

**MARTIN COUNTY
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2014

**MARTIN COUNTY
FAIRMONT, MINNESOTA
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DECEMBER 31, 2014**

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INTRODUCTORY SECTION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
DECEMBER 31, 2014**

ORGANIZATION

Office	Name	Term Expires
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 2018
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

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525 PARK STREET
SAINT PAUL, MN 55103-2139

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Martin County
Fairmont, Minnesota

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, Minnesota, as of and for the year ended December 31, 2014, 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, 2014, 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.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other 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 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.

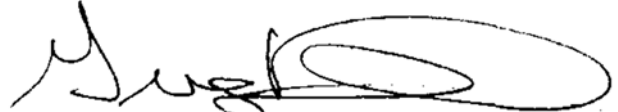
The supplementary information and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 June 30, 2015, 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

June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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, 2014, and the prior year, 2013, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 include the following:

- Governmental activities' total net position is \$82,619,381 of which \$65,089,578 is the net investment in capital assets, and \$5,715,286 is restricted for specific purposes.
- Martin County's net position increased by \$3,478,477 for the year ended December 31, 2014.
- The net cost of governmental activities was \$9,938,913 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$13,417,390.
- Governmental funds' fund balances increased by \$3,463,425.

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, 2014**

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 reconciliation in a statement following each governmental fund financial statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

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 71). 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 \$82,619,381 on December 31, 2014 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		%
	2014	2013	
Current and Other Assets	\$ 25,854,056	\$ 21,156,275	22.2 %
Capital Assets	67,174,405	64,098,800	4.8
Total Assets	93,028,461	85,255,075	9.1
Current Liabilities	1,483,585	1,721,344	(13.8)
Long-Term Liabilities	7,815,802	3,781,682	106.7
Total Liabilities	9,299,387	5,503,026	69.0
Deferred Inflows of Resources	1,109,693	611,145	81.6
Net Position			
Net Investment in Capital			
Assets	65,089,578	61,640,194	5.6
Restricted	5,715,286	4,991,036	14.5
Unrestricted	11,814,517	12,509,674	(5.6)
Total Net Position	\$ 82,619,381	\$ 79,140,904	4.4

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

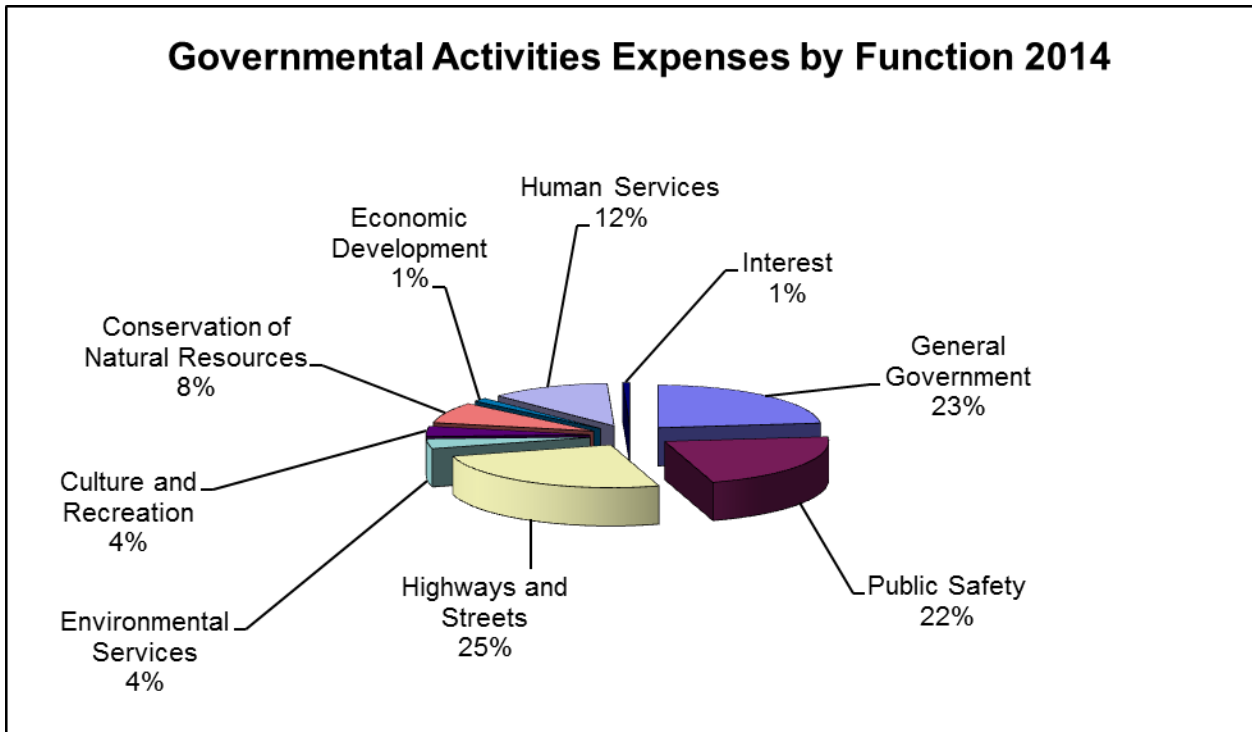
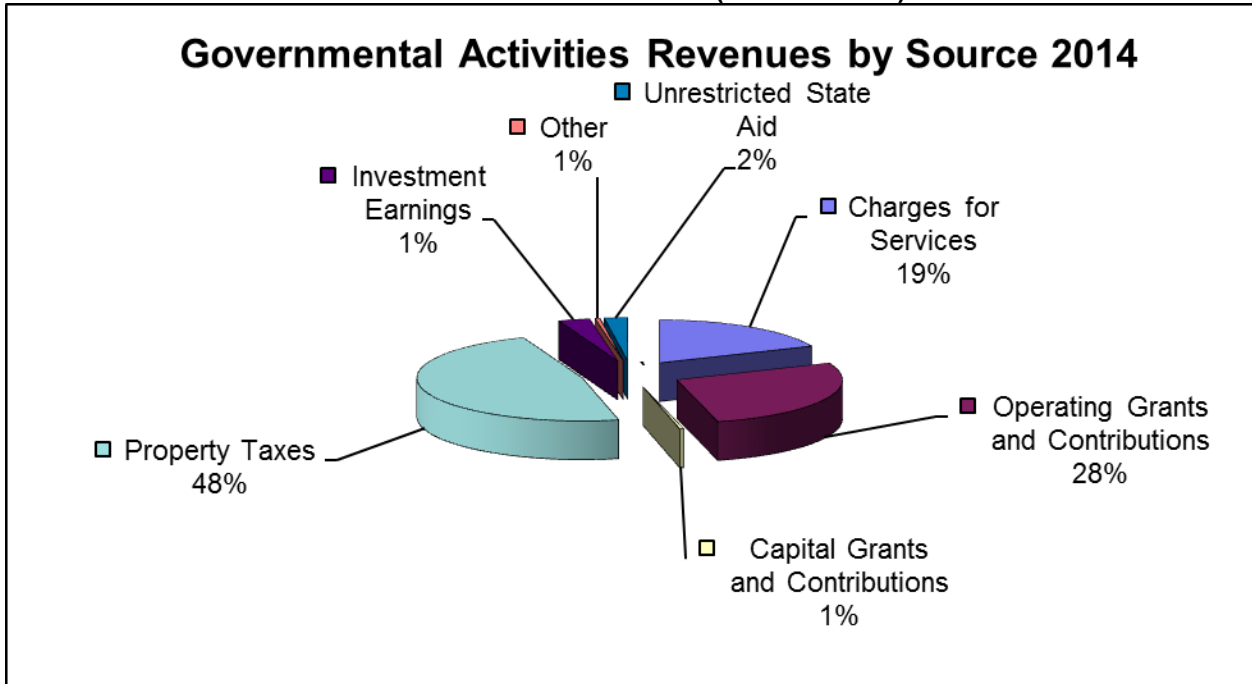
The County-wide total revenues were \$25,057,255 for the year ended December 31, 2014. Property taxes and intergovernmental revenues accounted for 79 percent of total revenues for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total % Change
	2014	2013	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 4,664,013	\$ 4,583,532	1.8 %
Operating Grants and Contributions	6,881,040	7,053,730	(2.4)
Capital Grants and Contributions	94,812	-	-
<u>General Revenues</u>			
Property Taxes	11,964,144	11,539,109	3.7
Unrestricted State Aid	769,990	770,383	(0.1)
Investment Earnings	115,311	100,802	14.4
Other	567,945	352,835	61.0
Total Revenues	<u>25,057,255</u>	<u>24,400,391</u>	2.7
EXPENSES			
General Government	5,017,315	4,758,983	5.4
Public Safety	4,751,901	4,292,116	10.7
Highways and Streets	5,488,244	5,868,930	(6.5)
Environmental Services	789,302	979,250	(19.4)
Culture and Recreation	823,914	791,407	4.1
Conservation of Natural Resources	1,710,592	2,832,602	(39.6)
Economic Development	297,398	397,726	(25.2)
Human Services	2,550,302	3,032,793	(15.9)
Interest	149,810	129,641	15.6
Total Expenses	<u>21,578,778</u>	<u>23,083,448</u>	(6.5)
CHANGE IN NET POSITION	3,478,477	1,316,943	164.1
Net Position - Beginning of Year	<u>79,140,904</u>	<u>77,823,961</u>	1.7
NET POSITION - END OF YEAR	<u>\$82,619,381</u>	<u>\$ 79,140,904</u>	4.4

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)



**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was \$21,578,778.

- Some of the cost was paid by the users of the County's Programs (\$4,664,013).
- The Federal and state governments subsidized certain programs with grants and contributions (\$6,975,852).
- The remainder of the County's costs (\$9,938,913), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$11,964,144 in property taxes, \$769,990 of state aid, and \$683,256 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		
	2014	2013	Percentage Change	2014	2013	Percentage Change
GOVERNMENTAL ACTIVITIES						
General Government	\$ 5,017,315	\$ 4,758,983	5.4 %	\$ (3,058,478)	\$ (2,823,299)	8.3 %
Public Safety	4,751,901	4,292,116	10.7	(4,154,111)	(3,549,065)	17.0
Highways and Streets	5,488,244	5,868,930	(6.5)	317,248	84,123	277.1
Environmental Services	789,302	979,250	(19.4)	196,669	(9,756)	(2115.9)
Culture and Recreation	823,914	791,407	4.1	(708,428)	(678,221)	4.5
Conservation of Natural Resources	1,710,592	2,832,602	(39.6)	188,577	(1,258,028)	(115.0)
Economic Development	297,398	397,726	(25.2)	(29,758)	(57,720)	(48.4)
Human Services	2,550,302	3,032,793	(15.9)	(2,542,327)	(3,024,579)	(15.9)
Interest	149,810	129,641	15.6	(148,305)	(129,641)	14.4
Total	\$ 21,578,778	\$ 23,083,448	(6.5)	\$ (9,938,913)	\$ (11,446,186)	(13.2)

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

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 \$17,622,823. Revenues for the County's governmental funds were \$24,198,742, while total expenditures were \$25,125,880. During 2014, the County also sold capital assets for \$32,543 which is included in other financing sources and uses as well as issuing new bonds with proceeds and premiums totaling \$4,269,048. The County also received insurance proceeds for a fire loss in the amount of \$182,862 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 decreased by \$373,864 during 2014. This was primarily due to the unbudgeted cost of the ARMER Paging Project in the Sheriff's office.

The Road and Bridge Fund's fund balance decreased by \$370,773 in 2014. This was primarily due to unbudgeted expenses due to replacing items from a fire that occurred in 2014.

The Human Services Fund's fund balance increased by \$102,611, this is primarily due to a decrease in intergovernmental payments.

The Ditch Fund's fund balance increased by \$2,041,785, this is primarily due to the County issuing Drainage Ditch bonds during 2014.

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, 2014	December 31, 2013	Increase (Decrease)	Percent
Taxes	\$ 6,852,237	\$ 6,730,726	\$ 121,511	1.8 %
Licenses and Permits	58,666	66,431	(7,765)	(11.7)
Intergovernmental	1,982,998	2,044,278	(61,280)	(3.0)
Charges for Services	740,833	659,109	81,724	12.4
Investment Earnings	107,580	97,645	9,935	10.2
Miscellaneous and Other	723,760	790,755	(66,995)	(8.5)
Total General Fund Revenues	<u>\$ 10,466,074</u>	<u>\$ 10,388,944</u>	<u>\$ 77,130</u>	0.7

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2014	December 31, 2013	Increase (Decrease)	Percent
General Government	\$ 4,722,631	\$ 4,702,281	\$ 20,350	0.4 %
Public Safety	4,667,316	4,215,206	452,110	10.7
Environmental Services	399,222	370,914	28,308	7.6
Culture and Recreation	863,868	791,418	72,450	9.2
Conservation of Natural Resources	114,724	110,720	4,004	3.6
Economic Development	29,321	45,701	(16,380)	(35.8)
Principal Retirement	42,934	46,544	(3,610)	(7.8)
Interest and Fiscal Charges	2,856	3,791	(935)	(24.7)
Total Expenditures	<u>\$ 10,842,872</u>	<u>\$ 10,286,575</u>	<u>\$ 556,297</u>	5.4

For the year ended December 31, 2014, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$239,538 more than expected. This is due primarily to taxes collected, intergovernmental payments and charges for services being higher than expected. There was also a large transfer of funds from the State Agency Fund into the General Fund for recorder fees that were collected during the year.
- The actual expenditures were \$256,149 more than budgeted. This is due primarily to expenses related to the ARMER Upgrade Paging Project for the Sheriff's department.
- 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 2014.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2014, the County had invested \$102,436,796 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 \$2,235,614.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2014	2013	
Land and Right-of-Way	\$ 1,190,311	\$ 1,190,311	-
Construction in Progress	203,344	1,232,484	(83.5)
Buildings and Improvements	8,393,541	8,233,976	1.9
Machinery, Equipment, and Vehicles	6,784,702	6,459,198	5.0
Infrastructure	85,864,898	80,414,921	6.8
Less: Accumulated Depreciation	<u>(35,262,391)</u>	<u>(33,432,090)</u>	5.5
Total	<u>\$67,174,405</u>	<u>\$ 64,098,800</u>	4.8

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term liabilities of \$7,815,802 versus \$3,781,682 in the previous year for a 106.7 percent decrease as shown in Table A-7. This increase is due to new debt issued in 2014.

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

	2014	2013	Unavailable Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Discount	\$ 6,709,153	\$ 2,644,784	153.7 %
Loans Payable	116,722	161,357	(27.7)
Compensated Absences Payable	605,637	631,176	(4.0)
Other Postemployment Benefit Obligation	384,290	344,365	11.6
Total	<u>\$ 7,815,802</u>	<u>\$ 3,781,682</u>	106.7

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, 2014**

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 17,417,831
Petty Cash and Change Funds	1,455
Restricted Cash with Fiscal Agent	1,658,594
Taxes Receivable - Delinquent	175,631
Special Assessments Receivable - Delinquent	96,765
Special Assessments Receivable - Unavailable	3,368,440
Accounts Receivable	3,766
Loans Receivable	310,786
Accrued Interest Receivable	5,931
Due from Other Governments	2,051,341
Inventories	763,516
Capital Assets - Non Depreciable	
Land and Right of Way	1,190,311
Construction in Progress	203,344
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,607,489
Land Improvements	47,414
Machinery, Vehicles, Furniture and Equipment	2,055,021
Infrastructure	60,070,826
Total Assets	93,028,461

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

	Governmental Activities
LIABILITIES	
Accounts Payable	\$ 548,066
Salaries Payable	319,656
Contracts Payable	239,529
Due to Other Governments	204,157
Accrued Interest Payable	34,254
Unearned Revenue	137,923
Compensated Absences Payable - Due Within One Year	482,318
General Obligation Bonds Payable - Due Within One Year	324,000
Loans Payable - Due Within One Year	33,777
Compensated Absences Payable - Due in More Than One Year	123,319
General Obligation Bonds Payable - Due in More Than One Year	6,385,153
Loans Payable - Due in More Than One Year	82,945
Other Postemployment Benefit Obligation - Due in More Than One Year	384,290
Total Liabilities	<u>9,299,387</u>
DEFERRED INFLOWS OF RESOURCES	
Advanced Allotments	<u>1,109,693</u>
NET POSITION	
Net Investment in Capital Assets	65,089,578
Restricted for	
General Government	309,815
Public Safety	548,613
Debt Service	612,677
Culture and Recreation	5,238
Economic Development	227,342
Highways and Streets	1,720,901
Conservation	1,040,885
Sanitation	1,249,815
Unrestricted	<u>11,814,517</u>
Total Net Position	<u>\$ 82,619,381</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, 2014**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
PRIMARY GOVERNMENT					Governmental
GOVERNMENTAL ACTIVITIES					Activities
General Government	\$ 5,017,315	\$ 1,229,502	\$ 634,523	\$ 94,812	\$ (3,058,478)
Public Safety	4,751,901	161,888	435,902	-	(4,154,111)
Highways and Streets	5,488,244	419,926	5,385,566	-	317,248
Environmental Services	789,302	874,611	111,360	-	196,669
Culture and Recreation	823,914	107,606	7,880	-	(708,428)
Conservation of Natural Resources	1,710,592	1,868,119	31,050	-	188,577
Economic Development	297,398	856	266,784	-	(29,758)
Human Services	2,550,302	-	7,975	-	(2,542,327)
Interest	149,810	1,505	-	-	(148,305)
Total Governmental Activities	\$ 21,578,778	\$ 4,664,013	\$ 6,881,040	\$ 94,812	(9,938,913)
GENERAL REVENUES					
Property Taxes					11,964,144
Mortgage Registry and Deed Tax					10,996
Wind Power Production Tax					311,471
Wheelage Tax					212,935
Grants and Contributions not Restricted for a Particular Purpose					769,990
Investment Earnings					115,311
Gain on Sale of Capital Assets					32,543
Total General Revenues					13,417,390
CHANGE IN NET POSITION					
Net Position - Beginning of Year					79,140,904
NET POSITION - END OF YEAR					
					\$ 82,619,381

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	\$ 7,469,517	\$ 5,311,417	\$ -	\$ 605,473
Petty Cash and Change Funds	1,405	50	-	-
Restricted Assets				
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	93,567	38,639	38,725	-
Special Assessments Receivable				
Delinquent	16,829	-	-	6,651
Unavailable	545,167	-	-	2,823,273
Accounts Receivable	3,766	-	-	-
Interest Receivable	5,931	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	235,055	13,260	-	-
Due from Other Governments	98,880	1,669,211	-	146,604
Inventories	-	763,516	-	-
Total Assets	<u>\$ 8,470,117</u>	<u>\$ 7,796,093</u>	<u>\$ 38,725</u>	<u>\$ 3,582,001</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 201,909	\$ 93,110	\$ -	\$ 110,491
Salaries Payable	248,394	71,262	-	-
Contracts Payable	-	104,722	-	134,807
Due to Other Funds	11,874	271	224,494	11,604
Due to Other Governments	63,234	1,710	-	125,857
Unearned Revenue	137,923	-	-	-
Total Liabilities	<u>663,334</u>	<u>271,075</u>	<u>224,494</u>	<u>382,759</u>
DEFERRED INFLOWS OF RESOURCES				
Advanced Allotments	\$ -	\$ 1,109,693	\$ -	\$ -
Property Taxes	93,567	38,639	38,725	-
Special Assessments	561,996	-	-	2,829,924
Unavailable Revenue	72,206	1,605,466	-	42,915
Total Deferred Inflows of Resources	<u>727,769</u>	<u>2,753,798</u>	<u>38,725</u>	<u>2,872,839</u>
FUND BALANCES (NOTE 3.D)				
Nonspendable	\$ -	\$ 763,516	\$ -	\$ -
Restricted	863,666	212,935	-	1,632,804
Assigned	-	3,794,769	-	-
Unassigned	6,215,348	-	(224,494)	(1,306,401)
Total Fund Balances	<u>7,079,014</u>	<u>4,771,220</u>	<u>(224,494)</u>	<u>326,403</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,470,117</u>	<u>\$ 7,796,093</u>	<u>\$ 38,725</u>	<u>\$ 3,582,001</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 4,031,424	\$ 17,417,831
-	1,455
1,658,594	1,658,594
4,700	175,631
73,285	96,765
-	3,368,440
-	3,766
-	5,931
310,786	310,786
-	248,315
136,646	2,051,341
-	763,516
\$ 6,215,435	\$ 26,102,371

\$ 142,556	\$ 548,066
-	319,656
-	239,529
72	248,315
13,356	204,157
-	137,923
155,984	1,697,646

\$ -	\$ 1,109,693
4,700	175,631
73,285	3,465,205
310,786	2,031,373
388,771	6,781,902

\$ -	\$ 763,516
3,720,151	6,429,556
1,950,529	5,745,298
-	4,684,453
5,670,680	17,622,823

\$ 6,215,435	\$ 26,102,371
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**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,622,823

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. 67,174,405

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	\$ 175,631	
Special Assessments	3,465,205	
Intergovernmental Revenues	1,720,587	
Loans Receivable	<u>310,786</u>	5,672,209

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	(6,709,153)	
Loans Payable	(116,722)	
Other Postemployment Benefit Obligation	(384,290)	
Compensated Absences	(605,637)	
Accrued Interest Payable	<u>(34,254)</u>	<u>(7,850,056)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 82,619,381**

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	\$ 6,852,237	\$ 2,782,398	\$ 2,610,592	\$ -
Special Assessments	156,015	-	-	1,085,191
Licenses and Permits	58,666	-	-	-
Intergovernmental	1,982,998	5,243,270	44,767	35,134
Charges for Services	740,833	12,175	-	-
Fines and Forfeits	23,126	-	-	-
Investment Earnings	107,580	-	-	3,539
Miscellaneous	544,619	407,751	-	11,750
Total Revenues	10,466,074	8,445,594	2,655,359	1,135,614
EXPENDITURES				
CURRENT				
General Government	4,722,631	-	-	-
Public Safety	4,667,316	-	-	-
Highways and Streets	-	8,538,701	-	-
Environmental Services	399,222	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	863,868	-	-	-
Conservation of Natural Resources	114,724	-	-	1,546,181
Economic Development	29,321	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	2,552,748	-
Highways and Streets	-	396,247	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	42,934	-	-	29,701
Interest and Fiscal Charges	2,856	-	-	14,676
Bond Issue Costs	-	-	-	72,399
Total Expenditures	10,842,872	8,934,948	2,552,748	1,662,957
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(376,798)	(489,354)	102,611	(527,343)
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	-	182,862	-	-
Proceeds from Sale of Assets	2,934	29,609	-	-
Bonds Issued	-	-	-	2,515,000
Premium on Bonds Issued	-	-	-	54,128
Total Other Financing Sources (Uses)	2,934	212,471	-	2,569,128
NET CHANGE IN FUND BALANCES	(373,864)	(276,883)	102,611	2,041,785
Fund Balance - Beginning of Year	7,452,878	5,141,993	(327,105)	(1,715,382)
INCREASE (DECREASE) IN INVENTORIES	-	(93,890)	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 7,079,014</u>	<u>\$ 4,771,220</u>	<u>\$ (224,494)</u>	<u>\$ 326,403</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 261,548	\$ 12,506,775
644,294	1,885,500
-	58,666
387,253	7,693,422
570	753,578
-	23,126
-	111,119
202,436	1,166,556
<u>1,496,101</u>	<u>24,198,742</u>
139,594	4,862,225
-	4,667,316
-	8,538,701
-	399,222
388,740	388,740
-	863,868
-	1,660,905
268,077	297,398
-	2,552,748
-	396,247
29,779	29,779
180,000	252,635
84,865	102,397
41,300	113,699
<u>1,132,355</u>	<u>25,125,880</u>
363,746	(927,138)
-	182,862
-	32,543
1,670,000	4,185,000
29,920	84,048
<u>1,699,920</u>	<u>4,484,453</u>
2,063,666	3,557,315
3,607,014	14,159,398
-	(93,890)
<u>\$ 5,670,680</u>	<u>\$ 17,622,823</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, 2014**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,557,315

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	\$ 5,367,362	
Current Year Depreciation	(2,235,614)	
Net Book Value of Capital Asset Disposals	<u>(56,143)</u>	3,075,605

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

Taxes Receivable	(7,229)	
Special Assessments Receivable	748,225	
Accounts Receivable	97,500	
Grants Receivable	109,494	
Loans Receivable	(18,738)	
Interest Receivable	4,192	
Due From Other Governments	<u>42,915</u>	976,359

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.

Crossover Refunding Bond Proceeds	(1,670,000)	
General Obligation Bond Proceeds	(2,515,000)	
Principal Repayments		
General Obligation Bonds Payable	208,000	
Loans Payable	44,635	
Amortization of Discounts on Bonds	(3,321)	
Amortization of Premium on Bonds	<u>(84,048)</u>	(4,019,734)

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	(2,792)	
Change in Other Postemployment Benefit Obligation	(39,925)	
Change in Accrued Compensated Absences	25,539	
Change in Inventories	<u>(93,890)</u>	<u>(111,068)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,478,477

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, 2014**

ASSETS

Cash and Pooled Investments	<u>\$ 425,017</u>
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LIABILITIES

Due to Other Governments	<u>\$ 425,017</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, 2014**

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, 2014. 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.

Future Change In Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County, and, therefore, are reported as if they were part of the County.

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its blended component units and 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 accounted for in another fund.

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

The Human Services Special Revenue Fund 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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.

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. Restricted Assets

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. 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.

4. 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.

5. 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.

6. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

7. 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. The current portion is 100 percent of the Paid Time Off, and Compensated Time Off accruals at the end of 2014.

8. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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.

9. 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 four items, which arise under the modified accrual basis of accounting, that qualify for reporting in this category. The items – unavailable revenue, special assessments, taxes, 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.

10. Classification of Net Position

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

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

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Classification of Fund Balance

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 (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit 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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Classification of Fund Balances (Continued)

Unassigned (Continued)

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.

12. 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, 2014:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
County Administration	\$ 559,997	\$ 599,020	\$ 39,023
County Coordinator	212,925	217,598	4,673
Drainage Administrator	152,325	159,471	7,146
Attorney	404,838	417,520	12,682
Recorder	353,293	394,568	41,275
Buildings and Plant	362,849	364,154	1,305
Public Safety			
Sheriff	4,071,917	4,475,224	403,307
Culture and Recreation			
Parks	119,311	126,105	6,794

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures in Excess of Budget (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
Debt Service			
Interest and Fiscal Charges	\$ -	\$ 2,856	\$ 2,856
Road and Bridge Fund			
Highways and Streets			
Administration	387,516	388,188	672
Engineering and Construction	4,286,294	4,359,348	73,054
Equipment and Maintenance Shops	1,702,135	1,848,372	146,237
Miscellaneous	-	5,985	5,985
Intergovernmental			
Highways and Streets	-	396,247	396,247
Debt Service Fund - Nonmajor			
Debt Service			
Bond Issue Costs	-	41,300	41,300
Nonmajor Building Fund			
General Government			
Building Operations	132,500	139,594	7,094

Expenditures in excess of budget were funded by revenues in excess of budget, existing fund balance, and or bond issuances.

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, 18 of 178 drainage systems have deficit fund balances at December 31, 2014.

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	\$ 1,020,926
Account balance deficits	<u>(803,438)</u>
Total	<u>\$ 217,488</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Balance (Continued)

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 \$326,403 when reported on the modified accrual basis.

The Human Service Special Revenue Fund had a deficit fund balance of \$224,494 as of December 31, 2014. 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, 2014, 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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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, 2014, 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, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2014, the County had the following investments:

<u>Investment Type</u>	<u>Interest Rate Risk</u>		<u>Credit Risk</u>		<u>Concentration Risk</u>
	<u>Maturity Date</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Over 5 Percent of Portfolio</u>
U.S. Government Agency Securities					
Federal Home Loan Bank Bond	12/30/2019	\$ 249,968	Aaa	Moody's	
Federal Home Loan Bank Multi-Step Up Bond	5/28/2024	149,699	Aaa	Moody's	
Total Federal Home Loan Bank Bonds		<u>399,667</u>			26.0%
Negotiable Certificates of Deposit					
Sallie Mae Bank	11/26/2018	200,000	NR	NR	13.0%
American Exp Cent Bank	12/4/2018	247,000	NR	NR	16.0%
Barclay Bank Delaware	7/16/2019	200,000	NR	NR	13.0%
BMW Bank of N America	9/26/2019	245,000	NR	NR	15.9%
1st Financial Bank USA	11/7/2019	248,000	NR	NR	16.1%
Total Negotiable Certificates of Deposit		<u>1,140,000</u>			
Total Investments		<u>\$ 1,539,667</u>			

NR - Not Rated

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, 2014, the County minimizes exposure to interest rate risk by investing in negotiable certificates of deposit, 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, 2014, the County's investments were rated 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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. 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, 2014, the County's investments were not exposed to custodial credit risk.

As of December 31, 2014, the County's investments consisted of \$1,140,000 in government bonds, and \$399,667 in negotiable certificates of deposit.

2. Receivables

Receivables as of December 31, 2014, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 175,631	\$ -
Special Assessments	3,465,205	2,766,730
Accounts	3,766	-
Loans Receivable	310,786	310,786
Interest	5,931	-
Due from Other Governments	2,051,341	-
Total	\$ 6,012,660	\$ 3,077,516

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, 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	1,232,484	4,475,920	5,505,060	203,344
Total Capital Assets, Not Being Depreciated	2,422,795	4,475,920	5,505,060	1,393,655
Capital Assets, Being Depreciated				
Buildings and Improvements	8,166,710	208,903	49,338	8,326,275
Land Improvements	67,266	-	-	67,266
Machinery, Furniture, and Equipment	4,705,931	415,655	319,536	4,802,050
Infrastructure	80,414,921	5,449,977	-	85,864,898
Vehicles	1,753,267	321,967	92,582	1,982,652
Total Capital Assets, Being Depreciated	95,108,095	6,396,502	461,456	101,043,141
Less Accumulated Depreciation for				
Buildings and Improvements	4,581,745	185,095	48,054	4,718,786
Land Improvements	16,640	3,212	-	19,852
Machinery, Furniture, and Equipment	3,738,040	263,477	264,677	3,736,840
Infrastructure	24,188,228	1,605,844	-	25,794,072
Vehicles	907,437	177,986	92,582	992,841
Total Accumulated Depreciation	33,432,090	2,235,614	405,313	35,262,391
Total Capital Assets, Being Depreciated, Net	61,676,005	4,160,888	56,143	65,780,750
Governmental Activities Capital Assets, Net	\$ 64,098,800	\$ 8,636,808	\$ 5,561,203	\$ 67,174,405

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

Government-Type Activities

General Government	\$ 177,548
Public Safety	86,198
Highways and Streets, Including Depreciation of Infrastructure Assets	1,929,956
Culture and Recreation	20,926
Conservation of Natural Resources	20,986
Total Depreciation Expense - Governmental Activities	<u>\$ 2,235,614</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2014, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	\$ 271	Postage
	Human Services	224,494	Negative Human Services Cash
	Ditch	10,218	Loan, Postage
	Solid Waste (Nonmajor)	72	Postage
	Total Due to General Fund	235,055	
Road and Bridge	General	11,874	Fuel
	Ditch	1,386	Fuel
	Total Due to Road and Bridge Fund	13,260	
Total To/From Other Funds		\$ 248,315	

The interfund receivables and payables are expected to be repaid within one year of December 31, 2014.

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. The County issued General Obligation Drainage Ditch Bonds during 2014 to fund ditch repairs and improvements within the County. The County issued General Obligation Crossover Refunding Bonds in 2014 to refund the 2006 General Obligation Construction Bonds.

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, 2014**

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 2014
General Obligation Bonds					
Construction Bonds of 2006	2023	\$ 190,000 - \$ 250,000	3.85 - 4.20	\$ 3,000,000	\$ 2,010,000
Drainage Ditch Bonds, 2014A	2035	\$70,000 - \$180,000	2.00 - 4.00	\$ 2,515,000	\$ 2,515,000
Crossover Refunding Bonds, 2014B	2023	\$225,000 - \$255,000	2.00 - 2.20	\$ 1,670,000	\$ 1,670,000
MPFA Obligations	2029	\$29,000 - \$33,000	1.00	\$ 628,307	\$ 460,000
			Subtotal		6,655,000
			Less: Unamortized Discounts		(29,895)
			Plus: Unamortized Premiums		84,048
			Total General Obligation Bonds		<u>6,709,153</u>
Loans Payable	2019	\$1,701 - \$21,736	2.00	\$ 372,141	\$ 116,722
			Total Long-Term Debt		<u>\$ 6,825,875</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 324,000	\$ 174,660	\$ 32,076	\$ 2,038	\$ 356,076	\$ 176,698
2016	399,000	173,183	25,519	1,465	424,519	174,648
2017	639,000	159,243	21,308	975	660,308	160,218
2018	624,000	142,553	21,736	547	645,736	143,100
2019	650,000	125,706	11,030	110	661,030	125,816
2020-2024	2,908,000	358,046	-	-	2,908,000	358,046
2025-2029	666,000	131,913	-	-	666,000	131,913
2030-2034	365,000	58,225	-	-	365,000	58,225
2035	80,000	3,200	-	-	80,000	3,200
Total	<u>\$ 6,655,000</u>	<u>\$ 1,326,729</u>	<u>\$ 111,669</u>	<u>\$ 5,135</u>	<u>\$ 6,766,669</u>	<u>\$ 1,331,864</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements (Continued)

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 \$5,053 that is repaid based on related special assessment collections.

Debt Refunding

On December 1, 2014, the County issued \$1,670,000 of General Obligation Crossover Refunding Bonds, Series 2014B, with an average interest rate of 2.06 percent to refund \$1,620,000 of the General Obligation Construction Bonds, Series 2006A with an average interest rate of 4.12 percent. The refunding of the Series 2006A bonds will be conducted by means of a crossover refunding mechanism. The County will continue to make principal and interest payment on the Series 2006A bonds through the call date of March 1, 2016. The County refunded the bonds to reduce its total debt service payments by \$89,641 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$82,894.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Construction	\$ 2,190,000	\$ -	\$ 180,000	\$ 2,010,000	\$ 190,000
Less: Discount	(33,216)	-	(3,321)	(29,895)	(3,322)
Drainage Ditch	-	2,515,000	-	2,515,000	105,000
Plus: Premium	-	54,128	-	54,128	2,578
Crossover Refunding	-	1,670,000	-	1,670,000	-
Plus: Premium	-	29,920	-	29,920	3,324
MPFA Obligations	488,000	-	28,000	460,000	29,000
Total General Obligations	<u>2,644,784</u>	<u>4,269,048</u>	<u>204,679</u>	<u>6,709,153</u>	<u>326,580</u>
Loans Payable	161,357	-	44,635	116,722	33,777
Compensated Absences	631,176	518,609	544,148	605,637	482,318
Governmental Activity					
Long-Term Liabilities	<u>\$ 3,437,317</u>	<u>\$ 4,787,657</u>	<u>\$ 793,462</u>	<u>\$ 7,431,512</u>	<u>\$ 842,675</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance

The detail of Martin County's fund balance classifications are as follows:

	General	Road and Bridge	Human Services	Ditch
FUND BALANCES				
Nonspendable				
Inventories	\$ -	\$ 763,516	\$ -	\$ -
Total Nonspendable	-	763,516	-	-
Restricted				
Missing Heirs	\$ 4,088	\$ -	\$ -	\$ -
Law Library	53,397	-	-	-
Sheriff's Contingency	5,000	-	-	-
E-911 System	406,550	-	-	-
Recorder's Equipment Purchases	227,887	-	-	-
Debt Service	-	-	-	59,065
Endowments	5,238	-	-	-
Victim Assistance	24,940	-	-	-
Supervision Fees	14,209	-	-	-
Veteran's Van	24,443	-	-	-
Inmate Commissary	3,327	-	-	-
Conceal & Carry	88,390	-	-	-
Communications Truck	6,197	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance & Repair	-	-	-	1,573,739
Highway Projects	-	212,935	-	-
Total Restricted	863,666	212,935	-	1,632,804
Assigned to				
Building Projects	\$ -	\$ -	\$ -	\$ -
Road & Bridge	-	3,794,769	-	-
Total Assigned	-	3,794,769	-	-
Unassigned				
	\$ 6,215,348	\$ -	\$ (224,494)	\$ (1,306,401)
Total Fund Balances	<u>\$ 7,079,014</u>	<u>\$ 4,771,220</u>	<u>\$ (224,494)</u>	<u>\$ 326,403</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance (Continued)

	Nonmajor Funds	Total Governmental Funds
FUND BALANCES		
Nonspendable		
Inventories	\$ -	\$ 763,516
Total Nonspendable	-	763,516
Restricted		
Missing Heirs	\$ -	\$ 4,088
Law Library	-	53,397
Sheriff's Contingency	-	5,000
E-911 System	-	406,550
Recorder's Equipment Purchases	-	227,887
Debt Service	2,242,994	2,302,059
Endowments	-	5,238
Victim Assistance	-	24,940
Supervision Fees	-	14,209
Veteran's Van	-	24,443
Inmate Commissary	-	3,327
Conceal & Carry	-	88,390
Communications Truck	-	6,197
Economic Development	227,342	227,342
Solid Waste	1,249,815	1,249,815
Ditch Maintenance & Repair	-	1,573,739
Highway Projects	-	212,935
Total Restricted	3,720,151	6,429,556
Assigned to		
Building Projects	\$ 1,950,529	\$ 1,950,529
Road & Bridge	-	3,794,769
Total Assigned	1,950,529	5,745,298
Unassigned		
	\$ -	\$ 4,684,453
Total Fund Balances	\$ 5,670,680	\$ 17,622,823

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 OPERATING LEASE

At the end of 2014, 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 2014, expenditures under these agreements totaled \$25,023. Future minimum lease payments are as follows:

Year Ended	Amount
2015	\$ 21,014
2016	10,807
2017	2,176
Total	\$ 33,997

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, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund, (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Stat., chs. 353 and 356.

General Employees Retirement Fund 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 five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. 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 Public Employees Correctional Fund. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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 highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund 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 remaining 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. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent of average salary for each year of service for Public Employees Correctional Fund members.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund 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 General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn Stat ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes.

General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.2% of their annual covered salary in 2014. Public Employees Correctional Fund 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 General Employees Retirement Fund members, 7.25% for Coordinated Plan General Employees Retirement Fund members, 15.3% for Public Employees Police and Fire Fund members, and 8.75% for Public Employees Correctional Fund members.

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2014	\$ 302,617	\$ 115,663	\$ 60,012
2013	297,100	105,914	55,329
2012	286,633	103,809	54,313

These contribution amounts are equal to contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.5 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Defined Contribution Plan (Continued)

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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014 were:

	Employee	Employer
Contribution amount	\$ 3,900	\$ 3,900
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

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, 2014, one retiree was receiving the continued health insurance benefit. The County's contributions for the year were \$8,185.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

As of January 1, 2014, there was one retiree 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 \$7,838 for 2014.

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 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 55,398
Interest on Net OPEB Obligation	13,775
Adjustment to ARC	(13,225)
Annual OPEB Cost	<u>55,948</u>
Contributions During the Year	(16,023)
Increase in Net OPEB Obligation	<u>39,925</u>
NET OPEB - Beginning of Year	<u>344,365</u>
NET OPEB - End of the Year	<u><u>\$ 384,290</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 55,948	\$ 16,023	28.6 %	\$ 384,290
2013	87,107	40,189	46.1 %	344,365
2012	85,638	28,769	33.6 %	297,447

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, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial liability for benefits was \$554,442 and that actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$554,442. The covered payroll (annual payroll of active employees covered by the plan) was \$6,004,677, and the ratio of the UAAL to the covered payroll was 9.2 percent.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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, 2014 was 23 years.

D. Annual OPEB Cost and Net OPEB Obligation

In the January 1, 2014 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 8.0% initially, reduced incrementally to an ultimate rate of 5.0% over seven years.

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

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 \$480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 RISK MANAGEMENT (CONTINUED)

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 \$22,489 to \$23,927 in the years 2015 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, 2014 was \$7,348,210.

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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

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 \$70,117 in 2014. 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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Rural Minnesota Energy Board (Continued)

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 2014, Martin County paid \$1,000 to the Board.

South Central Minnesota Emergency Communications Board

The South Central Regional Emergency Communications 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 2014.

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 2014, the County did not contribute any funding to the Transit Consortium.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, the County expended \$2,900.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County expended \$1,740 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 2014, 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 2014.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

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 2014, 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 2014.

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 2014, the County did not provide any funding to the Cooperative.

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 2014.

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 2014 is \$82,745.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 12 SPECIAL BENEFIT TAX LEVY (CONTINUED)

The proportionate shares on the counties may change for the years 2014 through 2024 if there are changes in the taxable market value over the 2013 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 \$168,192 payable in 12 monthly installments of \$14,016 on the first day of each month.

NOTE 14 CONSTRUCTION COMMITMENTS

The County has active construction projects as of December 31, 2014. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 1,989,717	\$ 183,248

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,525,232	\$ 6,525,232	\$ 6,852,237	\$ 327,005
Special Assessments	159,000	159,000	156,015	(2,985)
Licenses and Permits	52,500	52,500	58,666	6,166
Intergovernmental	1,891,232	1,891,232	1,982,998	91,766
Charges for Services	624,785	624,785	740,833	116,048
Fines and Forfeits	16,000	16,000	23,126	7,126
Investment Earnings	282,252	282,252	107,580	(174,672)
Miscellaneous	675,535	675,535	544,619	(130,916)
Total Revenues	10,226,536	10,226,536	10,466,074	239,538
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	249,542	249,542	248,981	561
Courts	46,500	46,500	38,525	7,975
County Administration	559,997	559,997	599,020	(39,023)
County Coordinator	212,925	212,925	217,598	(4,673)
County Auditor/Treasurer	583,594	583,594	564,782	18,812
County Assessor	524,459	524,459	496,305	28,154
Drainage Administrator	152,325	152,325	159,471	(7,146)
Elections	80,000	80,000	60,842	19,158
Data Processing	284,359	284,359	277,460	6,899
Attorney	404,838	404,838	417,520	(12,682)
Recorder	353,293	353,293	394,568	(41,275)
Buildings and Plant	362,849	362,849	364,154	(1,305)
Transit System	739,137	739,137	719,357	19,780
Veterans Service Officer	177,820	177,820	164,048	13,772
Total General Government	4,731,638	4,731,638	4,722,631	9,007
PUBLIC SAFETY				
Sheriff	4,071,917	4,071,917	4,475,224	(403,307)
Coroner	17,000	17,000	12,390	4,610
Civil Defense	88,289	88,289	63,146	25,143
Victim/Witness	132,505	132,505	116,556	15,949
Total Public Safety	4,309,711	4,309,711	4,667,316	(357,605)
ENVIRONMENTAL SERVICES				
Planning and Zoning	407,085	407,085	399,222	7,863
CULTURE AND RECREATION				
Administration	57,369	57,369	44,874	12,495
Library	707,005	707,005	692,889	14,116
Parks	119,311	119,311	126,105	(6,794)
Total Culture and Recreation	883,685	883,685	863,868	19,817

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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 125,662	\$ 125,662	\$ 114,724	\$ 10,938
ECONOMIC DEVELOPMENT				
Administration	5,412	5,412	5,412	-
Economic Development	71,730	71,730	23,909	47,821
Total Economic Development	77,142	77,142	29,321	47,821
DEBT SERVICE				
Principal	51,800	51,800	42,934	8,866
Interest and Fiscal Charges	-	-	2,856	(2,856)
Total Debt Service	51,800	51,800	45,790	6,010
Total Expenditures	10,586,723	10,586,723	10,842,872	(256,149)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(360,187)	(360,187)	(376,798)	(16,611)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	1,200	1,200	2,934	1,734
NET CHANGE IN FUND BALANCE	<u>\$ (358,987)</u>	<u>\$ (358,987)</u>	(373,864)	<u>\$ (14,877)</u>
Fund Balance - Beginning of Year			7,452,878	
FUND BALANCE - END OF YEAR			<u>\$ 7,079,014</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,571,308	\$ 2,571,308	\$ 2,782,398	\$ 211,090
Intergovernmental	5,841,574	5,841,574	5,243,270	(598,304)
Charges for Services	17,000	17,000	12,175	(4,825)
Investment Earnings	6,000	6,000	-	(6,000)
Miscellaneous	360,000	360,000	407,751	47,751
Total Revenues	8,795,882	8,795,882	8,445,594	(350,288)
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	387,516	387,516	388,188	(672)
Engineering and Construction	4,286,294	4,286,294	4,359,348	(73,054)
Maintenance	2,434,937	2,434,937	1,936,808	498,129
Equipment and Maintenance Shops	1,702,135	1,702,135	1,848,372	(146,237)
Miscellaneous	-	-	5,985	(5,985)
Total Highways and Streets	8,810,882	8,810,882	8,538,701	272,181
INTERGOVERNMENTAL				
Highways and Streets	-	-	396,247	(396,247)
Total Expenditures	8,810,882	8,810,882	8,934,948	(124,066)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,000)	(15,000)	(489,354)	(474,354)
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	-	-	182,862	182,862
Proceeds from Sale of Assets	15,000	15,000	29,609	14,609
Total Other Financing Sources (Uses)	15,000	15,000	212,471	197,471
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(276,883)	\$ (276,883)
Fund Balance - Beginning of Year			5,141,993	
Increase (Decrease) in Inventories			(93,890)	
FUND BALANCE - END OF YEAR			\$ 4,771,220	

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, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,612,099	\$ 2,612,099	\$ 2,610,592	\$ (1,507)
Intergovernmental	36,792	36,792	44,767	7,975
Total Revenues	2,648,891	2,648,891	2,655,359	6,468
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	2,648,891	2,648,891	2,552,748	96,143
Total Human Services	2,648,891	2,648,891	2,552,748	96,143
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	102,611	<u>\$ 102,611</u>
Fund Balance - Beginning of Year			<u>(327,105)</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ (224,494)</u></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, 2014**

I. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Fund. 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 2014.

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, 2014:

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
County Administration	\$ 559,997	\$ 599,020	\$ 39,023
County Coordinator	212,925	217,598	4,673
Drainage Administrator	152,325	159,471	7,146
Attorney	404,838	417,520	12,682
Recorder	353,293	394,568	41,275
Buildings and Plant	362,849	364,154	1,305
Public Safety			
Sheriff	4,071,917	4,475,224	403,307
Culture and Recreation			
Parks	119,311	126,105	6,794
Debt Service			
Interest and Fiscal Charges	-	2,856	2,856
Road and Bridge Fund			
Highways and Streets			
Administration	387,516	388,188	672
Engineering and Construction	4,286,294	4,359,348	73,054
Equipment and Maintenance Shops	1,702,135	1,848,372	146,237
Miscellaneous	-	5,985	5,985
Intergovernmental			
Highways and Streets	-	396,247	396,247

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2014**

II. Excess of Expenditures Over Appropriations (Continued)

Expenditures in excess of budget were funded by revenues in excess of budget or existing fund balance.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2014**

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
1/1/2014	-	554,442	554,442	-	6,004,677	9.2

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

SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

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, 2014**

	<u>Special Revenue Funds</u>		Total Special Revenue Funds	<u>Capital Projects Fund</u>
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	\$ 1,261,446	\$ 227,342	\$ 1,488,788	\$ 1,958,236
Cash With Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	1,234
Special Assessments Receivable				
Delinquent	73,285	-	73,285	-
Loans Receivable	-	310,786	310,786	-
Due from Other Governments	-	136,646	136,646	-
Total Assets	<u>\$ 1,334,731</u>	<u>\$ 674,774</u>	<u>\$ 2,009,505</u>	<u>\$ 1,959,470</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 849	\$ 136,646	\$ 137,495	\$ 5,061
Due to Other Funds	72	-	72	-
Due to Other Governments	10,710	-	10,710	2,646
Total Liabilities	11,631	136,646	148,277	7,707
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	-	-	-	1,234
Special Assessments	73,285	-	73,285	-
Unavailable Revenue	-	310,786	310,786	-
Total Deferred Inflows of Resources	73,285	310,786	384,071	1,234
FUND BALANCES				
Restricted	1,249,815	227,342	1,477,157	-
Assigned	-	-	-	1,950,529
Total Fund Balances	<u>1,249,815</u>	<u>227,342</u>	<u>1,477,157</u>	<u>1,950,529</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,334,731</u>	<u>\$ 674,774</u>	<u>\$ 2,009,505</u>	<u>\$ 1,959,470</u>

<u>Debt Service Funds</u>	<u>Total</u>
Debt Service	Nonmajor Funds
\$ 584,400	\$ 4,031,424
1,658,594	1,658,594
3,466	4,700
-	73,285
-	310,786
-	136,646
<u>\$ 2,246,460</u>	<u>\$ 6,215,435</u>
\$ -	142,556
-	72
-	13,356
-	155,984
3,466	4,700
-	73,285
-	310,786
<u>3,466</u>	<u>388,771</u>
2,242,994	3,720,151
-	1,950,529
<u>2,242,994</u>	<u>5,670,680</u>
<u>\$ 2,246,460</u>	<u>\$ 6,215,435</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 766
Special Assessments	644,294	-	644,294	-
Intergovernmental	119,753	263,100	382,853	-
Charges for Services	570	-	570	-
Miscellaneous	6,313	18,738	25,051	175,880
Total Revenues	770,930	281,838	1,052,768	176,646
EXPENDITURES				
CURRENT				
General Government	-	-	-	139,594
Sanitation	388,740	-	388,740	-
Economic Development	-	268,077	268,077	-
CAPITAL OUTLAY				
General Government	-	-	-	29,779
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Bond Issue Costs	-	-	-	-
Total Expenditures	388,740	268,077	656,817	169,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	382,190	13,761	395,951	7,273
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	382,190	13,761	395,951	7,273
Fund Balance - Beginning of Year	867,625	213,581	1,081,206	1,943,256
FUND BALANCE - END OF YEAR	<u>\$ 1,249,815</u>	<u>\$ 227,342</u>	<u>\$ 1,477,157</u>	<u>\$ 1,950,529</u>

<u>Debt Service Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>
\$ 260,782	\$ 261,548
-	644,294
4,400	387,253
-	570
1,505	202,436
<hr/> 266,687	<hr/> 1,496,101
-	139,594
-	388,740
-	268,077
-	29,779
180,000	180,000
84,865	84,865
41,300	41,300
<hr/> 306,165	<hr/> 1,132,355
(39,478)	363,746
1,670,000	1,670,000
29,920	29,920
<hr/> 1,699,920	<hr/> 1,699,920
1,660,442	2,063,666
582,552	3,607,014
<hr/> \$ 2,242,994	<hr/> \$ 5,670,680

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 601,810	\$ 601,810	\$ 644,294	\$ 42,484
Intergovernmental	55,950	55,950	119,753	63,803
Charges for Services	240	240	570	330
Miscellaneous	5,000	5,000	6,313	1,313
Total Revenues	663,000	663,000	770,930	107,930
CURRENT SANITATION				
Solid Waste Management	604,800	604,800	388,740	216,060
NET CHANGE IN FUND BALANCE	\$ 58,200	\$ 58,200	382,190	\$ 323,990
Fund Balance - Beginning of Year			867,625	
FUND BALANCE - END OF YEAR			\$ 1,249,815	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ 766	\$ 766
Miscellaneous	167,890	167,890	175,880	7,990
Total Revenues	167,890	167,890	176,646	8,756
EXPENDITURES				
GENERAL GOVERNMENT				
Building Operations	132,500	132,500	139,594	(7,094)
CAPITAL OUTLAY - GENERAL GOVERNMENT	<u>90,000</u>	<u>90,000</u>	<u>29,779</u>	<u>60,221</u>
Total Expenditures	<u>222,500</u>	<u>222,500</u>	<u>169,373</u>	<u>53,127</u>
NET CHANGE IN FUND BALANCE	<u>\$ (54,610)</u>	<u>\$ (54,610)</u>	7,273	<u>\$ 61,883</u>
Fund Balance - Beginning of Year			<u>1,943,256</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 1,950,529</u></u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 261,263	\$ 261,263	\$ 260,782	\$ (481)
Intergovernmental	3,602	3,602	4,400	798
Miscellaneous	-	-	1,505	1,505
	<hr/>		<hr/>	
Total Revenues	264,865	264,865	266,687	1,822
EXPENDITURES				
DEBT SERVICE				
Principal Payments	180,000	180,000	180,000	-
Interest	84,865	84,865	84,865	-
Bond Issuance Costs	-	-	41,300	(41,300)
	<hr/>		<hr/>	
Total Debt Service	264,865	264,865	306,165	(41,300)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	-	(39,478)	(39,478)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	1,670,000	(1,670,000)
Premium on Bonds Issued	-	-	29,920	(29,920)
	<hr/>		<hr/>	
Total Other Financing Sources (Uses)	-	-	1,699,920	(1,699,920)
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	1,660,442	<u>(1,660,442)</u>
Fund Balance - Beginning of Year			<u>582,552</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 2,242,994</u></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, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
ASSETS				
Cash and Pooled Investments	\$ 123,119	\$ 410,728	\$ 514,646	\$ 19,201
LIABILITIES				
Due to Other Governments	\$ 123,119	\$ 410,728	\$ 514,646	\$ 19,201
<u>MORTGAGE REGISTRY TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 74,908	\$ 160,671	\$ 211,099	\$ 24,480
LIABILITIES				
Due to Other Governments	\$ 74,908	\$ 160,671	\$ 211,099	\$ 24,480
<u>DEED TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 196,299	\$ 205,631	\$ 370,551	\$ 31,379
LIABILITIES				
Due to Other Governments	\$ 196,299	\$ 205,631	\$ 370,551	\$ 31,379
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 380,268	\$ 34,359,882	\$ 34,390,193	\$ 349,957
LIABILITIES				
Due to Other Governments	\$ 380,268	\$ 34,359,882	\$ 34,390,193	\$ 349,957
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 774,594	\$ 35,136,912	\$ 35,486,489	\$ 425,017
LIABILITIES				
Due to Other Governments	\$ 774,594	\$ 35,136,912	\$ 35,486,489	\$ 425,017

OTHER SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2014**

	<u>Total All Funds</u>
SHARED REVENUES	
STATE	
Highway Users Tax	\$ 5,146,574
County Program Aid	543,876
Aquatic Invasive Species Aid	45,094
Market Value Credit	163,822
Disparity Reduction Aid	35,529
PERA Rate Increase Aid	36,967
State Police Aid	83,776
Enhanced 911	<u>103,094</u>
Total Shared Revenues	6,158,732
STATE GRANTS	
MINNESOTA DEPARTMENT OF	
Revenue	3,529
Corrections	77,637
Natural Resources	58,824
Pollution Control Agency	119,753
Transportation	385,300
Veteran's Affairs	10,000
Public Safety	104,094
Water and Soil Resources	<u>142,410</u>
Total State Grants	901,547
FEDERAL GRANTS	
FEDERAL DEPARTMENT OF	
Justice	50,092
Transportation	275,025
Housing & Urban Development	263,100
Homeland Security	<u>44,926</u>
Total Federal Grants	<u>633,143</u>
Total State and Federal Grants	<u>1,534,690</u>
Total Intergovernmental Revenues	<u><u>\$ 7,693,422</u></u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	<u>Expenditures</u>
U.S. Department of Housing & Urban Development Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>263,100</u>
U.S. Department of Justice Passed Through Minnesota Department of Public Safety Juvenile Accountability Block Grants	16.523	\$ 6,220
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>43,872</u>
Total Department of Justice		<u>50,092</u>
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas	20.509	<u>225,110</u>
U.S. Department of Homeland Security Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	9,360
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	35,566
Emergency Management Performance Grants	97.042	<u>22,603</u>
Total Department of Homeland Security		<u>67,529</u>
Total Cash Federal Awards		<u>\$ 605,831</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 or changes in net position 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	\$ 633,143
Grants received more than 60 days after year-end unavailable in 2014:	
Formula Grants for Rural Areas	44,897
Emergency Management Performance Grants	22,603
Unavailable in 2013 recognized as revenue in 2014:	
Formula Grants for Rural Areas	(94,812)
Expenditures per Schedule of Expenditures of Federal Awards	\$ 605,831

5. Subrecipients

During 2014, Martin County did not pass any federal awards through to subrecipients.