

**MARTIN COUNTY
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2013

**MARTIN COUNTY
FAIRMONT, MINNESOTA
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DECEMBER 31, 2013**

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FAIRMONT, MINNESOTA
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INTRODUCTORY SECTION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
DECEMBER 31, 2013**

ORGANIZATION

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Elliot Belgard*	January 2017
2nd District	Steven Pierce	January 2015
3rd District	Steven Donnelly	January 2017
4th District	Dan Schmidtke**	January 2015
5th District	Steven Flohrs	January 2017
Officers		
Elected		
Attorney	Terry Viesselman	January 2015
Auditor/Treasurer	James Forshee	January 2015
Judge	Robert D Walker	January 2016
County Recorder	Kay Wrucke	January 2015
Sheriff	Jeff Markquart	January 2015
Surveyor	John Madsen	January 2015
Appointed		
Assessor	Danial Whitman	December 2016
Highway Engineer	Kevin Peyman	April 2014
Medical Examiner	Dr. Dennis Gremel	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Trushenski	Indefinite
County Coordinator	Scott Higgins	Indefinite

* Chair

**Co-Chair

FINANCIAL SECTION



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Martin County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin County's basic financial statements. The supplementary information and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

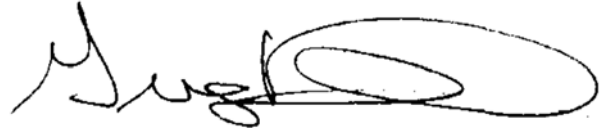
The supplementary information and the other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2014, on our consideration of Martin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Martin County's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 9, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

Martin County's (the County) Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the year ended December 31, 2013. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 15). Certain comparative information between the current year, 2013, and the prior year, 2012, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 include the following:

- Governmental activities' total net position is \$79,140,904 of which \$61,640,194 is the net investment in capital assets, and \$4,991,036 is restricted for specific purposes.
- Martin County's net position increased by \$1,316,943 for the year ended December 31, 2013.
- The net cost of governmental activities was \$11,446,186 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$12,763,129.
- Governmental funds' fund balances decreased by \$1,868,985.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Martin County's basic financial statements consist of three parts: Government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two government-wide statements. The Statement of Net Position and the Statement of Activities (pages 15-17) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 18. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on page 15. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two financial statements report the County's net position and changes in it. You can think of the County's net position—the difference between the assets and deferred outflows and the liabilities and deferred inflows – as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities:

Governmental Activities—The County's basic services are reported here, including general government, highways and streets, human services, public safety, economic development, environmental services, culture and recreation, conservation of natural resources, and interest. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

Our analysis of the County's major funds begins on page 18. The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and fiduciary--use different accounting methods.

- Governmental Funds—The County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation in a statement following each governmental fund financial statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- **Fiduciary Funds**—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Combining Statement of Changes in Assets and Liabilities (page 69). We excluded these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$79,140,904 on December 31, 2013 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		%
	2013	2012	
Current and Other Assets	\$ 21,156,275	\$ 22,944,412	(7.8)%
Capital Assets	64,098,800	60,255,137	6.4
Total Assets	85,255,075	83,199,549	2.5
Current Liabilities	1,721,344	1,360,978	26.5
Long-Term Liabilities	3,781,682	4,014,610	(5.8)
Total Liabilities	5,503,026	5,375,588	2.4
Deferred Inflows of Resources	611,145	-	100.0
Net Position			
Net Investment in Capital			
Assets	61,640,194	57,665,252	6.9
Restricted	4,991,036	5,743,803	(13.1)
Unrestricted	12,509,674	14,414,906	(13.2)
Total Net Position	\$ 79,140,904	\$ 77,823,961	1.7

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$24,400,391 for the year ended December 31, 2013. Property taxes and intergovernmental revenues accounted for 79 percent of total revenues for the year (see Table A-2).

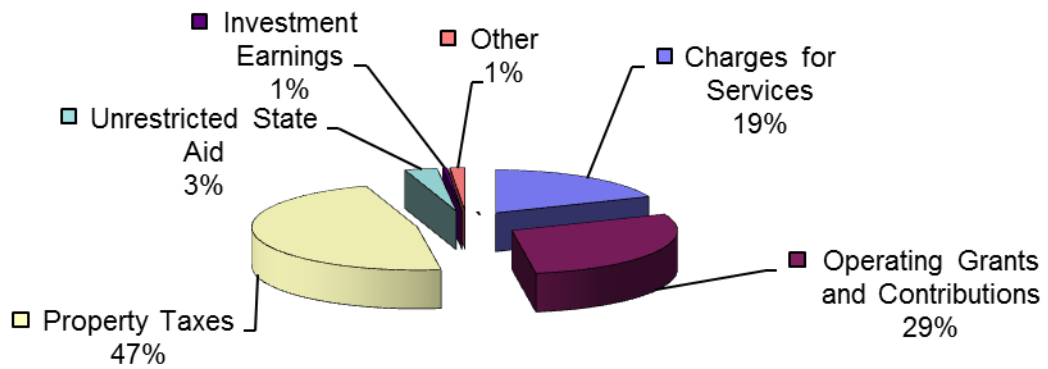
Table A-2
Change in Net Position

	Governmental Activities		Total % Change
	2013	2012	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 4,583,532	\$ 5,396,163	(15.1)%
Operating Grants and Contributions	7,053,730	6,446,990	9.4
<u>General Revenues</u>			
Property Taxes	11,539,109	10,904,686	5.8
Unrestricted State Aid	770,383	960,705	(19.8)
Investment Earnings	100,802	155,663	(35.2)
Other	352,835	333,728	5.7
Total Revenues	<u>24,400,391</u>	<u>24,197,935</u>	0.8
EXPENSES			
General Government	4,758,983	4,724,911	0.7
Public Safety	4,292,116	5,129,244	(16.3)
Highways and Streets	5,868,930	5,431,217	8.1
Environmental Services	979,250	1,272,912	(23.1)
Culture and Recreation	791,407	798,958	(0.9)
Conservation of Natural Resources	2,832,602	1,727,841	63.9
Economic Development	397,726	118,318	236.2
Human Services	3,032,793	3,224,517	(5.9)
Interest	129,641	120,128	7.9
Total Expenses	<u>23,083,448</u>	<u>22,548,046</u>	2.4
CHANGE IN NET POSITION	1,316,943	1,649,889	(20.2)
Net Position - Beginning of Year	<u>77,823,961</u>	<u>76,174,072</u>	2.2
NET POSITION - END OF YEAR	<u>\$ 79,140,904</u>	<u>\$ 77,823,961</u>	1.7

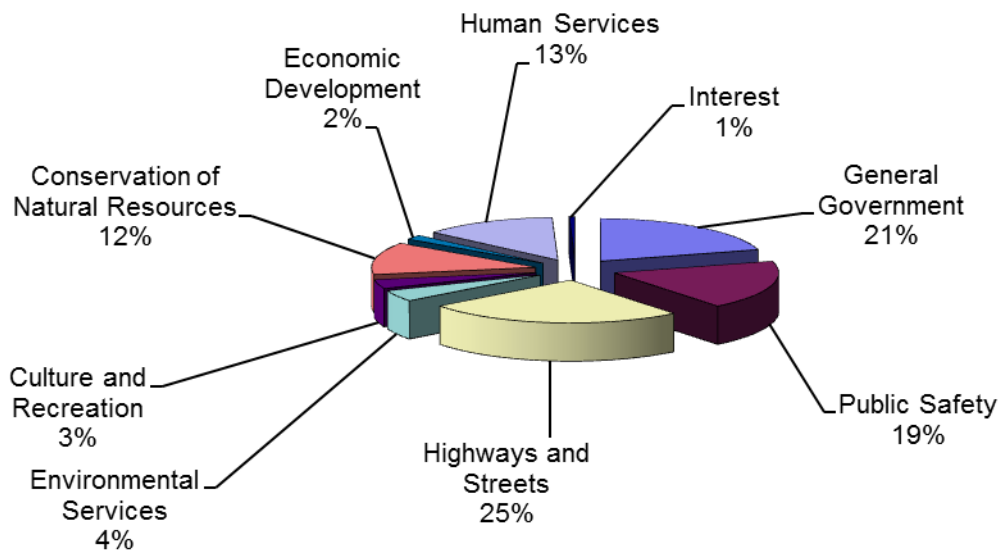
**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2013



Governmental Activities Expenses by Function 2013



**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was \$23,083,448.

- Some of the cost was paid by the users of the County's Programs (\$4,583,532).
- The Federal and state governments subsidized certain programs with grants and contributions (\$7,053,730).
- The remainder of the County's costs (\$11,446,186), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$11,539,109 in property taxes, \$770,383 of state aid, and \$453,637 with investment earnings and other general revenues.

Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table A-3
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services			Net Revenue (Cost) of Services		
	2013	2012	Percentage Change	2013	2012	Percentage Change
GOVERNMENTAL ACTIVITIES						
General Government	\$ 4,758,983	\$ 4,724,911	0.7 %	\$ (2,823,299)	\$ (2,718,899)	3.8 %
Public Safety	4,292,116	5,129,244	(16.3)	(3,549,065)	(4,414,533)	(19.6)
Highways and Streets	5,868,930	5,431,217	8.1	84,123	361,136	(76.7)
Environmental Services	979,250	1,272,912	(23.1)	(9,756)	(75,372)	(87.1)
Culture and Recreation	791,407	798,958	(0.9)	(678,221)	(679,090)	(0.1)
Conservation of Natural Resources	2,832,602	1,727,841	63.9	(1,258,028)	248,555	(606.1)
Economic Development	397,726	118,318	236.2	(57,720)	(90,259)	(36.1)
Human Services	3,032,793	3,224,517	(5.9)	(3,024,579)	(3,216,303)	(6.0)
Interest	129,641	120,128	7.9	(129,641)	(120,128)	7.9
Total	<u>\$ 23,083,448</u>	<u>\$ 22,548,046</u>	2.4	<u>\$ (11,446,186)</u>	<u>\$ (10,704,893)</u>	6.9

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$14,159,398. Revenues for the County's governmental funds were \$25,271,487, while total expenditures were \$27,305,308. During 2013, the County also sold capital assets for \$3,659 which is included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$106,028 during 2013.

The Road and Bridge Fund's fund balance decreased by \$275,090 in 2013.

The Human Services Fund's fund balance decreased by \$498,883, this is primarily due to an increase in payments to the Human Services of Faribault and Martin Counties Agency.

The Ditch Fund's fund balance decreased by \$1,088,755, this is primarily due to the County making ditch improvements during 2013.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

Table A-4 presents a summary of General Fund revenues.

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
Taxes	\$ 6,730,726	\$ 6,066,102	\$ 664,624	11.0 %
Licenses and Permits	66,431	64,990	1,441	2.2
Intergovernmental	2,044,278	2,091,249	(46,971)	(2.2)
Charges for Services	659,109	685,393	(26,284)	(3.8)
Investment Earnings	97,645	152,771	(55,126)	(36.1)
Miscellaneous and Other	790,755	1,151,238	(360,483)	(31.3)
Total General Fund Revenues	<u>\$ 10,388,944</u>	<u>\$ 10,211,743</u>	<u>\$ 177,201</u>	1.7

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
General Government	\$ 4,702,281	\$ 4,509,277	\$ 193,004	4.3 %
Public Safety	4,215,206	5,316,691	(1,101,485)	(20.7)
Environmental Services	370,914	477,888	(106,974)	(22.4)
Culture and Recreation	791,418	824,828	(33,410)	(4.1)
Conservation of Natural Resources	110,720	116,099	(5,379)	(4.6)
Economic Development	45,701	43,273	2,428	5.6
Principal Retirement	46,544	45,626	918	2.0
Interest and Fiscal Charges	3,791	4,709	(918)	(19.5)
Total Expenditures	<u>\$ 10,286,575</u>	<u>\$ 11,338,391</u>	<u>\$ (1,051,816)</u>	(9.3)

For the year ended December 31, 2013, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$378,688 more than expected. This is due primarily to taxes collected and intergovernmental payments being higher than expected.
- The actual expenditures were \$45,198 less than budgeted. This is due primarily to costs for Library, Parks, and Economic Development being less than expected.
- The County does not typically amend its budget after it is approved by the County Board; likewise, they have not made any budget amendments during 2013.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2013, the County had invested \$97,530,890 in a broad range of capital assets including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.) Total depreciation expense for the year was \$2,106,878.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2013	2012	
Land and Right-of-Way	\$ 1,190,311	\$ 1,190,311	-
Construction in Progress	1,232,484	355,572	246.6
Buildings and Improvements	8,233,976	7,653,998	7.6
Machinery, Equipment, and Vehicles	6,459,198	6,048,983	6.8
Infrastructure	80,414,921	76,475,370	5.2
Less: Accumulated Depreciation	<u>(33,432,090)</u>	<u>(31,469,097)</u>	6.2
Total	<u>\$64,098,800</u>	<u>\$ 60,255,137</u>	6.4

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term liabilities of \$3,781,682 versus \$4,014,610 in the previous year for a 5.8 percent decrease as shown in Table A-7. This decrease is due to payments made during the year.

Table A-7
The County's Long-Term Liabilities

	2013	2012	Unavailable Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Discount	\$ 2,644,784	\$ 2,844,462	(7.0)%
Loans Payable	161,357	209,602	(23.0)
Compensated Absences Payable	631,176	663,099	(4.8)
Other Postemployment Benefit Obligation	344,365	297,447	15.8
Total	<u>\$ 3,781,682</u>	<u>\$ 4,014,610</u>	(5.8)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor / Treasurer, James Forshee, at (507) 238-3266.

BASIC FINANCIAL STATEMENTS

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2013**

	<u>Primary Government</u>
ASSETS	
Cash and Pooled Investments	\$ 15,329,458
Petty Cash and Change Funds	1,455
Taxes Receivable - Delinquent	182,860
Special Assessments Receivable - Delinquent	100,087
Special Assessments Receivable - Unavailable	2,616,893
Accounts Receivable - Net	5,872
Loans Receivable	329,524
Accrued Interest Receivable	2,080
Due from Other Governments	1,730,639
Inventories	857,407
Capital Assets - Non Depreciable	
Land and Right of Way	1,190,311
Construction in Progress	1,232,484
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,584,965
Land Improvements	50,626
Machinery, Vehicles, Furniture and Equipment	1,813,721
Infrastructure	<u>56,226,693</u>
Total Assets	<u><u>85,255,075</u></u>

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

	<u>Primary Government</u>
LIABILITIES	
Accounts Payable	\$ 493,774
Salaries Payable	310,132
Contracts Payable	698,134
Due to Other Governments	98,803
Accrued Interest Payable	31,462
Unearned Revenue	89,039
Compensated Absences Payable - Due Within One Year	449,362
General Obligation Bonds Payable - Due Within One Year	208,000
Loans Payable - Due Within One Year	44,635
Compensated Absences Payable - Due in More Than One Year	181,814
General Obligation Bonds Payable - Due in More Than One Year	2,436,784
Loans Payable - Due in More Than One Year	116,722
Other Postemployment Benefit Obligation - Due in More Than One Year	344,365
Total Liabilities	<u>5,503,026</u>
DEFERRED INFLOWS OF RESOURCES	
Advanced Allotments	<u>611,145</u>
NET POSITION	
Net Investment in Capital Assets	61,640,194
Restricted for	
General Government	306,664
Public Safety	344,833
Debt Service	555,541
Culture and Recreation	6,633
Economic Development	213,581
Highways and Streets	1,315,210
Conservation	1,380,949
Sanitation	867,625
Unrestricted	<u>12,509,674</u>
Total Net Position	<u>\$ 79,140,904</u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Fees, Charges, Fines, and Other	Operating Grants and Contributions		Capital Grants and Contributions
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES				Governmental Activities	
General Government	\$ 4,758,983	\$ 1,159,207	\$ 776,477	\$ -	\$ (2,823,299)
Public Safety	4,292,116	208,754	534,297	-	(3,549,065)
Highways and Streets	5,868,930	746,348	5,206,705	-	84,123
Environmental Services	979,250	834,309	135,185	-	(9,756)
Culture and Recreation	791,407	100,891	12,295	-	(678,221)
Conservation of Natural Resources	2,832,602	1,543,524	31,050	-	(1,258,028)
Economic Development	397,726	(9,501)	349,507	-	(57,720)
Human Services	3,032,793	-	8,214	-	(3,024,579)
Interest	129,641	-	-	-	(129,641)
Total Governmental Activities	<u>\$ 23,083,448</u>	<u>\$ 4,583,532</u>	<u>\$ 7,053,730</u>	<u>\$ -</u>	<u>(11,446,186)</u>
GENERAL REVENUES					
Property Taxes					11,539,109
Mortgage Registry and Deed Tax					19,515
Wind Power Production Tax					315,783
Wheelage Tax					13,878
Grants and Contributions not Restricted for a Particular Purpose					770,383
Investment Earnings					100,802
Gain on Sale of Capital Assets					3,659
Total General Revenues					<u>12,763,129</u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year					<u>77,823,961</u>
NET POSITION - END OF YEAR					
					<u>\$ 79,140,904</u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	\$ 6,350,585	\$ 5,361,374	\$ -	\$ -
Petty Cash and Change Funds	1,405	50	-	-
Taxes Receivable - Delinquent	97,236	39,390	39,805	-
Special Assessments Receivable				
Delinquent	15,749	-	-	6,238
Unavailable	559,028	-	-	2,057,865
Accounts Receivable	5,872	-	-	-
Interest Receivable	2,080	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	1,641,820	12,317	-	-
Due from Other Governments	97,606	1,329,088	-	163,808
Inventories	-	857,407	-	-
Total Assets	<u>\$ 8,771,381</u>	<u>\$ 7,599,626</u>	<u>\$ 39,805</u>	<u>\$ 2,227,911</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 160,205	\$ 63,293	\$ -	\$ 179,698
Salaries Payable	236,517	73,615	-	-
Contracts Payable	-	350,855	-	347,279
Due to Other Funds	12,317	3	327,105	1,314,648
Due to Other Governments	53,086	4,122	-	37,565
Unearned Revenue	89,039	-	-	-
Total Liabilities	<u>551,164</u>	<u>491,888</u>	<u>327,105</u>	<u>1,879,190</u>
DEFERRED INFLOWS OF RESOURCES				
Advanced Allotments	-	611,145	-	-
Unavailable Revenue	767,339	1,354,600	39,805	2,064,103
Total Deferred Inflows of Resources	<u>767,339</u>	<u>1,965,745</u>	<u>39,805</u>	<u>2,064,103</u>
FUND BALANCES				
Nonspendable				
Inventories	-	857,407	-	-
Restricted for				
Missing Heirs	4,088	-	-	-
Law Library	75,766	-	-	-
Sheriffs Contingency	5,000	-	-	-
E-911 System	339,833	-	-	-
Recorder's Equipment Purchases	226,810	-	-	-
Debt Service	-	-	-	-
Endowments	6,633	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance & Repair	-	-	-	659,207
Highway Projects	-	550,911	-	-
Assigned to				
Building Projects	-	-	-	-
Road & Bridge	-	3,733,675	-	-
Unassigned	6,794,748	-	(327,105)	(2,374,589)
Total Fund Balances	<u>7,452,878</u>	<u>5,141,993</u>	<u>(327,105)</u>	<u>(1,715,382)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,771,381</u>	<u>\$ 7,599,626</u>	<u>\$ 39,805</u>	<u>\$ 2,227,911</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 3,617,499	\$ 15,329,458
-	1,455
6,429	182,860
78,100	100,087
-	2,616,893
-	5,872
-	2,080
329,524	329,524
-	1,654,137
140,137	1,730,639
-	857,407
<u>\$ 4,171,689</u>	<u>\$ 22,810,412</u>

\$ 90,578	\$ 493,774
-	310,132
-	698,134
64	1,654,137
4,030	98,803
-	89,039
<u>94,672</u>	<u>3,344,019</u>

-	611,145
470,003	4,695,850
470,003	5,306,995

-	857,407
-	4,088
-	75,766
-	5,000
-	339,833
-	226,810
582,552	582,552
-	6,633
213,581	213,581
867,625	867,625
-	659,207
-	550,911
1,943,256	1,943,256
-	3,733,675
-	4,093,054
<u>3,607,014</u>	<u>14,159,398</u>
<u>\$ 4,171,689</u>	<u>\$ 22,810,412</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 14,159,398

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 64,098,800

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

Property Taxes	\$ 182,860	
Special Assessments	2,716,980	
Intergovernmental Revenues	1,466,486	
Loans Receivable	329,524	4,695,850

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General Obligation Bonds	(2,644,784)	
Loans Payable	(161,357)	
Other Postemployment Benefit Obligation	(344,365)	
Compensated Absences	(631,176)	
Accrued Interest Payable	(31,462)	(3,813,144)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 79,140,904**

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	\$ 6,730,726	\$ 2,354,028	\$ 2,487,907	\$ -
Special Assessments	200,260	-	-	1,617,939
Licenses and Permits	66,431	-	-	-
Intergovernmental	2,044,278	6,124,527	44,834	31,050
Charges for Services	659,109	14,240	-	-
Fines and Forfeits	22,894	-	-	-
Investment Earnings	97,645	15	-	2,867
Miscellaneous	567,601	732,108	-	2,835
Total Revenues	<u>10,388,944</u>	<u>9,224,918</u>	<u>2,532,741</u>	<u>1,654,691</u>
EXPENDITURES				
CURRENT				
General Government	4,702,281	-	-	-
Public Safety	4,215,206	-	-	-
Highways and Streets	-	9,278,599	-	-
Environmental Services	370,914	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	791,418	-	-	-
Conservation of Natural Resources	110,720	-	-	2,698,691
Economic Development	45,701	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	3,031,624	-
Highways and Streets	-	382,586	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	46,544	-	-	29,701
Interest and Fiscal Charges	3,791	-	-	15,054
Total Expenditures	<u>10,286,575</u>	<u>9,661,185</u>	<u>3,031,624</u>	<u>2,743,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	102,369	(436,267)	(498,883)	(1,088,755)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	3,659	-	-	-
NET CHANGE IN FUND BALANCES	106,028	(436,267)	(498,883)	(1,088,755)
Fund Balance - Beginning of Year	7,346,850	5,417,083	171,778	(626,627)
INCREASE (DECREASE) IN INVENTORIES	-	161,177	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 7,452,878</u>	<u>\$ 5,141,993</u>	<u>\$ (327,105)</u>	<u>\$ (1,715,382)</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 336,168	\$ 11,908,829
621,723	2,439,922
-	66,431
337,080	8,581,769
290	673,639
-	22,894
-	100,527
174,932	1,477,476
<u>1,470,193</u>	<u>25,271,487</u>
112,718	4,814,999
-	4,215,206
-	9,278,599
-	370,914
610,641	610,641
-	791,418
-	2,809,411
352,025	397,726
-	3,031,624
-	382,586
240,528	240,528
175,000	251,245
91,566	110,411
<u>1,582,478</u>	<u>27,305,308</u>
(112,285)	(2,033,821)
-	3,659
<u>(112,285)</u>	<u>(2,030,162)</u>
3,719,299	16,028,383
-	161,177
<u>\$ 3,607,014</u>	<u>\$ 14,159,398</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,030,162)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related		
Capital Assets Adjustments	\$ 5,956,994	
Current Year Depreciation	(2,106,878)	
Net Book Value of Capital Asset Disposals	<u>(6,453)</u>	3,843,663

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes Receivable	(21,319)	
Special Assessments Receivable	(114,810)	
Accounts Receivable	(8,400)	
Grants Receivable	(718,413)	
Loans Receivable	(12,088)	
Interest Receivable	<u>275</u>	(874,755)

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

Principal Repayments		
General Obligation Bonds Payable	203,000	
Loans Payable	48,245	
Amortization of Discounts on Bonds	(3,322)	
Deferred Charges Not Previously Expensed	<u>(18,212)</u>	229,711

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	2,304	
Change in Other Postemployment Benefit Obligation	(46,918)	
Change in Accrued Compensated Absences	31,923	
Change in Inventories	<u>161,177</u>	148,486

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,316,943

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

ASSETS

Cash and Pooled Investments	<u>\$ 774,594</u>
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LIABILITIES

Due to Other Governments	<u>\$ 774,594</u>
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The notes to the financial statements are an integral part of this statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Martin County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8 for additional information regarding the County's deferred inflows/outflows of resources.

Restatements of December 31, 2012 net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Martin County was established May 23, 1857, and has the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. Martin County is governed by a five-member Board of Commissioners elected from districts within the County and administrative officers elected on a County-wide basis. The Board is organized with a chair and a vice chair elected at the annual meeting in January of each year. The County Coordinator serves as the Clerk of the Board of Commissioners, but does not vote in its decisions.

For financial reporting purposes, Martin County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Martin County's financial statements to be misleading or incomplete.

Other Organizations

The County participates in the joint ventures and jointly-governed organizations identified in Note 10.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statements (Continued)

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

The County reports the following major funds:

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Fund Financial Statements (Continued)

The Human Services Special Revenue Fund accounts for property tax revenues and the transfer of the County's share of the costs of operating the joint County Human Services Program with Faribault County.

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

Additionally, the County reports the following fund types:

Other Nonmajor Funds – Special Revenue Funds are used to account for the activities of the Solid Waste and Area Development Special Revenue Funds.

Other Nonmajor Fund – Debt Service Fund is used to account for the accumulation of assets for the repayment of the County's general obligation bonds.

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

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds in an agency capacity.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Martin County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Fund Financial Statements (Continued)

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

D. Assets, Liabilities, Deferred Outflows or Inflows of Resources and Net Position or Fund Balance

1. Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Pooled Investments." In accordance with Minnesota Statutes, the County maintains deposits at financial institutions which are authorized by the County Board. Additionally, each fund's equity in the County's investment pool is treated as cash and pooled investments because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Significant portions of special assessments receivable are not expected to be collected within one year therefore are shown as unavailable at the fund level.

3. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made by the County through its Area Development Fund. Principal and interest received by the County on these loans are recognized, at the fund level, in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in unavailable revenue.

4. Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the County government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one accounting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for their initial reporting of these assets through backtrending (estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-40
Land Improvements	20-30
Infrastructure	50-75
Machinery, Vehicles, Furniture, and Equipment	2-12

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the 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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County does not have any types of deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represented an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items, which arise under the modified accrual basis of accounting, that qualify for reporting in this category. The items – unavailable revenue and advanced allotments are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The advanced allotments are also reported as an inflow of resources under the full accrual basis in the statement of net position.

9. Classification of Net Position

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Classification of Net Position (Continued)

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

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

10. Classification of Fund Balances

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

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

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

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

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

Assigned – the assigned fund balance classification includes amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Classification of Fund Balances (Continued)

In the General Fund, assigned amounts represent intended uses established by the County Coordinator or the County Auditor/Treasurer who have been delegated that authority by Board resolution.

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

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

11. 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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2013:

	Budget	Actual	Difference
General Fund			
General Government			
Courts	\$ 48,500	\$ 54,956	\$ 6,456
County Administration	489,203	598,317	109,114
Attorney	379,748	391,666	11,918

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures in Excess of Budget (Continued)

	Budget	Actual	Difference
General Fund			
General Government			
Recorder	\$ 349,083	\$ 353,940	\$ 4,857
Buildings and Plant	349,893	360,475	10,582
Transit System	880,015	924,780	44,765
Public Safety			
Sheriff	3,921,053	3,985,685	64,632
Civil Defense	67,049	101,091	34,042
Culture and Recreation			
Administration	52,869	56,523	3,654
Debt Service			
Interest and Fiscal Charges	-	3,791	3,791
Road and Bridge Fund			
Highways and Streets			
Engineering and Construction	3,322,755	5,259,773	1,937,018
Miscellaneous	-	24,794	24,794
Intergovernmental			
Highways and Streets	-	382,586	382,586
Human Services Fund			
Intergovernmental			
Human Services	2,532,634	3,031,624	498,990
Ditch Fund			
Conservation of Natural Resources			
Administration and Maintenance	-	2,698,691	2,698,691
Debt Service			
Principal	-	29,701	29,701
Interest and Fiscal Charges	-	15,054	15,054
Nonmajor Solid Waste Fund			
Sanitation			
Solid Waste Management	549,577	610,641	61,064
Nonmajor Area Development Fund			
Economic Development	-	352,025	352,025

For all funds except the Ditch Fund and Human Service Fund, expenditures in excess of budget were funded by revenues in excess of budget and existing fund balance.

Ditch Fund expenditures in excess of budget will be funded with future special assessment levies against benefited properties. The Human Service Fund expenditures in excess of budget will be funded with future property tax levies.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Balance

For internal accounting purposes, individual ditch system records are maintained on a basis which shows long-term debt payable, recognize special assessments as revenues when levied, and does not eliminate interfund transactions. Using this basis of accounting, 11 of 176 drainage systems have deficit fund balances at December 31, 2013.

Although this method results in numbers not considered to be in conformity with GAAP for reporting, it provides necessary information by ditch for internal accounting purposes. The following is a summary of fund balances using the non-GAAP basis.

Account balances	\$ 1,380,949
Account balance deficits	<u>(1,526,982)</u>
Total	<u><u>\$ (146,033)</u></u>

The Ditch Special Revenue Fund's deficit will be eliminated with future special assessment levies against benefited properties. The Ditch Special Revenue Fund had a fund balance of \$(1,715,382) when reported on the modified accrual basis.

The Human Service Special Revenue Fund had a deficit fund balance of \$327,105 as of December 31, 2013. The fund balance deficit will be eliminated through an increased levy in future years.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minnesota Statutes § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy does not limit deposits beyond what is required by Minnesota Statutes for deposits.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

Minnesota Statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (a) 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 Minnesota Statutes §118A.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) Bankers' acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2013, the County had the following investments:

Investment Type	Interest Rate Risk		Credit Risk		Concentration Risk
	Maturity	Fair Value	Credit Rating	Rating Agency	Concentration
Money Market Federated US Treasury INSTL SH	N/A	537,033	AAAm	S&P	N/A
Federal Home Loan Bank Bond	Callable March 2014, scheduled maturity December 2023	246,405	Aaa	Moody's	23.9%
Federal Home Loan Mortgage Corporation Bond	Callable June 2014, scheduled maturity December 2021	247,135	Aaa	Moody's	24.0%

Interest Rate Risk

The County's investment policy requires the County to structure its investment portfolio so that securities meet the cash requirements for ongoing operations. It also requires the County to invest their operation funds in primarily shorter-term securities, liquid asset funds, money market mutual funds, or other similar investment pools. At December 31, 2013, the County minimizes exposure to interest rate risk by investing in money market mutual funds, and U.S. Government Agencies Securities.

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2013, the County's investments were rated AAAm by Standard & Poor's, and Aaa by Moody's.

Concentration Credit Risk

The County's investment policy places a limit of no more than 20% of their securities may be invested with any one issuer, with the exception of U.S. Government Securities and U.S. Government Agencies securities.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments (Continued)

The County's investment policy further limits their investments by limiting the amount of investments to any one broker to the amount SIPC and excess SIPC coverage available.

As of December 31, 2013, the County's investments consisted of \$537,033 of funds in a money market mutual fund, and \$493,540 in government bonds.

2. Receivables

Receivables as of December 31, 2013, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 182,860	\$ -
Special Assessments	2,716,980	1,969,962
Accounts	5,872	-
Loans Receivable	329,524	329,524
Interest	2,080	-
Due from Other Governments	1,730,639	-
Total	<u>\$ 4,967,955</u>	<u>\$ 2,299,486</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 1,190,311	\$ -	\$ -	\$ 1,190,311
Construction in Progress	355,572	5,281,904	4,404,992	1,232,484
Total Capital Assets, Not Being Depreciated	1,545,883	5,281,904	4,404,992	2,422,795
Capital Assets, Being Depreciated				
Buildings and Improvements	7,586,732	579,978	-	8,166,710
Land Improvements	67,266	-	-	67,266
Machinery, Furniture, and Equipment	4,643,348	133,094	70,511	4,705,931
Infrastructure	76,475,370	3,939,551	-	80,414,921
Vehicles	1,405,635	427,459	79,827	1,753,267
Total Capital Assets, Being Depreciated	90,178,351	5,080,082	150,338	95,108,095
Less Accumulated Depreciation for				
Buildings and Improvements	4,398,348	183,397	-	4,581,745
Land Improvements	13,429	3,211	-	16,640
Machinery, Furniture, and Equipment	3,529,967	272,131	64,058	3,738,040
Infrastructure	22,676,440	1,511,788	-	24,188,228
Vehicles	850,913	136,351	79,827	907,437
Total Accumulated Depreciation	31,469,097	2,106,878	143,885	33,432,090
Total Capital Assets, Being Depreciated, Net	58,709,254	2,973,204	6,453	61,676,005
Governmental Activities Capital Assets, Net	\$ 60,255,137	\$ 8,255,108	\$ 4,411,445	\$ 64,098,800

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Government-Type Activities

General Government	\$ 160,351
Public Safety	96,965
Highways and Streets, Including Depreciation of Infrastructure Assets	1,807,138
Culture and Recreation	20,512
Conservation of Natural Resources	21,912
Total Depreciation Expense - Governmental Activities	<u>\$ 2,106,878</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	\$ 3	Postage
	Human Services	327,105	Negative Human Services Cash
	Ditch	1,314,648	Negative Ditch Cash, Loan
	Solid Waste (Nonmajor)	64	Postage
Total Due to General Fund		<u>1,641,820</u>	
Road and Bridge	General	<u>12,317</u>	Fuel
Total Due to Road and Bridge Fund		12,317	
Total To/From Other Funds		<u><u>\$1,654,137</u></u>	

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

The County issued General Obligation Construction Bonds during 2006 to fund road improvements within the County. The County issued general obligation MPFA bonds during 2009 to fund ditch improvements within the County's drainage system.

Loans Payable

The County has entered into several agreements with the State of Minnesota to provide revolving loans to County residents for improvements to failing septic systems. These revolving loans are secured by special assessments placed on the individual parcels requesting the repair of a failing septic system.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

Debt Summary

Types of Indebtedness	Maturity	Amounts	Rates (%)	Original Amount	Outstanding Balance 2013
General Obligation Bonds					
Construction Bonds of 2006	2023	\$ 180,000 - \$ 250,000	3.80 - 4.20	\$ 3,000,000	\$ 2,190,000
MPFA Obligations	2029	28,000 - 33,000	1.00	628,307	488,000
				Subtotal	2,678,000
				Less: Unamortized Discounts	(33,216)
				Total General Obligation Bonds	2,644,784
Loans Payable	2019	1,701 - 21,736	2.00	454,161	161,357
				Total Long-Term Debt	<u>\$ 2,806,141</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	General Obligation		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	208,000	89,745	42,934	2,856	250,934	92,601
2015	219,000	82,388	32,076	2,038	251,076	84,426
2016	229,000	74,540	25,519	1,465	254,519	76,005
2017	234,000	66,250	21,308	975	255,308	67,225
2018	239,000	57,660	21,736	547	260,736	58,207
2019-2023	1,357,000	142,235	11,030	110	1,368,030	142,345
2024-2028	159,000	6,440	-	-	159,000	6,440
2029	33,000	330	-	-	33,000	330
Total	<u>\$ 2,678,000</u>	<u>\$ 519,588</u>	<u>\$ 154,603</u>	<u>\$ 7,991</u>	<u>\$ 2,832,603</u>	<u>\$ 527,579</u>

Note: Excluded from the loans payable debt service requirements listed above is a loan to the Ditch Fund from Jackson County in the amount of \$6,754 that is repaid based on related special assessment collections.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Construction	2,365,000	-	175,000	2,190,000	180,000
Less: Discount	(36,538)	-	(3,322)	(33,216)	(3,321)
MPFA Obligations	516,000	-	28,000	488,000	28,000
Total General Obligations	2,844,462	-	199,678	2,644,784	204,679
Loans Payable	209,602	-	48,245	161,357	44,635
Compensated Absences	663,099	538,506	570,429	631,176	449,362
Governmental Activity Long-Term Liabilities	<u>\$ 3,717,163</u>	<u>\$ 538,506</u>	<u>\$ 818,352</u>	<u>\$ 3,437,317</u>	<u>\$ 698,676</u>

NOTE 4 OPERATING LEASE

At the end of 2013, the County maintained eleven operating leases for squad cars. Daily rentals under the agreements range from \$19 - \$27 per day plus \$.27 - \$.43 per mile for maintenance. In 2013, expenditures under these agreements totaled \$25,604. Future minimum lease payments are as follows:

Year Ended	Amount
2014	\$ 25,023
2015	21,014
2016	10,807
2017	2,176
Total	<u>\$ 59,020</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of the County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for GERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plans (Continued)

1. Plan Description (Continued)

For PEPFF members, the annuity accrual rate is 3.0 percent of average salary for each year of service. The annuity accrual rate is 1.9 percent of average salary for each year of service for PECF members.

For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and either 65 or 66 (depending on date hired) for GERF members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. PECF members are required to contribute 5.83% of their annual covered salary. The County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, 14.40% for PEPFF members, and 8.75% for PECF members.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Defined Contribution Plan

Local government officials, except elected County Sheriffs are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer, deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and .25 percent of the assets in each member's account annually.

The County's contributions to the General Employees Retirement Fund, Public Employees Police and Fire Fund, Public Employees Correctional Fund, and Defined Contribution Plan for the years ending December 31, 2013, 2012, and 2011 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2013	\$ 297,100	\$ 105,914	\$ 55,329	\$ 3,719
2012	286,633	103,809	54,313	2,554
2011	275,211	97,019	52,423	2,586

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN

The County provides postemployment health insurance for elected and non-elected employees, (except those employees whose positions are included in a collective bargaining unit) who retire with 20 or more years of County employment. The monthly payments are the single premium for the plan selected by the employee prior to retirement. Specifics of an employee's benefit vary with individual conditions and requirements such as hired date; full-time employment at date of retirement; years of continuous, uninterrupted service; age; and the Public Employees Retirement Association eligibility. All benefits cease at age 65. As of December 31, 2013, one retiree was receiving the continued health insurance benefit. The County's contributions for the year were \$7,440.

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by state statutes. Active employees, who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association of Minnesota (PERA) (or similar plan), and do not participate in any other coverage with respect to both themselves and their eligible dependent(s) are eligible under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2013, there were six retirees receiving health benefits from the County's health plan, one of which is entitled to full health insurance benefits for life due to not being eligible for Medicare. The implicit rate subsidy amount was determined by an actuarial study to be \$32,749 for 2013.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 86,318
Interest on Net OPEB Obligation	12,309
Adjustment to ARC	<u>(11,520)</u>
Annual OPEB Cost	87,107
Contributions During the Year	<u>(40,189)</u>
Increase in Net OPEB Obligation	46,918
NET OPEB - Beginning of Year	<u>297,447</u>
NET OPEB - End of the Year	<u>\$ 344,365</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2012 and 2013 were as follows:

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 87,107	\$ 40,189	46.1 %	\$ 344,365
2012	85,638	28,769	33.6	297,447
2011	84,105	34,942	41.5	240,578

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero. As of January 1, 2011, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial liability for benefits was \$926,164, and that actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$926,164. The covered payroll (annual payroll of active employees covered by the plan) was \$5,338,136, and the ratio of the UAAL to the covered payroll was 17.3 percent.

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2013 was 24 years.

D. Annual OPEB Cost and Net OPEB Obligation

In the January 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 4.0%. The annual healthcare cost trend rate is 10.0% initially, reduced incrementally to an ultimate rate of 5.5% over nine years.

The unfunded actuarial accrued liability is being amortized as a percentage of payroll over 30-year closed amortization period.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 RISK MANAGEMENT

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 8 CONDUIT DEBT

On May 1, 2012, the County issued \$7,000,000 and \$1,000,000 of Housing Facilities Revenue Note (Goldfinch Estates-Vista Prairie Communities Project), Series 2012A and 2012B, respectively. These bonds were issued to finance the cost of expansion to Goldfinch Estates in Fairmont, Minnesota. The Series 2012A bonds have an interest rate of 4.375 percent and mature in amounts of \$16,175 to \$5,607,576 in the years 2016 to 2022. The Series 2012B bonds have an interest rate of 5.125 percent and mature in amounts of \$20,229 to \$23,927 in the years 2013 to 2016.

Martin County has no obligation for this debt, which was provided to Goldfinch Estates-Vista Prairie Communities for the capital improvement. Accordingly, the note will not be reported as a liability in the financial statements. The aggregate amount of all outstanding conduit debt obligations at December 31, 2013 was \$7,610,983.

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Contingent Liabilities

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 OTHER ORGANIZATIONS

Joint Ventures

Faribault – Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minnesota Statutes §471.59) to provide welfare and health services to county residents (Minnesota Statutes §§ 402.01-.10). The Faribault – Martin – Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has 12 members, six from each county. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility. Complete financial statements for the Human Services Board can be obtained at 115 West First Street, Fairmont, Minnesota 56031.

Minnesota River Valley Drug Task Force

The primary responsibility of the task force is to detect, investigate, gather evidence and apprehend drug traffickers, as well as assist in violent crimes and gang related investigation within the geographic boundaries of the communities that comprise the task force.

PrairieLand Solid Waste Board

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

PrairieLand Solid Waste Board reported a change in net position of \$(103,433) in 2013. The full-faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each County's proportional share of the principal and interest when due. Complete financial statements for the PrairieLand Solid Waste Board can be obtained at 801 East Fifth Street North, P.O. Box 100, Truman, Minnesota 56088.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minnesota Statutes ch. 116A through a joint powers agreement pursuant to Minnesota Statutes §471.59, and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The Red Rock Rural Water System is governed by a nine-member board appointed for terms of three years by the District Court. Each County is responsible for levying and collecting the special assessments from the benefited properties within the County. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Complete financial statements of the Red Rock Rural Water System can be obtained from the main office in Jeffers, Minnesota 56145.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minnesota Statutes §471.59. The Board includes Blue Earth, Cottonwood, Faribault, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Sibley, Watonwan, and Yellow Medicine Counties. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota.

The focus of the board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During 2013, Martin County paid \$2,000 to the Board.

South Central Minnesota Regional Radio Board

The South Central Regional Radio Board was established pursuant to Minnesota Statutes §§471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

South Central Workforce Council

The South Central Workforce Council Joint Powers Board is comprised of one representative from each of the participating County Boards. The Board is the local governmental body that appoints the Workforce Council members and is a full partner with them in overseeing area employment and training programs. The County did not provide any funding to the Council during 2013.

Jointly Governed Organizations

Intelligent Transit Consortium

The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include the counties of Meeker, Pipestone, Sherburne, Wright, Brown, and Martin. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and upgrade costs. It is expected that there will be upgrades every three year. During 2013, the County did not contribute any funding to the Transit Consortium.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, the County expended \$2,925.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County expended \$1,170 to the joint powers.

Minnesota River Basin Board

The Minnesota River Basin Joint Powers Board promotes orderly water quality improvement and management of the Minnesota River watersheds. During 2013, the County made no payments to the Board.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

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

Sentence to Service

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

South Central Emergency Medical Services

The South Central Emergency Medical Services (SEMS) provides various emergency medical services to several counties. The County did not provide any funding to SEMS during 2013.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. The project involves Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Le Seur, Martin, Nicollet, Sibley, Steele, Waseca, and Watonwan Counties. During the year, the County made no payments to the project.

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance provides the preparation to comprehensive water plans for the participating counties. During 2013, the County paid \$7,400 to the Alliance.

South Central Community Based Initiative

The purpose of the Joint Powers Board is to facilitate agreement between the Minnesota Department of Human Services (DHS) and county mental health authorities in 10 South Central Minnesota counties to redesign and implement new community-based mental health services for adults with serious and persistent mental illness. The County did not provide any funding to the organization during 2013.

Three Rivers Resource Conservation and Development

The Three Rivers Resource Conservation and Development Council (RC&D) is a 501(c)3 non-profit organization formed in 1993. In 2001, the Council received authorization from the USDA Secretary of Agriculture. Three Rivers RC&D Council is lead locally by Soil and Water Conservation District Supervisors and County Commissioners from the nine county area that is served by the council. During 2013, the County did not make any payments to the Board. The County withdrew its membership in 2013.

South Central Services Cooperative

Based in North Mankato, MN the South Central Service Cooperative (SCSC) programs and services are member driven to utilize resources in the most efficient and effective manner possible. SCSC is one of nine regional agencies called service cooperatives, established in 1976 by Minnesota legislation (M.S. 123A.21). The Minnesota Service Cooperatives perform planning on a regional basis and assist in meeting specific needs of clients in participating governmental units which could be better provided by a Service Cooperative than by members themselves. SCSC specializes in providing insurance services. Health insurance pools are formed by groups who band together to leverage economies of scale to lower costs and achieve claim cost stability. The SCSC manages the pools, manages premium collection, conducts carrier proposal every four years and negotiates stop loss and administrative costs which are approximately 20% lower than the commercial market. These pools are governed by state law and an elected board of directors and consist of public employers who maintain a Joint Powers Agreement with the Service Cooperative. During 2013, the County did not provide any funding to the Cooperative.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 11 AGRICULTURAL BEST MANAGEMENT LOAN PROGRAM

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point sources water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. Management believes the County has met those responsibilities for 2013.

NOTE 12 SPECIAL BENEFIT TAX LEVY

In 1993, the South Central Minnesota Multi-County Housing Authority (the Authority) issued \$20,315,000 of revenue bonds to construct housing units in Martin County and four surrounding counties. The Authority defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Martin County's proportionate share of the operating deficit for 2013 is \$81,123. The proportionate shares on the counties may change for the years 2013 through 2024 if there are changes in the taxable market value over the 2012 taxable market value.

NOTE 13 HUMAN SERVICES BOARD OPERATING LEASE

Martin County (lessor) has an operating lease with the Human Services Board of Faribault and Martin Counties (lessee) that runs from January 1 through December 31. This lease is automatically renewed on an annual basis unless either party decides to terminate the lease at least 90 days before the end of the term. The total annual rent is \$163,392 payable in 12 monthly installments of \$13,616 on the first day of each month.

NOTE 14 CONSTRUCTION COMMITMENTS

The County has active construction projects as of December 31, 2013. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 1,009,841	\$ 160,813

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,399,506	\$ 6,399,506	\$ 6,730,726	\$ 331,220
Special Assessments	143,000	143,000	200,260	57,260
Licenses and Permits	41,700	41,700	66,431	24,731
Intergovernmental	1,807,226	1,807,226	2,044,278	237,052
Charges for Services	639,206	639,206	659,109	19,903
Fines and Forfeits	16,000	16,000	22,894	6,894
Investment Earnings	275,000	275,000	97,645	(177,355)
Miscellaneous	688,618	688,618	567,601	(121,017)
Total Revenues	10,010,256	10,010,256	10,388,944	378,688
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	243,462	243,462	232,019	11,443
Courts	48,500	48,500	54,956	(6,456)
County Administration	489,203	489,203	598,317	(109,114)
County Coordinator	206,879	206,879	200,372	6,507
County Auditor/Treasurer	555,174	555,174	553,930	1,244
County Assessor	511,877	511,877	492,217	19,660
Drainage Administrator	147,065	147,065	142,642	4,423
Elections	23,000	23,000	12,403	10,597
Data Processing	290,820	290,820	221,254	69,566
Attorney	379,748	379,748	391,666	(11,918)
Recorder	349,083	349,083	353,940	(4,857)
Buildings and Plant	349,893	349,893	360,475	(10,582)
Supervised Visit Coordinator	23,019	23,019	2,608	20,411
Transit System	880,015	880,015	924,780	(44,765)
Veterans Service Officer	161,540	161,540	160,702	838
Total General Government	4,659,278	4,659,278	4,702,281	(43,003)
PUBLIC SAFETY				
Sheriff	3,921,053	3,921,053	3,985,685	(64,632)
Coroner	20,000	20,000	10,877	9,123
Civil Defense	67,049	67,049	101,091	(34,042)
Victim/Witness	128,399	128,399	117,553	10,846
Total Public Safety	4,136,501	4,136,501	4,215,206	(78,705)

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
ENVIRONMENTAL SERVICES				
Planning and Zoning	\$ 415,427	\$ 415,427	\$ 370,914	\$ 44,513
CULTURE AND RECREATION				
Administration	52,869	52,869	56,523	(3,654)
Library	675,818	675,818	656,627	19,191
Parks	117,518	117,518	78,268	39,250
Total Culture and Recreation	<u>846,205</u>	<u>846,205</u>	<u>791,418</u>	<u>54,787</u>
CONSERVATION OF NATURAL RESOURCES				
County Extension	123,184	123,184	110,720	12,464
ECONOMIC DEVELOPMENT				
Administration	5,568	5,568	5,568	-
Economic Development	93,810	93,810	40,133	53,677
Total Economic Development	<u>99,378</u>	<u>99,378</u>	<u>45,701</u>	<u>53,677</u>
DEBT SERVICE				
Principal	51,800	51,800	46,544	5,256
Interest and Fiscal Charges	-	-	3,791	(3,791)
Total Debt Service	<u>51,800</u>	<u>51,800</u>	<u>50,335</u>	<u>1,465</u>
Total Expenditures	<u>10,331,773</u>	<u>10,331,773</u>	<u>10,286,575</u>	<u>45,198</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(321,517)	(321,517)	102,369	423,886
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	3,659	3,659
NET CHANGE IN FUND BALANCE	<u>\$ (321,517)</u>	<u>\$ (321,517)</u>	106,028	<u>\$ 427,545</u>
Fund Balance - Beginning of Year			<u>7,346,850</u>	
FUND BALANCE - END OF YEAR			<u>\$7,452,878</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,380,655	\$ 2,380,655	\$ 2,354,028	\$ (26,627)
Intergovernmental	4,843,256	4,843,256	6,124,527	1,281,271
Charges for Services	20,000	20,000	14,240	(5,760)
Investment Earnings	6,000	6,000	15	(5,985)
Miscellaneous	410,000	410,000	732,108	322,108
Total Revenues	7,659,911	7,659,911	9,224,918	1,565,007
EXPENDITURES				
HIGHWAYS AND STREETS				
Administration	403,615	403,615	371,258	32,357
Engineering and Construction	3,322,755	3,322,755	5,259,773	(1,937,018)
Maintenance	2,339,435	2,339,435	2,025,528	313,907
Equipment and Maintenance Shops	1,709,106	1,709,106	1,597,246	111,860
Miscellaneous	-	-	24,794	(24,794)
Total Highways and Streets	7,774,911	7,774,911	9,278,599	(1,503,688)
INTERGOVERNMENTAL				
Highways and Streets	-	-	382,586	(382,586)
Total Expenditures	7,774,911	7,774,911	9,661,185	(1,886,274)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(115,000)	(115,000)	(436,267)	(321,267)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	15,000	15,000	-	(15,000)
NET CHANGE IN FUND BALANCE				
	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	(436,267)	<u>\$ (336,267)</u>
Fund Balance - Beginning of Year			5,417,083	
Increase (Decrease) in Inventories			161,177	
FUND BALANCE - END OF YEAR			<u>\$ 5,141,993</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,532,634	\$ 2,532,634	\$ 2,487,907	\$ (44,727)
Intergovernmental	-	-	44,834	44,834
Total Revenues	2,532,634	2,532,634	2,532,741	107
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	2,532,634	2,532,634	3,031,624	(498,990)
Total Human Services	2,532,634	2,532,634	3,031,624	(498,990)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(498,883)	<u>\$ (498,883)</u>
Fund Balance - Beginning of Year			<u>171,778</u>	
FUND BALANCE - END OF YEAR			<u>\$ (327,105)</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ -	\$ -	\$ 1,617,939	\$ 1,617,939
Intergovernmental	-	-	31,050	31,050
Investment Earnings	-	-	2,867	2,867
Miscellaneous	-	-	2,835	2,835
Total Revenues	-	-	1,654,691	1,654,691
EXPENDITURES				
CONSERVATION OF NATURAL RESOURCES				
Administration and Maintenance	-	-	2,698,691	(2,698,691)
DEBT SERVICE				
Principal	-	-	29,701	(29,701)
Interest and Fiscal Charges	-	-	15,054	(15,054)
Total Debt Service	-	-	44,755	(44,755)
Total Expenditures	-	-	2,743,446	(2,743,446)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	(1,088,755)	\$ (1,088,755)
Fund Balance - Beginning of Year			<u>(626,627)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (1,715,382)</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013**

I. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the board of commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level. The Board of Commissioners did not make any budgetary adjustments during 2013.

II. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2013:

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
Courts	\$ 48,500	\$ 54,956	\$ 6,456
County Administration	489,203	598,317	109,114
Attorney	379,748	391,666	11,918
Recorder	349,083	353,940	4,857
Buildings and Plant	349,893	360,475	10,582
Transit System	880,015	924,780	44,765
Public Safety			
Sheriff	3,921,053	3,985,685	64,632
Civil Defense	67,049	101,091	34,042
Culture and Recreation			
Administration	52,869	56,523	3,654
Debt Service			
Interest and Fiscal Charges	-	3,791	3,791
Road and Bridge Fund			
Highways and Streets			
Engineering and Construction	\$ 3,322,755	\$ 5,259,773	\$ 1,937,018
Miscellaneous	-	24,794	24,794
Intergovernmental			
Highways and Streets	-	382,586	382,586
Human Services Fund			
Intergovernmental			
Human Services	\$ 2,532,634	\$ 3,031,624	\$ 498,990

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2013**

II. Excess of Expenditures Over Appropriations (Continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Ditch Fund			
Conservation of Natural Resources			
Administration and Maintenance	\$ -	\$ 2,698,691	\$ 2,698,691
Debt Service			
Principal	-	29,701	29,701
Interest and Fiscal Charges	-	15,054	15,054

For all funds except the Ditch Fund and Human Services Fund, expenditures in excess of budget were funded by revenues in excess of budget and existing fund balance. The Ditch Fund expenditures in excess of budget will be funded with future special assessment levies against benefited properties. Human Services Special Revenue Fund expenditures in excess of budget will be funded with an increase in future property tax levies.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 1,176,935	\$ 1,176,935	-	\$ 4,441,845	26.5%
1/1/2011	-	926,164	926,164	-	5,338,136	17.3

See Note 6, Other Postemployment Benefit Plan, for more information.

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented during 2008. Future notes will provide additional trend analysis to meet the three actuarial valuation requirement as it becomes available.

SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

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

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

Building Capital Projects Fund is used to account for the maintenance and costs of running the County's buildings.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	\$ 870,627	\$ 213,581	\$ 1,084,208	\$ 1,950,739
Taxes Receivable - Delinquent	-	-	-	1,978
Special Assessments Receivable				
Delinquent	78,100	-	78,100	-
Loans Receivable	-	329,524	329,524	-
Due from Other Governments	55,950	84,187	140,137	-
Total Assets	<u>\$ 1,004,677</u>	<u>\$ 627,292</u>	<u>\$ 1,631,969</u>	<u>\$ 1,952,717</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,104	\$ 84,187	\$ 86,291	\$ 4,287
Due to Other Funds	64	-	64	-
Due to Other Governments	834	-	834	3,196
Total Liabilities	3,002	84,187	87,189	7,483
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	134,050	329,524	463,574	1,978
FUND BALANCES				
Restricted for				
Economic Development	-	213,581	213,581	-
Debt Service	-	-	-	-
Solid Waste	867,625	-	867,625	-
Assigned to				
Building Projects	-	-	-	1,943,256
Total Fund Balances	<u>867,625</u>	<u>213,581</u>	<u>1,081,206</u>	<u>1,943,256</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,004,677</u>	<u>\$ 627,292</u>	<u>\$ 1,631,969</u>	<u>\$ 1,952,717</u>

<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
Debt Service	
\$ 582,552	\$ 3,617,499
4,451	6,429
-	78,100
-	329,524
-	140,137
<u>\$ 587,003</u>	<u>\$ 4,171,689</u>
\$ -	90,578
-	64
-	4,030
<u>-</u>	<u>94,672</u>
<u>4,451</u>	<u>470,003</u>
-	213,581
582,552	582,552
-	867,625
-	1,943,256
<u>582,552</u>	<u>3,607,014</u>
<u>\$ 587,003</u>	<u>\$ 4,171,689</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 74,181
Special Assessments	621,723	-	621,723	-
Intergovernmental	-	332,025	332,025	1,298
Charges for Services	290	-	290	-
Miscellaneous	9,693	1,853	11,546	163,386
Total Revenues	631,706	333,878	965,584	238,865
EXPENDITURES				
CURRENT				
General Government	-	-	-	112,718
Sanitation	610,641	-	610,641	-
Economic Development	-	352,025	352,025	-
CAPITAL OUTLAY				
General Government	-	-	-	240,528
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	610,641	352,025	962,666	353,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,065	(18,147)	2,918	(114,381)
Fund Balance - Beginning of Year	846,560	231,728	1,078,288	2,057,637
FUND BALANCE - END OF YEAR	\$ 867,625	\$ 213,581	\$ 1,081,206	\$ 1,943,256

<u>Debt Service Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>
\$ 261,987	\$ 336,168
-	621,723
3,757	337,080
-	290
-	174,932
<u>265,744</u>	<u>1,470,193</u>
-	112,718
-	610,641
-	352,025
-	240,528
175,000	175,000
91,566	91,566
<u>266,566</u>	<u>1,582,478</u>
(822)	(112,285)
<u>583,374</u>	<u>3,719,299</u>
<u>\$ 582,552</u>	<u>\$ 3,607,014</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 782,329	\$ 782,329	\$ 621,723	\$ (160,606)
Intergovernmental	55,950	55,950	-	(55,950)
Charges for Services	150	150	290	140
Miscellaneous	4,000	4,000	9,693	5,693
Total Revenues	842,429	842,429	631,706	(210,723)
CURRENT SANITATION				
Solid Waste Management	549,577	549,577	610,641	(61,064)
NET CHANGE IN FUND BALANCE	<u>\$ 292,852</u>	<u>\$ 292,852</u>	21,065	<u>\$ (271,787)</u>
Fund Balance - Beginning of Year			<u>846,560</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 867,625</u></u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
AREA DEVELOPMENT NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 332,025	\$ 332,025
Miscellaneous	-	-	1,853	1,853
Total Revenues	-	-	333,878	333,878
EXPENDITURES				
ECONOMIC DEVELOPMENT	-	-	352,025	(352,025)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(18,147)	<u>\$ (18,147)</u>
Fund Balance - Beginning of Year			<u>231,728</u>	
FUND BALANCE - END OF YEAR			<u>\$ 213,581</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 75,000	\$ 75,000	\$ 74,181	\$ (819)
Intergovernmental	-	-	1,298	1,298
Miscellaneous	163,800	163,800	163,386	(414)
	<u>238,800</u>	<u>238,800</u>	<u>238,865</u>	<u>65</u>
Total Revenues				
	238,800	238,800	238,865	65
EXPENDITURES				
GENERAL GOVERNMENT				
Building Operations	130,000	130,000	112,718	17,282
CAPITAL OUTLAY - GENERAL GOVERNMENT	<u>90,000</u>	<u>90,000</u>	<u>240,528</u>	<u>(150,528)</u>
Total Expenditures	<u>220,000</u>	<u>220,000</u>	<u>353,246</u>	<u>(133,246)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 18,800</u>	<u>\$ 18,800</u>	(114,381)	<u>\$ (133,181)</u>
Fund Balance - Beginning of Year			<u>2,057,637</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,943,256</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 266,567	\$ 266,567	\$ 261,987	\$ (4,580)
Intergovernmental	-	-	3,757	3,757
Total Revenues	266,567	266,567	265,744	(823)
EXPENDITURES				
DEBT SERVICE				
Principal Payments	175,000	175,000	175,000	-
Interest	91,567	91,567	91,566	1
Total Debt Service	266,567	266,567	266,566	1
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(822)	<u>\$ (822)</u>
Fund Balance - Beginning of Year			<u>583,374</u>	
FUND BALANCE - END OF YEAR			<u>\$ 582,552</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
AGENCY FUNDS**

Agency funds account for assets held in a custodial capacity for others.

State Agency Fund – to account for the collection and distribution of funds for the State of Minnesota.

Mortgage Registry Tax Fund – to account for collection and payment of mortgage registry tax to the County and State of Minnesota.

Deed Tax Fund – to account for collection and payment of deed tax to the County and the State of Minnesota.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
ASSETS				
Cash and Pooled Investments	\$ 109,681	\$ 427,257	\$ 413,819	\$ 123,119
LIABILITIES				
Due to Other Governments	\$ 109,681	\$ 427,257	\$ 413,819	\$ 123,119
<u>MORTGAGE REGISTRY TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 19,985	\$ 220,034	\$ 165,111	\$ 74,908
LIABILITIES				
Due to Other Governments	\$ 19,985	\$ 220,034	\$ 165,111	\$ 74,908
<u>DEED TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 121,969	\$ 434,484	\$ 360,154	\$ 196,299
LIABILITIES				
Due to Other Governments	\$ 121,969	\$ 434,484	\$ 360,154	\$ 196,299
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 387,277	\$ 33,324,838	\$ 33,331,847	\$ 380,268
LIABILITIES				
Due to Other Governments	\$ 387,277	\$ 33,324,838	\$ 33,331,847	\$ 380,268
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 638,912	\$ 34,406,613	\$ 34,270,931	\$ 774,594
LIABILITIES				
Due to Other Governments	\$ 638,912	\$ 34,406,613	\$ 34,270,931	\$ 774,594

OTHER SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2013**

SHARED REVENUES

STATE

Highway Users Tax	\$ 6,075,880
County Program Aid	543,876
Market Value Credit	165,317
Disparity Reduction Aid	35,712
PERA Rate Increase Aid	36,967
State Police Aid	79,623
Enhanced 911	95,164
Total Shared Revenues	<u>7,032,539</u>

STATE GRANTS

MINNESOTA DEPARTMENT OF

Corrections	77,595
Natural Resources	73,771
Transportation	363,301
Public Safety	246,127
Water and Soil Resources	166,235
Total State Grants	<u>927,029</u>

FEDERAL GRANTS

FEDERAL DEPARTMENT OF

Transportation	253,825
Housing & Urban Development	332,025
Homeland Security	36,351
Total Federal Grants	<u>622,201</u>

Total State and Federal Grants 1,549,230

Total Intergovernmental Revenues \$ 8,581,769

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<hr/>		
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Formula Grants for Rural Areas	20.509	\$ 295,667
Job Access Reverse Commute Grant	20.516	<u>52,970</u>
Total Department of Transportation		348,637
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	15,610
Emergency Management Performance Grant	97.042	20,177
Passed Through Blue Earth County, Minnesota		
Homeland Security Grant Program	97.067	<u>564</u>
Total Department of Homeland Security		<u>36,351</u>
U.S. Department of Housing & Urban Development		
Passed Through Minnesota Department of Employment and Economic Development		
Community Development Block Grant	14.228	<u>332,025</u>
Total Cash Federal Awards		<u><u>\$ 717,013</u></u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013**

Notes:

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Martin County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Because the schedule presents only a selected portion of the operations of Martin County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Martin County.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 622,201
Grants received more than 60 days after year-end deferred in 2013:	
Formula Grant for Rural Areas	94,812
	94,812
Expenditures per Schedule of Expenditures of Federal Awards	\$ 717,013
	717,013

5. Subrecipients

During 2013, Martin County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.