MID-MINNESOTA DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2022

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

MID-MINNESOTA DEVELOPMENT COMMISSION

TABLE OF CONTENTS
JUNE 30, 2022

MID-MINNESOTA DEVELOPMENT COMMISSION

TABLE OF CONTENTS
JUNE 30, 2022

MID-MINNESOTA DEVELOPMENT COMMISSION

BOARD OF COMMISSIONERS
JUNE 30, 2022

Officers	Title
Kevin Crowley	Chairperson
DuWayne Underthun	Vice-Chairperson
Suzanne Hilgert	Secretary
Doug Erickson	Treasurer
Dave Sebesta	Member at Large

Board Members

Rick Fagerlie
Kathy Grochow
Jon Hawkinson
* Jill Hoff
Doug Krueger
* Jose Luciano
* Thomas McDonnell
* Maureen Melgaard-Schneider
* Robert Moller
* Shawn Mueske
Rollie Nissen
* Kiza Olson
Chris Rowan
Lorallen Schmeling
Steve Schmitt
Paul Simonsen
* Berit Spors
Jeffery Vetsch

Staff	Title
Eric Day	Executive Director

* These Commission Members do not serve on the Board of Directors.

This page intentionally left blank

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mid-Minnesota Development Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mid-Minnesota Development Commission, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Legacy Revolving Loan Special Revenue Fund and the CARES Revolving Loan Special Revenue Fund 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 (GAAS) 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 Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

Responsibilities of Management for the Financial Statements (Cont'd)

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 Commission’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Commission'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedules listed in the table of contents as supplementary information and schedule of expenditures of federal awards, 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 individual fund schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Partial Comparative Information

We have previously audited the Commission's 2021 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 1, 2021. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2022, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

November 30, 2022

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

MID-MINNESOTA DEVELOPMENT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mid-Minnesota Development Commission (Commission), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2022. This section of the Commission's annual financial report represents management's discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2022. Please read it in conjunction with the Commission's audited financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $2,346,641 (net position), of which $869,218 is restricted in use.

- The General Fund fund balance increased by $36,196.

- There was a $7,009 increase in assigned fund balance in the Legacy Revolving Loan Special Revenue Fund.

- There was a $71,420 increase in restricted fund balance in the CARES Revolving Loan Special Revenue Fund.

- The Commission's Capital Assets (net of accumulated depreciation) is $103,611 as of June 30, 2022.

- The Commission received $374,802 in tax levy revenue for the year, which is used for local match to programs.

- As of the close of the current fiscal year, the General Fund reported an ending fund balance of $929,356, an increase of $36,196 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances as a whole, in a manner similar to private-sector business.

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year.

The Commission has no component units.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund - The General Fund is used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Legacy Revolving Loan Special Revenue Fund – The Legacy Revolving Loan Special Revenue Fund accounts for funding from a number of grants, the majority of which came from the Economic Development Administration with some assistance from the State of Minnesota, the Southwest Minnesota Initiative Fund, and the four counties of the Mid-Minnesota Development Commission. In addition, the Commission contributed some of its own reserves to help fund the program. All loans are now from revolving funds.

CARES Revolving Loan Special Revenue Fund – The CARES Revolving Loan Special Revenue Fund accounts for a grant from the Department of Commerce, Economic Development Administration through the CARES Act to alleviate sudden and severe economic dislocation caused by the coronavirus (COVVID-19) pandemic, to provide permanent resources to support economic resiliency.

Custodial Fund – The Custodial Fund is used to account for funds for which the Commission acts as Fiscal Agent for the Highway 23 Coalition.

The Commission adopts an annual budget for its General Fund. Budgetary comparison statements have been provided for its General Fund to demonstrate compliance with the budget.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,346,641 at June 30, 2022, as compared to $2,219,120 at June 30, 2021. Approximately 4.42 percent of the Commission's net position reflects its investments in capital assets (computers, copiers, furniture, fixtures, and vehicles). The Commission uses these capital assets to operate and to provide services; consequently, these assets are not available for future spending.

The following table reflects the condensed Statement of Net Position:

MID-MINNESOTA DEVELOPMENT COMMISSION						
Statement of Net Position						
		2022		**2021**		**Change**
Current and Other Assets	$	3,112,309	$	2,930,760	$	869,607
Capital Assets (Net of Accumulated Depreciation Depreciation)	$	103,611	$	134,758	$	11,961
Total Assets	$	3,215,920	$	3,065,518	$	881,568
Deferred Outflows of Resources						
Related to Pensions	$	300,653	$	85,837	$	26,166
Total Assets and Deferred Outflows of Resources	$	3,516,573	$	3,151,355	$	907,734
Current Liabilities	$	84,747	$	28,012	$	21,959
Long-Term Liabilities	$	414,676	$	519,647	$	46,773
Total Liabilities	$	499,423	$	547,659	$	68,732
Deferred Inflows of Resources						
Property Tax Levied for Subsequent Years	$	378,999	$	368,193	$	11,128
Related to Pensions	$	291,510	$	16,383	$	(42,212)
Total Deferred Inflows	$	670,509	$	384,576	$	(31,084)
Net Position						
Net Investment in Capital Assets	$	29,627	$	38,538	$	11,961
Restricted for Revolving Loan Fund	$	869,218	$	797,798	$	869,218
Unrestricted	$	1,447,796	$	1,382,784	$	896,922
Total Net Position	$	2,346,641	$	2,219,120	$	1,778,101
Total Liabilities, Deferred Inflows of Resources and Net Position	$	3,516,573	$	3,151,355	$	1,815,749

The unrestricted net position dollars may be used to meet the Commission's ongoing obligations.

Governmental Activities – Governmental activities decreased the Commission's net position by $127,521. Key elements of this decrease were as follows:

MID-MINNESOTA DEVELOPMENT COMMISSION

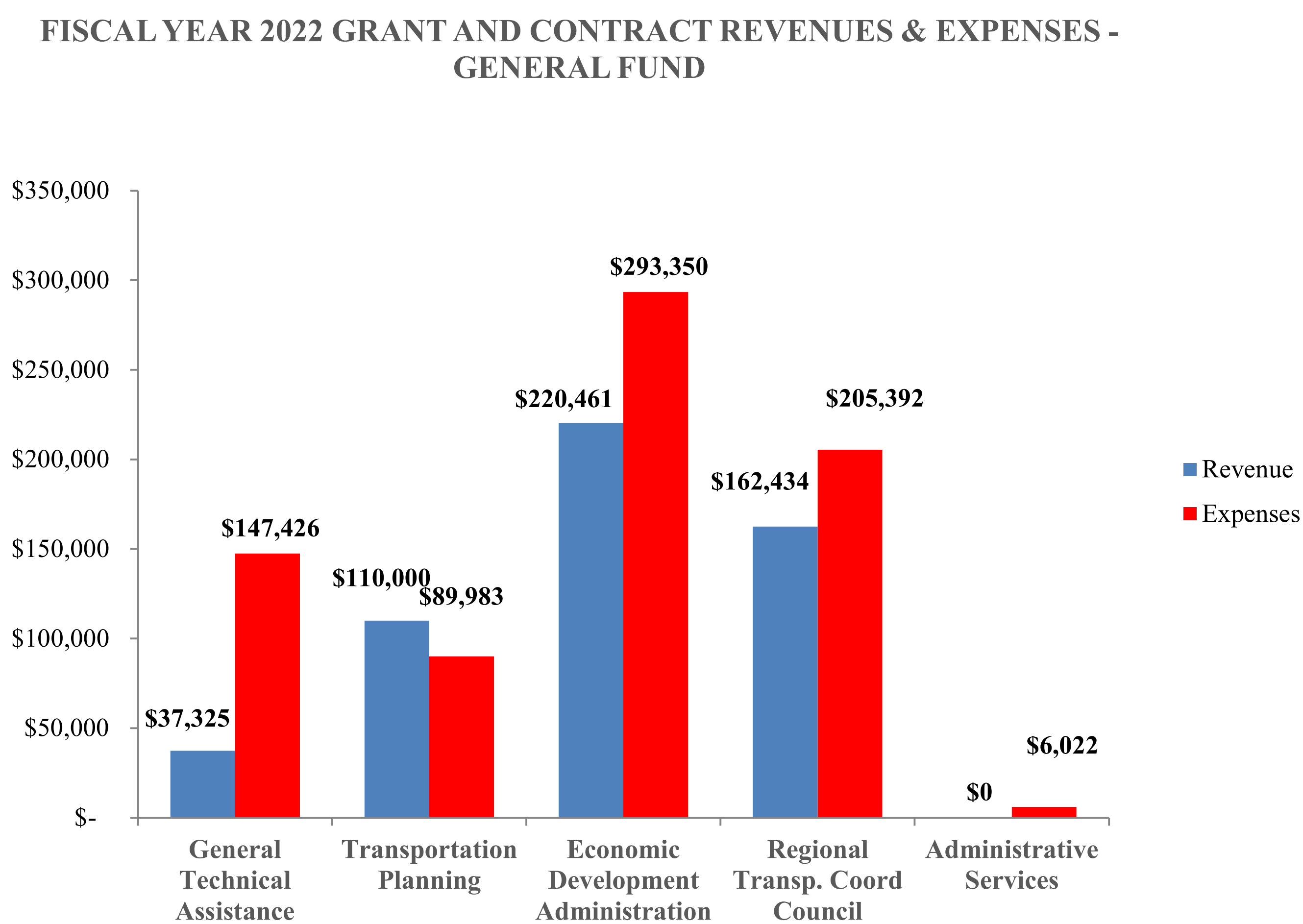
Changes in Net Position

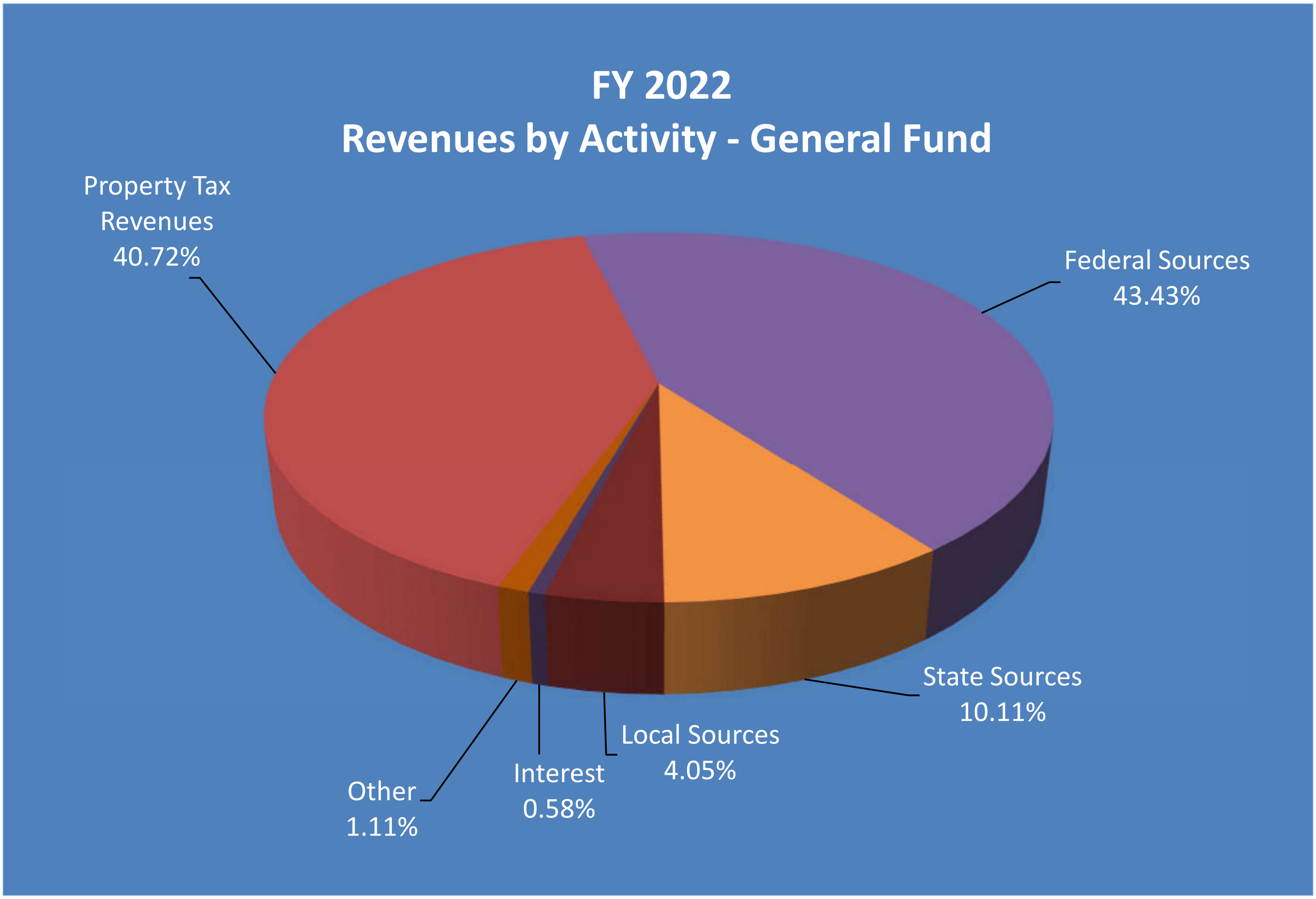
		2022		2021		Change
Revenues						
Program Revenues						
Charges for Services	$	99,466	$	176,044	$	(76,578)
Operating Grants and Contributions	$	546,259	$	1,243,341	$	(697,082)
General Revenues						
Taxes	$	374,185	$	358,314	$	15,871
Investment Earnings	$	5,321	$	5,774	$	(453)
Gain on Sale of Assets	$	-	$	620	$	(620)
Other General Revenues	$	5,559	$	1,900	$	3,659
Total Revenues	$	1,030,790	$	1,785,993	$	(755,203)
Expenses						
Current						
Administration	$	136,118	$	113,917	$	22,201
Technical Assistance	$	146,353	$	139,619	$	6,734
Transportation Planning	$	87,556	$	91,411	$	(3,855)
Economic Development Administration	$	290,924	$	373,926	$	(83,002)
Revolving Loan Fund Administration	$	32,444	$	47,886	$	(15,442)
Regional Transp. Coord. Council	$	203,901	$	149,575	$	54,326
Adminstrative Services	$	5,973	$	1,147	$	4,826
Total Expenses	$	903,269	$	917,481	$	(14,212)
Net Change in Fund Balance	$	127,521	$	868,512	$	(740,991)
Net Position, Beginning of Year	$	2,219,120	$	1,350,608	$	868,512
Net Position, End of Year	$	2,346,641	$	2,219,120	$	127,521

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

General Fund - As of the end of the current fiscal year, the Commission's General Fund reported an ending fund balance of $929,356, an increase of $36,196, in comparison with $893,160 the prior year. Approximately 38 percent of this total amount, $349,877, constitutes unassigned fund balance, which is available for spending at the Commission's discretion. Nonspendable items make up approximately less than 1 percent of the total for items including postage and prepaid expenses at $5,651. Committed funds for Unemployment are $37,500; committed funds for Emergency Staff Coverage are $45,000; committed funds for Operating Capital is $245,000; committed funds for Facilities Fund is $75,117; committed funds for Planning Assistance is $50,000; and committed funds for Community Enhancement has a balance of $121,211.





Legacy Revolving Loan Fund Special Revenue Fund - As of the end of the current fiscal year, the Commission's Legacy Revolving Fund special revenue fund reported an ending fund balance of $847,901, an increase of $7,009, in comparison with $840,892 the prior year. Revolving loan program assets are not available to pay for current period expenditures.

CARES Act Revolving Loan Fund Special Revenue Fund - As of the end of the current fiscal year, the Commission's CARES Act Revolving Fund special revenue fund reported an ending fund balance of $869,218, an increase of $71,420, in comparison with $797,798 the prior year. CARES Act revolving loan program assets are not available to pay for current period expenditures.

BUDGETARY HIGHLIGHTS

The following is a review of significant differences between budget and actual.

The actual expenditures for the general fund were under budget by $7,798. The actual revenue received was $10,906 under budget. The actual revenue over expenditures was $3,108 under budget.

CAPITAL ASSET ADMINISTRATION

Capital Assets - The Commission's investment in capital assets for its activities as of June 30, 2022 was $29,627 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture, fixtures, and vehicles.

Additional information on the Commission's capital assets can be found in Note 5.

LONG-TERM LIABILITIES

The following is a review of the Commission's long-term debt.

The Vacation, Sick Leave, and Comp Time Payable portion of MMDC's long-term debt consisting of unused time at June 30, 2022 decreased by $15,039 during the fiscal year through a significant decrease in balances of unused leave. This large change follows the retirement of one very long-term staff.

The Pension Benefit Payable portion of MMDC's long-term debt decreased by $67,696 over the prior year. This represents GASB 68, Accounting and Financial Reporting for Pensions, which records the Commission's proportionate share of collective net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense on the Commission's government-wide financial statements.

Leases decreased $22,236 over prior year. The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 87. This implementation allows the Commission to report its right to use assets and related long term leases, in this case it relates to office space occupied by MMDC.

Additional information on the Commission's long-term liabilities can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Pursuant to the Regional Development Act of Minnesota, M.S. 462.396 Subdivision 2, the Commission's budget includes an ad volorem tax levy. This levy is stable and set by the Commission at its annual meeting. This meeting was held on June 22, 2022, in Willmar.

MMDC remains in good financial position. Fiscal Year 2022 saw several staff changes. First, MMDC added Economic Development Professional Nate Reuss, who replaced the outgoing Rick Bonlender and now works in partnership with MMDC Economic Development Professional Michelle Marotzke. MMDC also hired Finance and Office Manager Darla Bajari to replace outgoing finance professional Sue Gimse, who retired in June 2022. This transition was greatly eased by the Commission's willingness to fund two finance positions during a period of transition (January to June 2022). Bajari had opportunity to gain a much better understanding of our various processes. The importance of this investment cannot be minimized, as regional development organizations are quite unique and incorporate a wide variety of finance-impacting activities. MMDC also refilled our Community Planner Position. Community Planner Ben Carlson took the place of Justice walker after he was hired by the City of Willmar as their Planning Director.

In Fiscal Year 2022, MMDC continued to apply our CARES Act Supplemental Grant and CARES Act RLF administration funding, along with our regular EDA Planning Grant, to support two Economic Development positions. You will recall that MMDC had just one economic developer for many years. However, there is far more work to do than one professional can possibly manage if we wish to have a meaningful impact. Therefore, my goal is to maintain two economic development professionals for the long term.

MMDC continues to maintain healthy reserves to meet and overcome unforeseen financial setbacks. This means we have the ability to take calculated risks and pursue new opportunities that will support economic development and/or enhance quality of life in our region. MMDC will ensure continued financial security by continuing to establish and strengthen partnerships with our stakeholders (local government units, businesses, and other organizations). On a limited basis, and when projects will contribute to potentially impactful staff development and lead to new MMDC offerings, this may include providing some services without fee or at a significant discount. To keep MMDC on solid financial footing we will consider and, when appropriate, pursue federal, state, and foundation grants, and/or other opportunities. While this will support diversification of funding, it will also provide new opportunity to serve our region, our residents, and our business community. We thank you for your support.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance and Office Manager, Mid-Minnesota Development Commission, 1700 Technology Drive NE, Suite 300, Willmar MN 56201 or by telephone at 320-522-2935.

Sincerely,

Eric Day *Darla Bajari*

Eric Day,
Executive Director

Darla Bajari,
Finance and Office Manager

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2021

	Governmental Activities 2022	Governmental Activities 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash	$ 1,275,889	$ 1,100,173
Investments	92	6,092
Taxes Receivable		
Current	166,642	160,059
Delinquent	2,088	2,705
Accrued Interest Receivable	1,329	1,507
Due from Other Governments	84,448	162,700
Loans Receivable, Net of Reserve for Loan Losses	1,576,170	1,478,650
Prepaid Items	5,651	18,874
Capital Assets, Net of Accumulated Depreciation and Amortization	103,611	134,758
Total Assets	3,215,920	3,065,518
Deferred Outflows of Resources		
Related to Pensions	300,653	85,837
Total Assets and Deferred Outflows of Resources	$ 3,516,573	$ 3,151,355
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Accounts Payable	$ 19,128	$ 5,185
Accrued Payroll	59,445	
Unearned Revenue	6,174	22,827
Long-Term Liabilities		
Net Pension Liability	316,013	383,709
Due in One Year	23,075	22,236
Due in More Than One Year	75,588	113,702
Total Liabilities	499,423	547,659
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	378,999	368,193
Related to Pensions	291,510	16,383
Total Deferred Inflows of Resources	670,509	384,576
Net Position		
Net Investment in Capital Assets	29,627	38,538
Restricted for		
Revolving Loan Fund	869,218	797,798
Unrestricted	1,447,796	1,382,784
Total Net Position	2,346,641	2,219,120
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 3,516,573	$ 3,151,355

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022						2021
	Expenses			Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
	Direct	Indirect	Total	Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES							
Administration	$ 114,216	$ 21,902	$ 136,118	$	$	$ (136,118)	$ (113,917)
Technical Assistance	114,632	31,721	146,353	37,325	35,000	(74,028)	(106,253)
Transportation Planning	68,013	19,543	87,556		75,000	(12,556)	(16,411)
Economic Development Administration	226,589	64,335	290,924	15,636	204,825	(70,463)	(49,894)
Revolving Loan Fund Administration	32,444		32,444	41,873	69,000	78,429	802,095
Regional Transportation Coordinating Council	159,998	43,903	203,901		162,434	(41,467)	(13,745)
Administrative Services	4,609	1,364	5,973	4,632		(1,341)	29
Total Governmental Activities	$ 720,501	$ 182,768	$ 903,269	$ 99,466	$ 546,259	(257,544)	501,904
GENERAL REVENUES							
Taxes						374,185	358,314
Investment Earnings						5,321	5,774
Gain on Sale of Assets							620
Other General Revenues						5,559	1,900
Total General Revenues						385,065	366,608
Change in Net Position						127,521	868,512
NET POSITION, BEGINNING OF YEAR						2,219,120	1,350,608
NET POSITION, END OF YEAR						$ 2,346,641	$ 2,219,120

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2021

	General	Legacy Revolving Loan Special Revenue	CARES Revolving Loan Special Revenue	Total Governmental Funds 2022	Total Governmental Funds 2021
ASSETS					
Cash	$ 1,102,496	$ 134,056	$ 39,337	$ 1,275,889	$ 1,100,173
Investments	92			92	6,092
Taxes Receivable					
Current	166,642			166,642	160,059
Delinquent	2,088			2,088	2,705
Accrued Interest Receivable	1,329			1,329	1,507
Due from Other Funds	32,444			32,444	27,986
Due from Other Governments	84,448			84,448	162,700
Loans Receivable, Net of Reserve for Loan Losses		746,289	829,881	1,576,170	1,478,650
Prepaid Items	5,651			5,651	18,874
Total Assets	$ 1,395,190	$ 880,345	$ 869,218	$ 3,144,753	$ 2,958,746
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts Payable	$ 19,128	$	$	$ 19,128	$ 5,185
Accrued Payroll	59,445			59,445	
Due to Other Funds		32,444		32,444	27,986
Unearned Revenue	6,174			6,174	22,827
Total Liabilities	84,747	32,444	0	117,191	55,998
Deferred Inflows of Resources					
Unavailable Revenue - Delinquent Taxes	2,088			2,088	2,705
Property Taxes Levied for Subsequent Years	378,999			378,999	368,193
Total Deferred Inflows of Resources	381,087	0	0	381,087	370,898
Fund Balance					
Nonspendable	5,651			5,651	18,874
Restricted					
Revolving Loan Fund			869,218	869,218	797,798
Committed					
Emergency Staff Coverage	45,000			45,000	30,000
Succession Fund					30,000
Unemployment	37,500			37,500	30,000
Operating Capital	245,000			245,000	245,000
Facilities Fund	75,117			75,117	75,117
Community Enhancement	121,211			121,211	101,211
Planning Assistance	50,000			50,000	50,000
Assigned		847,901		847,901	840,892
Unassigned	349,877			349,877	312,958
Total Fund Balance	929,356	847,901	869,218	2,646,475	2,531,850
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,395,190	$ 880,345	$ 869,218	$ 3,144,753	$ 2,958,746

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2021

	2022	2021
Total Fund Balances - Governmental Funds	$ 2,646,475	$ 2,531,850
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and right to use assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital and Right to Use Assets	195,060	193,298
Less: Accumulated Depreciation	(47,023)	(37,293)
Less: Accumulated Amortization	(44,426)	(21,247)
Some of the Commission's property taxes and loans receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	2,088	2,705
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	300,653	85,837
Deferred Inflows of Resources Related to Pensions	(291,510)	(16,383)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net Pension Liability	(316,013)	(383,709)
Compensated Absences	(24,679)	(39,718)
Leases	(73,984)	(96,220)
Total Net Position - Governmental Activities	$ 2,346,641	$ 2,219,120

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED 2021

	General	Legacy Revolving Loan Special Revenue	CARES Revolving Loan Special Revenue	Total Governmental Funds 2022	Total Governmental Funds 2021
REVENUES					
Property Tax Levies	$ 374,802	$	$	$ 374,802	$ 358,351
Federal Sources	399,847		69,000	468,847	1,245,770
State Sources	93,048			93,048	90,112
Local Sources	37,325			37,325	34,522
Interest	5,321	39,453	2,420	47,194	54,755
Other	10,191			10,191	2,520
Total Revenues	920,534	39,453	71,420	1,031,407	1,786,030
EXPENDITURES					
Current					
Administration	139,941			139,941	113,419
Technical Assistance	147,426			147,426	141,202
Transportation Planning	89,983			89,983	92,511
Economic Development Administration	293,350			293,350	378,337
Regional Transportation Coordinating Council	205,392			205,392	151,006
Revolving Loan Fund Administration		32,444		32,444	47,886
Administrative Services	6,022			6,022	1,163
Total Current	882,114	32,444		914,558	925,524
Capital Outlay	2,224			2,224	23,949
Total Expenditures	884,338	32,444	0	916,782	949,473
Net Change in Fund Balance	36,196	7,009	71,420	114,625	836,557
FUND BALANCE, BEGINNING OF YEAR	893,160	840,892	797,798	2,531,850	1,695,293
FUND BALANCE, END OF YEAR	$ 929,356	$ 847,901	$ 869,218	$ 2,646,475	$ 2,531,850

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED 2021

	2022	2021
Total Net Change in Fund Balances - Governmental Funds	$ 114,625	$ 836,557
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported in governmental funds as expenditures. However in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlays	1,762	23,530
Depreciation Expense	(9,730)	(10,540)
Amortization Expense	(23,179)	(21,246)
Cost of Capital Assets Disposed		(38,484)
Accumulated Depreciation Related to Disposed Capital Assets		37,455
Delinquent property taxes receivable and loans receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	(617)	(37)
Some expenses reported in the Statement of Activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.		
Pension Expense	7,385	10,867
Compensated Absences	15,039	10,738
Lease Retirement	22,236	19,672
Change in Net Position - Governmental Activities	$ 127,521	$ 868,512

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Over (Under) Final
	Original	Final	Actual	Budget
REVENUES				
Property Tax Levies	$ 355,785	$ 366,805	$ 374,802	$ 7,997
Federal Sources	465,726	454,340	399,847	(54,493)
State Sources	95,096	94,800	93,048	(1,752)
Local Sources	27,978	5,000	37,325	32,325
Interest and Dividends	8,500	5,680	5,321	(359)
Other	1,380	4,815	10,191	5,376
Total Revenues	954,465	931,440	920,534	(10,906)
EXPENDITURES				
Current				
Administration	103,518	103,844	139,941	36,097
Technical Assistance	147,635	148,411	147,426	(985)
Transportation Planning	88,279	88,751	89,983	1,232
Economic Development Administration	348,179	342,406	293,350	(49,056)
Regional Transportation Coordinating Council	200,961	201,749	205,392	3,643
Administrative Services	1,544	1,552	6,022	4,470
Total Current	890,116	886,713	882,114	(4,599)
Capital Outlay	5,423	5,423	2,224	(3,199)
Total Expenditures	895,539	892,136	884,338	(7,798)
Net Change in Fund Balance	$ 58,926	$ 39,304	36,196	$ (3,108)
FUND BALANCE, BEGINNING OF YEAR			893,160	
FUND BALANCE, END OF YEAR			$ 929,356	

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LEGACY REVOLVING LOAN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Over (Under) Final
	Original	Final	Actual	Budget
REVENUES				
Interest and Fees	$	$	$ 39,453	$ 39,453
EXPENDITURES				
Current				
Revolving Loan Fund Administration				
Administration			32,444	32,444
Net Change in Fund Balance	$ 0	$ 0	7,009	$ 7,009
FUND BALANCE, BEGINNING OF YEAR			840,892	
FUND BALANCE, END OF YEAR			$ 847,901	

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CARES REVOLVING LOAN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Over (Under) Final
	Original	Final	Actual	Budget
REVENUES				
Federal Sources				
Revolving Loan Fund Grant	$	$	$ 69,000	$ 69,000
Interest and Fees			2,420	2,420
Total Revenues	0	0	71,420	71,420
Net Change in Fund Balance	$ 0	$ 0	71,420	$ 71,420
FUND BALANCE, BEGINNING OF YEAR			797,798	
FUND BALANCE, END OF YEAR			$ 869,218	

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
JUNE 30, 2022

ASSETS		
Cash	$	149,341
NET POSITION		
Held in Trust for Other Organizations	$	149,341

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
YEAR ENDED JUNE 30, 2022

ADDITIONS		
Memberships	$	73,150
Events		340
Miscellaneous		427
Total Additions		73,917
DEDUCTIONS		
Current		
Marketing/Printing		6,583
Legislative Activities		410
Website Development/ Hosting		13,579
Bookkeeping (MMDC)		4,940
Legal/Other Professional Services		5,244
Miscellaneous		749
Transportation Studies		5,000
Administrative (EDC)		2,660
Special Events		6,012
Total Deductions		45,177
Change in Net Position		28,740
NET POSITION, BEGINNING OF YEAR		120,601
NET POSITION, END OF YEAR	$	149,341

See Accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mid-Minnesota Development Commission are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Mid-Minnesota Development Commission provides services in the counties of Kandiyohi, McLeod, Meeker, and Renville.

The Commission was established pursuant to Minn. Stat. §462.381 through §462.398. The purpose of the Commission is to facilitate intergovernmental cooperation and ensure orderly and harmonious coordination of state, federal and local comprehensive planning and development programs for the solution of economic, social, physical, and intergovernmental problems of the state and its citizens.

The financial statements present the Commission and its component units. The Commission includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the Commission are financially accountable, or for which the exclusion of the component unit would render the financial statements of the Commission misleading.

The criteria used to determine if the Commission is financially accountable for a component unit includes whether or not 1) the Commission appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Commission.

As a result of applying the component unit definition criteria above, it has been determined the Commission has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Commission except for the fiduciary fund. The fiduciary fund is only reported at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are an allocation of administrative costs based on an approved allocation plan. Program revenues include 1) charges to customers including fees charged for registrations, applications and closing costs, interest received on loan repayments, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the Commission, these funds are excluded from the government-wide financial statements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenues (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The Commission does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the Commission's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds
The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:
The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations of the Commission, as well as the capital related activities such as maintenance of equipment and facilities and equipment purchases. It consists of the following cost centers:

1. Administration - This cost center receives financial support from sources not legally restricted to expenditures for specific purposes. Revenue sources are property taxes and miscellaneous revenue. This cost center finances many programs, such as general technical assistance and administration. It provides the financial support in meeting the matching requirements.

2. Technical Assistance - This cost center accounts for assistance to local units of government, public and semi-public agencies, and private enterprise for the purpose of stimulating community and economic development.

3. Transportation Planning - This cost center accounts for a grant received from the Minnesota Department of Transportation for work in planning and implementing a balanced transportation system.

4. Economic Development Administration - This cost center accounts for grants received from the U.S. Department of Commerce, Economic Development Administration, for work in the region's economic development planning activities, administration oversight of the Legacy Revolving Loan Fund, the CATE supplemental grant directed to increase regional economic resilience and the CARES RLF infused $870,000 in loan capital for businesses in need.

5. Regional Transportation Coordinating Council - This cost center accounts for a grant received from the Minnesota Department of Transportation to do the work of bridging transportation gaps for Minnesota citizens. To help ensure MMRTCC effectiveness, the Mid-Minnesota Development Commission is working alongside stakeholders (transportation providers of all kinds, county Human Services, healthcare providers, DT&H services and more) to tackle rural transportation barriers, particularly in the areas of *coordination and communication* among providers. Goals of the initiative include coordination measures that will assess the best (state, county, and individual) cost-saving options and assist *all* citizens in finding transportation that meets their unique needs.

6. Administrative Services - This cost center accounts for administrative services provided to projects, independent of the program services provided. Services are charged on an hourly and direct cost reimbursement basis.

NOTE 1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Cont'd)

C. <u>MEASUREMENT FOCUS AND BASIS OF ACCOUNTING</u> (Cont'd)

Description of Funds (Cont'd)
Major Governmental Funds: (Cont'd)
The Legacy Revolving Loan Special Revenue Fund accounts for funding from a number of grants, the majority of which comes from the Economic Development Administration with some assistance from the State of Minnesota, the Southwest Minnesota Initiative Fund, and the four counties of the Mid-Minnesota Development Commission. In addition, the Commission contributed some of its own reserves to help fund the program. All loans are now from revolving funds.

The CARES Revolving Loan Special Revenue Fund accounts for funding received from the Economic Development Administration through the CARES Act. The purpose of this grant is to alleviate sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency and to further long term economic adjustment objectives of the region.

Fiduciary Fund:
The Custodial Fund is used to account for funds for which the Commission acts as Fiscal Agent for the Highway 23 Coalition.

D. <u>BUDGETS AND BUDGETARY ACCOUNTING</u>

Budgets presented in this report for comparison to actual amounts are in accordance with accounting principles generally accepted in the United States of America. Reported budget amounts represent the originally adopted and final budgets. Revisions to the budgeted amounts must be approved by the Commission.

Total fund expenditures in excess of the budget require approval of the Commission. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

E. <u>ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE</u>

Cash and Investments:
The Commission's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The Commission 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;

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

(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 that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least 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.

Cash and investments consist of demand deposit accounts, money market account, non-negotiable certificates of deposit, and the 4M Fund.

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Commission invests in an external investment pool, the Minnesota Municipal Money Market Fund (4M Fund), which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The 4M Fund is not registered with the Securities Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

The Commission has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)
Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies, general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better, unrated general obligation securities of the Commission; 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. The Commission does not have a policy that further limits its collateral choices.

Custodial Credit Risk-Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the Commission listing the specific instrument, the rate, the maturity date and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the change in market interest rates. The Commission's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy follows an investment strategy to earn market rates of return while preserving and protecting capital.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The Commission's investment policy states it will comply with Minnesota Statutes Chapter 118A.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Commission places no limit on the amount the Commission may invest in any one issuer.

Current Taxes Receivable:
Current taxes receivable represent current real and personal property tax levies, certified the previous September and collectible in the current year, which have not been received by the Commission.

Delinquent Taxes Receivable:
Delinquent taxes receivable represent taxes collectible in the years 2015 to 2021 that remain uncollected. They are equally offset by a deferred inflow of resources amount in the fund financial statements.

Due To And Due From Other Funds:
Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund transactions and balances are eliminated in the government-wide statements.

.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Prepaid Items:
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Property Taxes Levied for Subsequent Year:
Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2022, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital and Right to Use Assets:
Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Right to use assets are capitalized as the present value of minimum lease payments. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Commission maintains a threshold level of $500 or more for capitalizing tangible and intangible capital and right to use assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital and right to use assets are reported in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital and right to use assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 3 to 10 years for equipment and furnishings.

The Commission does not possess any material amounts of infrastructure capital assets.

The Commission does not possess any material amounts of intangible capital assets.

Loans Receivable:
Loans receivable consist of loans to various business enterprises in the allowable four county area. Loans receivable are secured by one or more of the following: accounts receivable, inventory, equipment, real estate, and personal guarantees. Interest income is accrued on the unpaid principal balance and related fees are recorded as earned. Interest earnings and repaid principal allow for new loans to be made.

Deferred Outflows of Resources:
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The Commission has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Long-Term Obligations:
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Lease liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease term.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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. The present value of lease payments expected to be made at the inception of a lease agreement is reported as other financing sources. Subsequent lease payments are reported as capital outlay expenditures.

Pensions:
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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. 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. Investments are reported at fair value.

Compensated Absences
The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave 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. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Compensated Absences (Cont'd)
Annual Leave:
Employees earn annual leave at a rate of 3.33 hours up to 7.0 hours per pay period on a pro-rated basis. All outstanding unpaid leave is payable upon termination of employment. Unpaid annual leave totaling $17,773 is recorded as a component of accrued compensated absences included in long-term liabilities.

Sick Leave Pay:
Employees earn sick leave at a rate of 4.0 hours per pay period on a pro-rated basis. Outstanding unpaid sick leave pay is payable upon termination of employment at a rate ranging from 0% to 50%. Unpaid sick leave pay totaling $2,222 is recorded as a component of accrued compensated absences included in long-term liabilities.

Comp Time Pay:
Non-exempt employees can earn compensatory time off at a one and one-half ratio for hours worked in excess of 40 hours per week. Exempt employees earn compensatory time off at a one to one ratio for hours worked in excess of 40 hours per week. Unpaid comp time pay totaling $4,684 is recorded as a component of accrued compensated absences included in long-term liabilities.

Other Postemployment Benefits:
Per Minnesota Statutes, the Commission allows all retired employees to stay on their health care plan; however, due to the fact the Commission has less than 50 employees, the Commission is allowed to charge the actual costs of the plan rather than the standard premium amount; therefore, there is no implicit rate subsidy liability.

Unearned Revenues:
Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Deferred Inflows of Resources:
In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The Commission has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes and pensions.

Fund Balance:
In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Fund Balance (cont'd):

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Commissioners. 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 it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Commissioners.

Assigned - consists of amounts intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Commission Policy, the Executive Director and/or the Finance Director are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The Commission requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Commission would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital and right to use assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any long-term liability used to build or acquire the capital and right to use assets. Net position is reported as restricted in the government-wide and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Revenues:

Property tax levies are established by the Board of Commissioners each year and are certified to the counties for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The counties spread all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The counties generally remit taxes to the Commission at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES

Revenues (cont'd):
Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days after year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the Commission in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2022 are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:
Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and 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 expenditure/expenses during the reporting period. Actual results could differ from those estimates.

H. ALLOWANCE FOR DOUBTFUL LOANS

The Commission provides an allowance for doubtful loans which is offset against the gross amount of the loan. The allowance is an estimate of collection losses that may occur in the collection of all outstanding loans and is based upon historical experience along with management's review of the status of existing receivables. The reported allowance for doubtful loans was $120,000.

	Legacy Revolving Fund	CARES Revolving Fund	Total
Loans Receivable, Gross	$ 846,289	$ 849,881	$ 1,696,170
Less Allowance for Doubtful Loans	(100,000)	(20,000)	(120,000)
Loans Receivable, Net	$ 746,289	$ 829,881	$ 1,576,170

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2021, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The Commission had no deficit fund balances.

C. EXCESS OF EXPENDITURES OVER BUDGET

The Legacy Revolving Loan Special Revenue Fund had excess expenditures over budget of $32,444.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments were as follows:

	Book Balance
Governmental Activities	
Deposits and Investments	
Cash in Bank Accounts	$ 691,562
Petty Cash	300
Money Market Deposit Account	247,614
Non-negotiable Certificate of Deposit	336,413
External Investment Pool	
4M Fund	92
Total Deposits and Investments	$ 1,275,981
Cash	$ 1,275,889
Investments	92
Total Cash and Investments	$ 1,275,981
Fiduciary Fund	
Cash and Investments	
Cash in Bank Accounts	
Highway 23 Coalition	$ 149,341

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

A. DEPOSITS

Custodial Credit Risk. The Commission's bank balances were exposed to custodial credit risk because there was insufficient coverage with securities held by the pledging financial institution's trust department or agent and in the Commission's name.

B. INVESTMENTS

The Commission had the following investment:

	Amortized Cost	Weighted Average Maturity (Years)	Credit Ratings
Investments at Amortized Cost:			
4M Money Market	$ 92	N/A	Not Rated

Concentration Risk. The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 4. RECEIVABLES

Receivables for the Commission's governmental activities are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Property Taxes	$ 168,730	$
Accrued Interest	1,329	
Due from Other Governments	84,448	
Loans Receivable	1,576,170	1,414,344
Total Governmental Activities	$ 1,830,677	$ 1,414,344

NOTE 5. CAPITAL ASSETS

Changes in the Commission's capital assets for the year are:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Capital Assets,				
Being Depreciated				
Furniture, Equipment and Vehicles	$ 77,405	$ 1,762	$	$ 79,167
Right of Use Assets - Buildings	115,893			115,893
Accumulated Depreciation	(37,293)	(9,730)		(47,023)
Accumulated Amortization	(21,247)	(23,179)		(44,426)
Net Capital Assets	$ 134,758	$ (31,147)	$ 0	$ 103,611

Depreciation expense for the year was $9,730. This amount was allocated to administration.

Amortization expense for the year was $23,179. This amount was allocated to programs as follows:

Administration	$ 2,679
Technical Assistance	4,047
Transportation Planning	2,390
Economic Development Administration	8,693
Regional Transportation Coordinating Council	5,370
	$ 23,179

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances is as follows:

Due From Other Funds	Due to Other Funds	Amount
General Fund	Legacy Revolving Loan Fund	$ 32,444

The purpose of the above interfund loan was to reimburse administration fees payable from the Legacy Revolving Loan Fund to the General Fund.

NOTE 7. LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilties:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Annual Leave Payable *	$ 17,788	$	$ (15)	$ 17,773	$
Sick Leave Payable*	12,564		(10,342)	2,222	
Comp Time Payable*	9,366		(4,682)	4,684	
Long-Term Lease Liability	96,220		(22,236)	73,984	23,075
Total	$ 135,938	$ 0	$ (37,275)	$ 98,663	$ 23,075

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

NOTE 8. LONG-TERM LEASES

At June 30, 2022, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This implementation allows the Commission to report its right to use assets and related long-term leases.

Lease agreements are summarized as follows:

	Origination Date	Payment Terms	Payment Amount	Interest Rate
Office Space	8/1/2020	60 Months	$ 2,119	3.71%

	Original Lease	Current Year Additional	Balance Outstanding
Office Space	$ 115,893	$	$ 73,984

Office space is leased at the MinnWest Technology Campus. The lease can be renewed. The interest rate on the lease is a fixed rate of 3.71%

Annual requirements to amortize lease obligations and related interest are as follows:

Year Ending	Principal	Interest
2023	$ 23,075	$ 2,355
2024	23,946	1,484
2025	24,850	581
2026	2,113	7
	$ 73,984	$ 4,427

NOTE 9. FUND BALANCE

The following is a summary of fund balance components.

	General	Legacy Revolving Loan Special Revenue	CARES Revolving Loan Special Revenue	Total
Nonspendable				
Prepaid Items	$ 5,651	$	$	$ 5,651
Restricted				
Revolving Loan Fund			869,218	869,218
Committed				
Emergency Staff Coverage	45,000			45,000
Unemployment	37,500			37,500
Operating Capital	245,000			245,000
Facilities Fund	75,117			75,117
Community Enhancement	121,211			121,211
Planning Assistance	50,000			50,000
Total Committed	573,828	0	0	573,828
Assigned				
Revolving Loan Fund		847,901		847,901
Unassigned	349,877			349,877
	$ 929,356	$ 847,901	$ 869,218	$ 2,646,475

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):
The General Employees Retirement Plan covers certain full time and part-time employees of the Commission. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. CONTRIBUTIONS

GERP Contributions:
Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the Commission was required to contribute 7.50 percent for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended June 30, 2022 were $41,819. The Commission's contributions were equal to the required contributions as set by state statute.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:
At June 30, 2022 the Commission reported a liability of $316,013 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled $9,618. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportion share was 0.0074% at the end of the measurement period and 0.0064% for the beginning of the period.

Commissions Proportionate Share of the Net Pension Liability	$ 316,013
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the Commission	9,618
Total	$ 325,631

There were no provision changes during the measurement period.

For the year ended June 30, 2022, the Commission recognized pension expense of $26,549 for its proportionate share of GERP's pension expense. In addition, the Commission recognized $776 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution to the General Employees Fund.

At June 30, 2022, the Commission reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 1,548	$ 9,520
Changes in Actuarial Assumptions	192,951	5,896
Net Collective Differences Between Projected and Actual Investment Earnings		276,094
Changes in Proportion	64,335	
Contributions Paid to PERA Subsequent to Measurement Date	41,819	
Total	$ 300,653	$ 291,510

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

The $41,819 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2023	$ 14,924
2024	15,970
2025	11,079
2026	(74,649)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
	100.00%	

F. ACTUARIAL ASSUMPTIONS

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

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

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

Changes in Actuarial Assumptions:

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

G. DISCOUNT RATE

GERP:
The discount rate used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

		GERP
1% Lower	5.50%	$ 644,506
Current Discount Rate	6.50%	316,013
1% Higher	7.50%	46,465

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

I. PENSION PLAN FIDUCIARY NET POSITION

GERP:
Detailed information about the 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.

NOTE 11. INDIRECT COST ALLOCATION AGREEMENT

Through the preparation of the indirect cost plan, a provisional indirect rate of 33.70 percent was developed. The actual rate was 30.03 percent. The provisional rate is used in the budgetary process with actual accumulated year-to-date rates applied each month.

Indirect costs are expenditures such as rents, utilities, insurance, bonds, periodical and newspaper subscriptions, administrative salaries and other common expenditures that result in a benefit to all programs. The methodology for distributing these common and necessary costs is detailed in the Cost Allocation Plan. This systematic method precludes arbitrary decision-making in distribution of indirect costs and provides equitable distribution to all programs. Indirect costs are allocated to each program based on the program's direct salary expense. The financial statements reflect indirect costs charged to each program.

NOTE 12. DEFERRED COMPENSATION PLAN

The Commission has made available to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

NOTE 13. CONTINGENCIES - FEDERAL AND STATE PROGRAMS

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

NOTE 14. LOAN COMMITMENTS

The Commission had no loan commitments.

NOTE 15. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health coverage; workers' compensation claims; and natural disasters. To mitigate these risks, the Commission has obtained commercial property and casualty insurance and workers' compensation coverage. The Commission pays an annual premium with no additional assessments.

NOTE 15. RISK MANAGEMENT (Cont'd)

The Commission has joined together with other governmental entities in Minnesota in the Public Employees Insurance Program (PEIP), a public entity risk pool currently operating as a common risk management and insurance program for members. The Commission pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating members for future losses sustained is extremely remote.

There has been no significant reduction in insurance coverage from the previous year in any of the Commission's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 16. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on net position or fund balance.

NOTE 17. COVID-19

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and the United States declared a national emergency. Various governmental measures to control the spread of the virus have been implemented throughout the country, including temporary closure of businesses, restrictions on travel, and other limitations on the conduct of business. The pandemic is disrupting supply chains and affecting production and sales across a range of industries. The continued spread of the coronavirus globally could have an effect on the Commission's business, net position, and results of operations in the next year.

NOTE 18. PRIOR PERIOD ADJUSTMENT

The beginning net position of the governmental activities has been adjusted to reflect a change in accounting principle. As mentioned in Note 8, the Commission implemented GASB 87 which requires a lessee to record a lease liablity and right to use lease asset. As a lessee, the Commission recognized $115,893 in net book value of right to use assets and a lease liability of $115,893 for the year beginning July 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022

Fiscal Year Ending	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 (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
6/30/2021	0.0074%	$ 316,013	$ 9,618	$ 325,631	$ 533,933	60.99%	87.00%
6/30/2020	0.0064%	383,709	11,837	395,546	456,213	86.70%	79.06%
6/30/2019	0.0059%	326,198	10,166	336,364	416,765	80.71%	80.23%
6/30/2018	0.0055%	305,117	10,043	315,160	369,773	85.23%	79.53%
6/30/2017	0.0056%	357,500	4,498	361,998	360,953	100.29%	75.90%
6/30/2016	0.0056%	454,692	5,967	460,659	349,693	131.73%	68.91%
6/30/2015	0.0066%	342,046		342,046	357,440	95.69%	78.19%
6/30/2014	0.0083%	389,892		389,892	437,273	89.16%	78.75%

The Commission implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2022

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA					
6/30/2022	$ 41,819	$ 41,819	$	$ 557,588	7.50%
6/30/2021	40,045	40,045		533,933	7.50%
6/30/2020	34,216	34,216		456,213	7.50%
6/30/2019	31,258	31,258		416,765	7.50%
6/30/2018	27,733	27,733		369,773	7.50%
6/30/2017	27,072	27,072		360,953	7.50%
6/30/2016	26,227	26,227		349,693	7.50%
6/30/2015	26,808	26,808		357,440	7.50%

The Commission implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2021 Changes:
No changes.

2020 Changes:
Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes:
The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes:
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.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 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 Rule of 90 retirees, disability benefit recipients, or survivors.

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

2017 Changes:
The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes:
No changes.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2015 Changes:
On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

2014 Changes:
No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2021 Changes:
The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes:
The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

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% 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 2-5 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 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 annuitant 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.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2020 Changes: (Cont'd)
The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes:
The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes:
The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:
The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:
The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:
The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

This page intentionally left blank

SUPPLEMENTARY INFORMATION

This page intentionally left blank

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Budgeted Amounts			Over (Under) Final	
	Original	Final	Actual	Budget	Actual
REVENUES					
Property Tax Levies					
Current	$ 355,785	$ 366,805	$ 354,537	$ (12,268)	$ 342,832
Delinquent			7,820	7,820	8,045
Other			12,445	12,445	7,474
Total Property Tax Levies	355,785	366,805	374,802	7,997	358,351
Federal Sources					
Economic Development Administration	206,151	206,151	204,825	(1,326)	231,491
Revolving Loan Fund	63,806	54,789	15,636	(39,153)	92,541
MNDOT Transit Planning	35,000	35,000	35,000		
MNDOT RTCC	160,769	158,400	144,386	(14,014)	120,738
Total Federal Sources	465,726	454,340	399,847	(54,493)	444,770
State Sources					
MNDOT Planning Grant	75,000	75,000	75,000		75,000
MNDOT SRTS					20
MNDOT RTCC	20,096	19,800	18,048	(1,752)	15,092
Total State Sources	95,096	94,800	93,048	(1,752)	90,112
Local Sources					
Technical Assistance	27,978	5,000	37,325	32,325	33,346
Administrative Services					
Highway 23 Coalition					1,176
Total Local Sources	27,978	5,000	37,325	32,325	34,522
Interest and Dividends	8,500	5,680	5,321	(359)	5,774
Other					
Miscellaneous	1,380	4,815	10,191	5,376	2,520
Total Revenues	954,465	931,440	920,534	(10,906)	936,049

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Budgeted Amounts			Over (Under) Final	
	Original	Final	Actual	Budget	Actual
EXPENDITURES					
Current					
Administration					
Personnel	$ 43,801	$ 43,880	$ 88,757	$ 44,877	$ 63,902
Supplies and Printing	2,485	2,485	1,121	(1,364)	4,796
Communications	9,464	9,464	11,850	2,386	11,226
Services	15,289	15,289	457	(14,832)	6,860
Travel and Training	6,480	6,480	4,441	(2,039)	931
Commission	11,240	11,240	11,368	128	10,009
Indirect Costs	14,759	15,006	21,947	6,941	15,695
Total Administration	103,518	103,844	139,941	36,097	113,419
Technical Assistance					
Personnel	104,561	104,749	105,607	858	103,609
Supplies and Printing	855	855	449	(406)	771
Communications	2,196	2,196	3,700	1,504	836
Services	584	584	3,353	2,769	3,107
Travel and Training	4,206	4,206	2,529	(1,677)	2,058
Indirect Costs	35,233	35,821	31,788	(4,033)	30,821
Total Technical Assistance	147,635	148,411	147,426	(985)	141,202
Transportation Planning					
Personnel	63,497	63,611	65,068	1,457	70,034
Supplies and Printing	72	72	2,048	1,976	503
Communications	793	793	1,039	246	835
Services	330	330	1,083	753	306
Travel and Training	2,191	2,191	1,160	(1,031)	
Indirect Costs	21,396	21,754	19,585	(2,169)	20,833
Total Transportation Planning	88,279	88,751	89,983	1,232	92,511
Economic Development Administration					
Personnel	234,145	225,330	214,246	(11,084)	280,066
Supplies and Printing	8,621	8,621	1,932	(6,689)	4,102
Communications	4,224	4,224	2,450	(1,774)	5,488
Services	654	654	1,017	363	1,685
Travel and Training	21,638	26,520	9,217	(17,303)	3,683
Indirect Costs	78,897	77,057	64,488	(12,569)	83,313
Total Economic Development Administration	348,179	342,406	293,350	(49,056)	378,337

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Budgeted Amounts			Over (Under) Final	
	Original	Final	Actual	Budget	Actual
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Regional Transportation Coordinating Council					
Personnel	$ 135,866	$ 136,109	$ 146,171	$ 10,062	$ 101,294
Supplies and Printing	1,803	1,583	677	(906)	2,860
Communications	8,568	8,568	6,457	(2,111)	15,989
Volunteer Services and Other Uses	300	300	11	(289)	
Services	3,263	3,263	3,489	226	509
Travel and Training	5,380	5,380	4,590	(790)	222
Indirect Costs	45,781	46,546	43,997	(2,549)	30,132
Total RTCC	200,961	201,749	205,392	3,643	151,006
Administrative Services					
Highway 23 Coalition					
Personnel	1,100	1,102	4,541	3,439	886
Supplies and Printing	4	4	46	42	2
Communications	25	25	17	(8)	5
Travel and Training	44	44	51	7	7
Indirect Costs	371	377	1,367	990	263
Total Highway 23 Coalition	1,544	1,552	6,022	4,470	1,163
Total Administrative Services	1,544	1,552	6,022	4,470	1,163
Total Current	890,116	886,713	882,114	(4,599)	877,638
Capital Outlay					
Administration	5,423	5,423	2,224	(3,199)	23,949
Total Expenditures	895,539	892,136	884,338	(7,798)	901,587
Net Change in Fund Balance	$ 58,926	$ 39,304	36,196	$ (3,108)	34,462
FUND BALANCE, BEGINNING OF YEAR			893,160		858,698
FUND BALANCE, END OF YEAR			$ 929,356		$ 893,160

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LEGACY REVOLVING LOAN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Budgeted Amounts			Over (Under) Final	
	Original	Final	Actual	Budget	Actual
REVENUES					
Interest and Fees	$	$	$ 39,453	$ 39,453	$ 32,183
EXPENDITURES					
Current					
Revolving Loan Fund Administration					
Administration			32,444	32,444	27,886
Net Change in Fund Balance	$ 0	$ 0	7,009	$ 7,009	4,297
FUND BALANCE, BEGINNING OF YEAR			840,892		836,595
FUND BALANCE, END OF YEAR			$ 847,901		$ 840,892

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CARES REVOLVING LOAN SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2022
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022				2021
	Budgeted Amounts			Over (Under) Final	
	Original	Final	Actual	Budget	Actual
REVENUES					
Federal Sources					
Revolving Loan Fund Grant	$	$	$ 69,000	$ 69,000	$ 801,000
Interest and Fees			2,420	2,420	16,798
Total Revenues	0	0	71,420	71,420	817,798
EXPENDITURES					
Current					
Revolving Loan Fund Administration					
Bad Debts					20,000
Net Change in Fund Balance	$ 0	$ 0	71,420	$ 71,420	$ 797,798
FUND BALANCE, BEGINNING OF YEAR			797,798		0
FUND BALANCE, END OF YEAR			$ 869,218		$ 797,798

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Grantor/ Pass-Through Entity/ Program Title	Federal Assistance Listing Number		Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Commerce				
Direct Programs				
Economic Adjustment Assistance - CARES Act RLF				$ 889,218
Economic Adjustment Assistance - Supplemental CARES Act				132,036
Total Economic Adjustment Assistance	11.307	*	Not Assigned	1,021,254
Economic Development Support for Planning Organizations	11.302		Not Assigned	72,789
Total U.S. Department of Commerce				1,094,043
U.S. Department of Transportation				
Minnesota Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505		Not Assigned	35,000
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		Not Assigned	144,386
Total Expenditures of Federal Awards				$ 1,273,429

The federal expenditures for Economic Adjustment Assistance were calculated as follows:

	CARES Act RLF
Balance of Loans Outstanding	$ 849,881
Cash and Investment Balance	39,337
	889,218
Federal Percentage of Loan Funds	100.00%
Federal Expenditures	$ 889,218

* Denotes major program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Mid-Minnesota Development Commission. The Commission's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Mid-Minnesota Development Commission under programs of the federal government for the year ended June 30, 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.* Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Commission.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. SUBRECIPIENTS

The Commission did not pass any federal money to subrecipients.

NOTE 5. DE MINIMIS COST RATE

The Commission elected not to charge the de minimis indirect cost rate of 10% to federal programs.

NOTE 6. LOANS OUTSTANDING

Mid-Minnesota Development Commission had the following loan balances outstanding at June 30, 2022. The federal portion of the loans outstanding are included in the federal expenditures presented in the Schedule.

Cluster/Program Title	Federal CFDA Number	Amount Outstanding
Economic Adjustment Assistance	11.307	$ 849,881

COMPLIANCE

This page intentionally left blank

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, 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 and each major fund of Mid-Minnesota Development Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2022.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

November 30, 2022

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

This page intentionally left blank

INDEPENDENT AUDITOR'S 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*

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mid-Minnesota Development Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* 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, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Finding and Questioned Costs as 2022-001 and 2022-002 that we consider to be material weaknesses.

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

Report on Compliance and Other Matters

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

Mid-Minnesota Development Commission's Response to Findings

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

November 30, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mid-Minnesota Development Commission's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the federal program for the year ended June 30, 2022. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Mid-Minnesota Development Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

www.cdscpa.com

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 the Commission'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 generally accepted auditing standards, *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 the Commission's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Commission’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Report on Internal Control Over Compliance (Cont'd)

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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

November 30, 2022

This page intentionally left blank

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	2022-001 2022-002
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

Assistance Listing No.:	11.307
Name of Federal Program or Cluster:	Economic Adjustment Assistance
Dollar threshold used to distinguish between Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	No

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

FINDING: 2022-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The Commission has assigned duties to staff based on a cost-benefit relationship to the Commission and the practicality of the level of staffing the Commission maintains.

Effect: No effect on the financial statements.

Recommendation: The Commission should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP)
Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:
The Commission is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Officials Responsible for Ensuring CAP:
Darla Bajari, Finance Director

Planned Completion Date of CAP:
June 30, 2023

Plan to Monitor Completion of CAP:
Eric Day, Executive Director

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd)

FINDING: 2022-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the Commission has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the Commission.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the Commission's current internal control.

Recommendation: The Commission should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the Commission can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP)
Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:
The Commission is aware of this; however, due to significant cost and a limited number of employees, it is in the Commission's best financial interest to contract for the preparation of the financial statements.

Officials Responsible for Ensuring CAP:
Darla Bajari, Finance Director

Planned Completion Date of CAP:
June 30, 2023

Plan to Monitor Completion of CAP:
Eric Day, Executive Director

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE

None

MID-MINNESOTA DEVELOPMENT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2021-001	Limited Segregation of Duties	Not Corrected	2007	See current year finding 2022-001
2021-002	Auditor Prepared Financial Statements	Not Corrected	2011	See current year finding 2022-002

Minnesota Legal Compliance Findings:

None

Federal Awards Findings:

None