,820
Intergovernmental	72,440	-	-	72,440	6,805	79,245
Settlements	-	-	110,423	110,423	-	110,423
Charges for services	1,080	-	-	1,080	-	1,080
Miscellaneous	83,955	41,467	-	125,422	-	125,422
Total Revenues	**$ 783,295**	**$ 41,467**	**$ 110,423**	**$ 935,185**	**$ 368,812**	**$ 1,303,997**
Expenditures						
Current						
Sanitation	$ 634,768	$ -	$ -	$ 634,768	$ -	$ 634,768
Economic development	-	49,695	-	49,695	-	49,695
Debt service						
Principal	-	-	-	-	255,000	255,000
Interest and fiscal charges	-	-	-	-	178,578	178,578
Total Expenditures	**$ 634,768**	**$ 49,695**	**$ -**	**$ 684,463**	**$ 433,578**	**$ 1,118,041**
Net Change in Fund Balances	**$ 148,527**	**$ (8,228)**	**$ 110,423**	**$ 250,722**	**$ (64,766)**	**$ 185,956**
Fund Balances – January 1	**2,082,580**	**292,859**	**-**	**2,375,439**	**1,113,288**	**3,488,727**
Fund Balances – December 31	**$ 2,231,107**	**$ 284,631**	**$ 110,423**	**$ 2,626,161**	**$ 1,048,522**	**$ 3,674,683**

Martin County
Fairmont, Minnesota

Exhibit C-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 619,229	$ 619,229	$ 625,820	$ 6,591
Intergovernmental	68,710	68,710	72,440	3,730
Charges for services	500	500	1,080	580
Miscellaneous	10,000	10,000	83,955	73,955
Total Revenues	**$ 698,439**	**$ 698,439**	**$ 783,295**	**$ 84,856**
Expenditures				
Current				
Sanitation				
Solid waste management	698,439	698,439	634,768	63,671
Net Change in Fund Balance	**$ -**	**$ -**	**$ 148,527**	**$ 148,527**
Fund Balance – January 1	**2,082,580**	**2,082,580**	**2,082,580**	**-**
Fund Balance – December 31	**$ 2,082,580**	**$ 2,082,580**	**$ 2,231,107**	**$ 148,527**

Martin County
Fairmont, Minnesota

Exhibit C-4

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 369,214	$ 369,214	$ 362,007	$ (7,207)
Intergovernmental	-	-	6,805	6,805
Total Revenues	**$ 369,214**	**$ 369,214**	**$ 368,812**	**$ (402)**
Expenditures				
Debt service				
Principal	$ 255,000	$ 255,000	$ 255,000	$ -
Interest and fiscal charges	114,214	114,214	178,578	(64,364)
Total Expenditures	**$ 369,214**	**$ 369,214**	**$ 433,578**	**$ (64,364)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (64,766)**	**$ (64,766)**
Fund Balance – January 1	**1,113,288**	**1,113,288**	**1,113,288**	**-**
Fund Balance – December 31	**$ 1,113,288**	**$ 1,113,288**	**$ 1,048,522**	**$ (64,766)**

Martin County
Fairmont, Minnesota

Fiduciary Funds

Custodial Funds

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

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

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

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

The Local Road Improvement Program (LRIP) Custodial Fund accounts for the LRIP grants that are passed through the County to small cities.

Martin County
Fairmont, Minnesota

Exhibit D-1

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

	Taxes and Penalties	State Revenue	Jail Canteen	Civil Process	Total Custodial Funds
Assets					
Cash and pooled investments	$ 1,232,295	$ 65,971	$ 8,430	$ 2,303	$ 1,308,999
Taxes receivable for other governments	878,189	-	-	-	878,189
Special assessments receivable for other governments	277,237	-	-	-	277,237
Accounts receivable	-	2,675	-	-	2,675
Total Assets	**$ 2,387,721**	**$ 68,646**	**$ 8,430**	**$ 2,303**	**$ 2,467,100**
Liabilities					
Due to others	$ 114,372	$ -	$ -	$ -	$ 114,372
Due to other governments	1,104,899	68,646	-	-	1,173,545
Total Liabilities	**$ 1,219,271**	**$ 68,646**	**$ -**	**$ -**	**$ 1,287,917**
Deferred Inflows					
Prepaid taxes	**$ 13,024**	**$ -**	**$ -**	**$ -**	**$ 13,024**
Net Position					
Restricted for individuals, organizations, and other governments	**$ 1,155,426**	**$ -**	**$ 8,430**	**$ 2,303**	**$ 1,166,159**

Martin County
Fairmont, Minnesota

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

	Taxes and Penalties	State Revenue
Additions		
Contributions from individuals	$ -	$ -
Property tax collections for other governments	25,094,456	-
Other taxes and fees collected for the state	-	707,834
Payments from state	-	-
Refunds collected for other entities	-	230,000
Payments from other entities	-	-
Total Additions	**$ 25,094,456**	**$ 937,834**
Deductions		
Payments of property tax to other governments	$ 21,371,225	$ -
Payments to the state	3,382,083	707,834
Payments to other individuals/entities	-	230,000
Total Deductions	**$ 24,753,308**	**$ 937,834**
Change in Net Position	**$ 341,148**	**$ -**
Net Position – January 1	**814,278**	**-**
Net Position – December 31	**$ 1,155,426**	**$ -**

Exhibit D-2

Jail Canteen	Civil Process	Local Road Improvement Program	Total Custodial Funds
$ 104,463	$ -	$ -	$ 104,463
-	-	-	25,094,456
-	-	-	707,834
-	-	2,339,858	2,339,858
-	-	-	230,000
-	112,998	-	112,998
$ 104,463	**$ 112,998**	**$ 2,339,858**	**$ 28,589,609**
$ -	$ -	$ -	$ 21,371,225
-	-	-	4,089,917
97,192	112,998	2,339,858	2,780,048
$ 97,192	**$ 112,998**	**$ 2,339,858**	**$ 28,241,190**
$ 7,271	**$ -**	**$ -**	**$ 348,419**
1,159	**2,303**	**-**	**817,740**
$ 8,430	**$ 2,303**	**$ -**	**$ 1,166,159**

Schedules

Martin County
Fairmont, Minnesota

Exhibit E-1

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	8,622,571
County program aid		879,737
Aquatic invasive species prevention aid		93,605
Riparian aid		137,701
Market value credit		301,150
Disparity reduction aid		35,697
PERA aid		29,720
Police aid		137,726
Enhanced 911		186,896
SCORE		72,440
Total appropriations and shared revenue	**$**	**10,497,243**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	89,738
Employment and Economic Development		26,649
Natural Resources		32,903
Public Safety		38,840
Transportation		471,231
Veterans Affairs		10,000
Water and Soil Resources		514,099
Pollution Control Agency		78,842
Secretary of State		43,415
Total state	**$**	**1,305,717**
Federal		
Department/Institute of		
Justice	$	96,040
Transportation		1,599,064
Treasury		3,823,192
Homeland Security		21,583
Election Assistance Commission		28,785
Total federal	**$**	**5,568,664**
Total state and federal grants	**$**	**6,874,381**
Total Intergovernmental Revenue	**$**	**17,371,624**

Martin County
Fairmont, Minnesota

Exhibit E-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2022-MARTCO	**$ 96,040**
U.S. Department of Transportation			
Passed Through Blue Earth County, Minnesota			
E-911 Grant Program	20.615	A-DECN-NGIS-2019-SCECB-5	**$ 3,064**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 3,823,192**
U.S. Election Assistance Commission			
Passed Through Office of the Minnesota Secretary of State			
2018 HAVA Election Security Grants	90.404	Not Provided	**$ 28,785**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2020-MARTINCO-3951	**$ 47,387**
Total Federal Awards			**$ 3,998,468**

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

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

Martin County
Fairmont, Minnesota

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Martin 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 Martin County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Martin County, it is not intended to and does not present the financial position or changes in net position of Martin 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

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 5,568,664
Grants received more than 60 days after year-end, unavailable in 2022	
Emergency Management Performance Grants (AL No. 97.042)	25,804
Unavailable in 2021, recognized as revenue in 2022	
Highway Planning and Construction (AL No. 20.205)	(1,596,000)
Expenditures per Schedule of Expenditures of Federal Awards	$ 3,998,468

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Martin County
Fairmont, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martin County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

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and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that Martin County failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2022-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Martin County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Martin County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

September 11, 2023

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Martin County
Fairmont, Minnesota

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Martin 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 Martin County's major federal program for the year ended December 31, 2022. Martin County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID-19 — Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Martin County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID-19 — Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

Basis for Qualified Opinion

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 Martin 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 qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of Martin County's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the COVID-19 — Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying Schedule of Findings and Questioned Costs, Martin County did not comply with requirements regarding Assistance Listing No. 21.027 COVID-19 — Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2022-002 for Reporting.

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Compliance with such requirements is necessary, in our opinion, for Martin County to comply with the requirements applicable to that program.

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 Martin 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 Martin 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 Martin County's compliance with the requirements of the 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 Martin 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 Martin 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 Martin 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.

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

Report on Internal Control Over Compliance

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

However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

September 11, 2023

Martin County
Fairmont, Minnesota

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

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal program:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

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

Identification of the major federal program:

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

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

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

Section II – Financial Statement Findings

2022-001 <u>**Audit Adjustments**</u>
Prior Year Finding Number: 2021-001
Repeat Finding Since: 2020
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

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

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

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

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

- The Road and Bridge Special Revenue Fund required an adjustment to reduce due from other governments and unavailable revenue by $4,834,981 for highway allotment related activity that was accounted for twice.

- The Human Services Special Revenue Fund required an adjustment to decrease beginning fund balance and intergovernmental expenditures by $147,009 for activity that was reported in the prior year statements.

- The Ditch Special Revenue Fund required an adjustment to increase cash and advance from other funds by $546,041 to cover the deficit cash balance in the fund at year-end.

- The Ditch Special Revenue Fund required an adjustment to increase special assessments receivable and unavailable revenue by $1,386,318 to reverse a prior year adjustment to these balances.

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

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2022-002 **Reporting**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of the Treasury
Program: 21.027 COVID-19 — Coronavirus State and Local Fiscal Recovery Funds
Award Number and Year: SLFRP3710; 2021

Pass-Through Agency: N/A

Criteria: Title 2 *U.S. Code of Federal Regulations* § 200.303 states that the auditee must maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. In addition, U.S. Treasury requires an annual Project and Expenditure Report submitted for Coronavirus State and Local Fiscal Recovery Funds that includes current period obligations and expenditures.

Condition: The County overstated current period obligations and expenditures reported on the annual Project and Expenditures Report by $979,872.

Questioned Costs: None.

Context: The annual Project and Expenditure Report was required to be prepared for the year ending March 31, 2023. The cumulative project obligations and expenditures were accurately reported; however, current period obligations and expenditures were overstated by including amounts from the prior reporting period.

Effect: Noncompliance with federal requirements.

Cause: The County indicated that they had trouble entering the obligations and expenditures into the online reporting system. Amounts were entered as necessary to arrive at the correct cumulative balances recognizing that the current period amounts were inaccurate.

Recommendation: We recommend that the County implement procedures to ensure federal program reports are completed accurately. Procedures should include consulting reporting instructions provided by grantor agencies and contacting the grantor agencies for assistance when necessary.

View of Responsible Official: Acknowledge

Section IV – Other Findings and Recommendations

2022-003 **<u>Contracting and Bidding Compliance</u>**
Prior Year Finding Number: 2021-003
Repeat Finding Since: 2021
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 375.21, subd. 1 requires three weeks' published notice when advertising for construction projects, and that such advertisements include the time and place of awarding the contract.

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

Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Condition: Testing of compliance with State of Minnesota contracting and bid laws identified the following instances of noncompliance:

- An advertisement for a building project was published with only two weeks' notice and did not include the time and place of awarding the contract.
- A contract for a building project did not contain the required disclosure regarding prompt payment to subcontractors.
- Final settlement was made on a building contract requiring the employment of employees for wages without certification that the contractor and its subcontractors had complied with withholding requirements.

Context: All instances of noncompliance were identified in relation to building projects which may be contracted for less frequently than other significant projects at the County.

Effect: Noncompliance with Minn. Stats. §§ 375.21, 471.425, and 270C.66.

Cause: The County does not have procedures in place to ensure compliance with contract requirements for building projects.

Recommendation: We recommend the County implement procedures to ensure that all contracting and bidding be administered in accordance with Minnesota statutes.

View of Responsible Official: Acknowledge

MARTIN COUNTY
MINNESOTA
EST 1857

Michael Forstner
Auditor/Treasurer
michael.forstner@co.martin.mn.us
Courthouse | Fairmont, Minnesota
201 Lake Avenue, Suite 201
P: 507.238.3272 | F: 507.238.3259
www.co.martin.mn.us

Representation of Martin County
Fairmont, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Michael Forstner, Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

December 1, 2023

Finding Number: 2022-002
Finding Title: Reporting
Program: 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:

Michael Forstner, Auditor/Treasurer

Corrective Action Planned:

Implement procedures to ensure federal program reports are completed accurately including consulting reporting instructions provided by grantor agencies and contacting the grantor agencies for assistance when necessary.

Anticipated Completion Date:

December 1, 2023

Finding Number: 2022-003
Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Scott Higgins, Coordinator

Corrective Action Planned:

Review requirements per Statue and develop checklist of requirements for staff use when reviewing contracts and bids.

Anticipated Completion Date:

December 1, 2023

Michael Forstner
Auditor/Treasurer
michael.forstner@co.martin.mn.us
Courthouse | Fairmont, Minnesota
201 Lake Avenue, Suite 201
P: 507.238.3272 | F: 507.238.3259
www.co.martin.mn.us

Representation of Martin County
Fairmont, Minnesota

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

Finding Number: 2021-001
Year of Finding Origination: 2020
Finding Title: Audit Adjustments

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

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

Status: Not Corrected. Due to staff shortages and turnover the action was not corrected. Additional procedures will be created to provide an additional level of review to ensure that amounts are reported accurately.

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

Finding Number: 2021-002
Year of Finding Origination: 2021
Finding Title: Duplicate Payment to Vendor

Summary of Condition: A vendor invoice was paid twice.

Summary of Corrective Action Previously Reported: Enable duplicate invoice tracking within financial system on future accounts payable position to ensure invoices are not submitted twice.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2021-003
Year of Finding Origination: 2021
Finding Title: Contracting and Bidding Compliance

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

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

Summary of Corrective Action Previously Reported: Review requirements per Statue and update internal controls to reflect requirements.

Status: Not Corrected. Contracts in 2022 were already let before we received the 2021 audit findings and the same procedure was followed. Planned corrective action: Review requirements per Statue and develop checklist of requirements for staff use when reviewing contracts and bids.

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

Finding Number: 2021-004
Year of Finding Origination: 2021
Finding Title: Duplicate Publication of Board Minutes

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

Summary of Corrective Action Previously Reported: Work with staff to compile and submit to board in a timely matter to ensure publication is within 30-day period.

Status: Fully Corrected. Corrective action was taken.

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