

**MARTIN COUNTY
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2015

**MARTIN COUNTY
FAIRMONT, MINNESOTA
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INTRODUCTORY SECTION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
DECEMBER 31, 2015**

ORGANIZATION

Office	Name	Term Expires
Commissioners		
1st District	Elliot Belgard**	January 2017
2nd District	Tom Mahoney	January 2019
3rd District	Kathy Smith	January 2017
4th District	Dan Schmidtke	January 2019
5th District	Steven Flohrs*	January 2017
Officers		
Elected		
Attorney	Terry Viesselman	January 2019
Auditor/Treasurer	James Forshee	January 2019
Judge	Robert D Walker	January 2016
County Recorder	Kay Wrucke	January 2019
Sheriff	Jeff Markquart	January 2019
Surveyor	Ben Madsen	January 2019
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, 2015, 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 from 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (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*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Supplementary Information

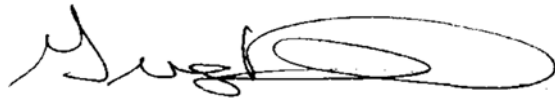
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin County's basic financial statements. The supplementary information and other supplementary information as listed in the table of contents are presented for purposes of additional 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 July 14, 2016, on our consideration of Martin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Martin County's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 14, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015, and the prior year, 2014, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 include the following:

- Governmental activities' total net position is \$82,574,536 of which \$66,442,240 is the net investment in capital assets, and \$6,878,667 is restricted for specific purposes.
- Martin County's net position increased by \$4,351,254 after the restatement for Government Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the implementation of GASB 68 and 71 can be found in Note 1.E.
- The net cost of governmental activities was \$10,430,508 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$14,781,762.
- Governmental funds' fund balances increased by \$1,100,436.

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, 2015**

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, sanitation, 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, 2015**

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 83). 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 \$82,574,536 on December 31, 2015 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		%
	2015	2014 Restated (1)	
Current and Other Assets	\$ 28,630,587	\$ 25,854,056	10.7 %
Capital Assets	68,266,245	67,174,405	1.6
Total Assets	96,896,832	93,028,461	4.2
Deferred Outflows of Resources	841,728	240,026	250.7
Current Liabilities	1,423,931	1,483,585	(4.0)
Long-Term Liabilities	13,126,234	12,451,927	5.4
Total Liabilities	14,550,165	13,935,512	4.4
Deferred Inflows of Resources	613,859	1,109,693	(44.7)
Net Position			
Net Investment in Capital			
Assets	66,442,240	65,089,578	2.1
Restricted	6,878,667	5,715,286	20.4
Unrestricted	9,253,629	7,418,418	24.7
Total Net Position	\$ 82,574,536	\$ 78,223,282	5.6

(1) Restatement for change in accounting principles; see Note 1.E.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$27,733,959 for the year ended December 31, 2015. Property taxes, grants and contributions, and unrestricted state aid accounted for 81 percent of total revenues for the year (see Table A-2).

Table A-2
Change in Net Position

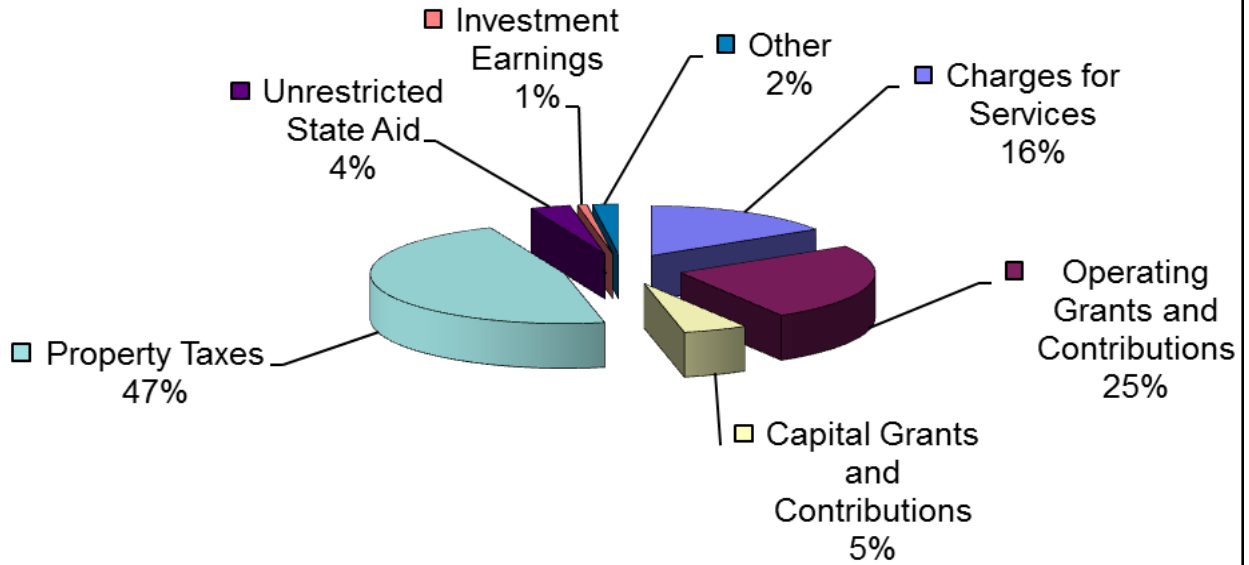
	Governmental Activities		Total % Change
	2015	2014	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 4,460,895	\$ 4,664,013	(4.4)%
Operating Grants and Contributions	7,014,138	6,881,040	1.9
Capital Grants and Contributions	1,477,164	94,812	1458.0
<u>General Revenues</u>			
Property Taxes	13,050,872	11,964,144	9.1
Unrestricted State Aid	927,146	769,990	20.4
Investment Earnings	217,104	115,311	88.3
Other	586,640	567,945	3.3
Total Revenues	<u>27,733,959</u>	<u>25,057,255</u>	10.7
EXPENSES			
General Government	5,363,164	5,017,315	6.9
Public Safety	4,876,845	4,751,901	2.6
Highways and Streets	5,624,978	5,488,244	2.5
Sanitation	563,726	789,302	(28.6)
Culture and Recreation	928,660	823,914	12.7
Conservation of Natural Resources	3,064,095	1,710,592	79.1
Economic Development	62,542	297,398	(79.0)
Human Services	2,632,236	2,550,302	3.2
Interest	266,459	149,810	77.9
Total Expenses	<u>23,382,705</u>	<u>21,578,778</u>	8.4
CHANGE IN NET POSITION	4,351,254	3,478,477	25.1
Net Position - Beginning of Year, as restated	<u>78,223,282</u> *	<u>79,140,904</u>	(1.2)
NET POSITION - END OF YEAR, as reported	<u>\$ 82,574,536</u>	<u>\$ 82,619,381</u>	(0.1)

* Amount includes a change in accounting principles; see Note 1.E.

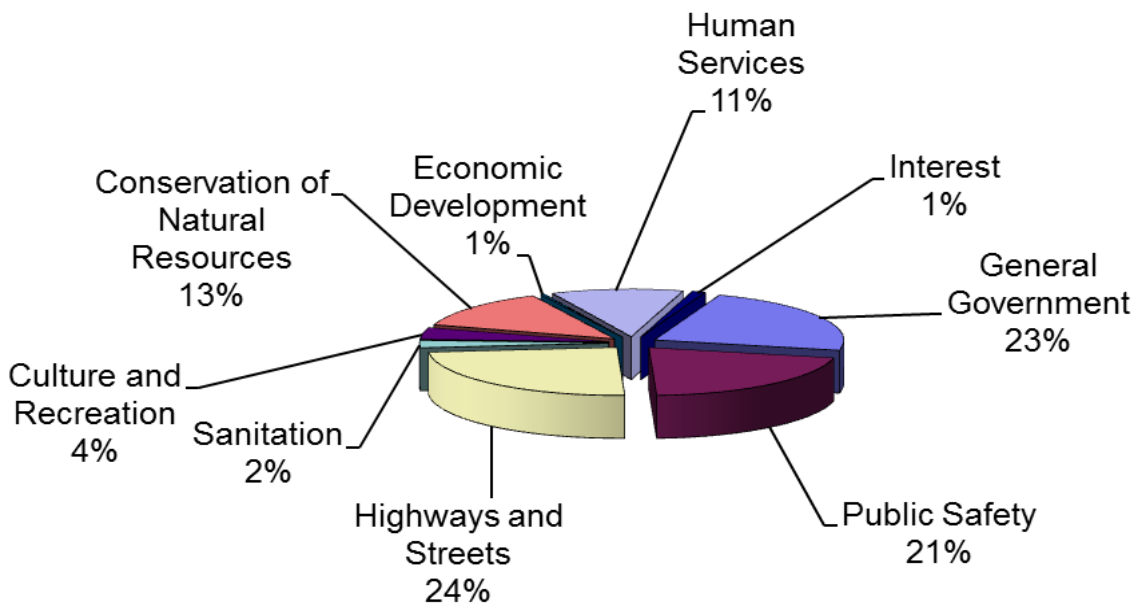
**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2015



Governmental Activities Expenses by Function 2015



**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was \$23,382,705.

- Some of the cost was paid by the users of the County's Programs (\$4,460,895).
- The Federal and state governments subsidized certain programs with grants and contributions (\$8,491,302).
- The remainder of the County's costs (\$10,430,508), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$13,050,872 in property taxes, \$927,146 of state aid, and \$217,104 with investment earnings and other general revenues of \$586,640.

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		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2015	2014*		2015	2014*	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 5,363,164	\$ 5,017,315	6.9 %	\$ (3,162,862)	\$ (3,058,478)	3.4 %
Public Safety	4,876,845	4,751,901	2.6	(4,189,850)	(4,154,111)	0.9
Highways and Streets	5,624,978	5,488,244	2.5	1,657,311	317,248	422.4
Sanitation	563,726	789,302	(28.6)	173,299	196,669	(11.9)
Culture and Recreation	928,660	823,914	12.7	(811,540)	(708,428)	14.6
Conservation of Natural Resources	3,064,095	1,710,592	79.1	(1,151,658)	188,577	(710.7)
Economic Development	62,542	297,398	(79.0)	(58,385)	(29,758)	96.2
Human Services	2,632,236	2,550,302	3.2	(2,620,364)	(2,542,327)	3.1
Interest	266,459	149,810	77.9	(266,459)	(148,305)	79.7
Total	<u>\$23,382,705</u>	<u>\$ 21,578,778</u>	8.4	<u>\$ (10,430,508)</u>	<u>\$ (9,938,913)</u>	4.9

*Amounts include a change in accounting principles; see Note 1.E.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

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 \$18,723,259. Revenues for the County's governmental funds were \$25,660,498, while total expenditures were \$24,697,330. During 2015, the County also sold capital assets for \$11,622 which is included in other financing sources and uses. The County also received insurance proceeds for equipment and vehicles damaged in accidents of \$42,503 that is included in other financial sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$535,763 during 2015. This was primarily due to the collections of delinquent property taxes.

The Road and Bridge Fund's fund balance increased by \$1,977,197 in 2015. This was primarily due to the increase in state and federal aid for highway projects, and decrease in engineering and construction expenditures.

The Human Services Fund's fund balance increased by \$330,350 this is primarily due to an increase in tax revenue as a result of an increase in tax levy.

The Ditch Fund's fund balance decreased by \$1,877,664, this is primarily due to the large number of ditches needing repair and improvements.

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, 2015	December 31, 2014	Increase (Decrease)	Percent
Taxes	\$ 7,767,084	\$ 6,852,237	\$ 914,847	13.4 %
Licenses and Permits	57,725	58,666	(941)	(1.6)
Intergovernmental	2,100,538	1,982,998	117,540	5.9
Charges for Services	681,340	740,833	(59,493)	(8.0)
Investment Earnings	127,295	107,580	19,715	18.3
Miscellaneous and Other	753,520	723,760	29,760	4.1
Total General Fund Revenues	<u>\$ 11,487,502</u>	<u>\$ 10,466,074</u>	<u>\$ 1,021,428</u>	9.8

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase (Decrease)	Percent
General Government	\$ 5,091,788	\$ 5,121,853	\$ (30,065)	(0.6)%
Public Safety	4,768,974	4,667,316	101,658	2.2
Culture and Recreation	905,873	863,868	42,005	4.9
Conservation of Natural Resources	112,744	114,724	(1,980)	(1.7)
Economic Development	49,790	29,321	20,469	69.8
Principal Retirement	32,076	42,934	(10,858)	(25.3)
Interest and Fiscal Charges	2,039	2,856	(817)	(28.6)
Total Expenditures	<u>\$ 10,963,284</u>	<u>\$ 10,842,872</u>	<u>\$ 120,412</u>	1.1

For the year ended December 31, 2015, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$513,671 more than expected. This is due primarily to taxes and special assessments collected, intergovernmental payments and charges for services being higher than expected.
- The actual expenditures were \$91,001 more than budgeted. This is due primarily to election costs for a special election, a remaining payment for a Pictometry license, most departments being under budget, and an additional payment for the court services contract being paid in 2015.
- 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 2015.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2015, the County had invested \$105,502,573 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 \$2,308,363.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2015	2014	
Land and Right-of-Way	\$ 1,190,311	\$ 1,190,311	-
Construction in Progress	371,468	203,344	82.7
Buildings and Improvements	8,438,724	8,393,541	0.5
Machinery, Equipment, and Vehicles	7,197,369	6,784,702	6.1
Infrastructure	88,304,701	85,864,898	2.8
Less: Accumulated Depreciation	<u>(37,236,328)</u>	<u>(35,262,391)</u>	5.6
Total	<u>\$68,266,245</u>	<u>\$ 67,174,405</u>	1.6

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term debt of \$6,382,573 versus \$6,709,153 in the previous year for a 4.9 percent decrease as shown in Table A-7.

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

	<u>2015</u>	<u>2014</u>	<u>Unavailable Change</u>
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Discount	<u>\$ 6,382,573</u>	<u>\$ 6,709,153</u>	(4.9)%

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, 2015**

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 18,391,586
Petty Cash and Change Funds	1,455
Restricted Cash with Fiscal Agent	1,633,184
Taxes Receivable - Delinquent	177,754
Special Assessments Receivable - Delinquent	79,864
Special Assessments Receivable - Unavailable	3,974,500
Accounts Receivable	4,254
Accrued Interest Receivable	12,695
Due from Other Governments	3,197,850
Loans Receivable	310,786
Inventories	846,659
Capital Assets - Non Depreciable	
Land and Right of Way	1,190,311
Construction in Progress	371,468
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,468,346
Land Improvements	44,203
Machinery, Vehicles, Furniture and Equipment	2,380,695
Infrastructure	60,811,222
Total Assets	\$ 96,896,832

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

	Governmental Activities
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	<u>\$ 841,728</u>
LIABILITIES	
Accounts Payable	393,647
Salaries Payable	358,104
Contracts Payable	333,573
Due to Other Governments	251,595
Accrued Interest Payable	40,138
Unearned Revenue	46,874
Compensated Absences Payable - Due Within One Year	493,187
General Obligation Bonds Payable - Due Within One Year	2,019,000
Loans Payable - Due Within One Year	27,220
Advance from Other Governments - Due Within One Year	218,565
Compensated Absences Payable - Due in More Than One Year	108,006
General Obligation Bonds Payable - Due in More Than One Year	4,363,573
Loans Payable - Due in More Than One Year	55,725
Advance from Other Governments - Due in More Than One Year	689,667
Net Pension Liability	4,755,961
Other Postemployment Benefit Obligation	395,330
Total Liabilities	<u>14,550,165</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Inflows	<u>613,859</u>
NET POSITION	
Net Investment in Capital Assets	66,442,240
Restricted for	
General Government	294,633
Public Safety	490,566
Debt Service	488,252
Culture and Recreation	5,238
Economic Development	227,342
Highways and Streets	2,916,148
Conservation	1,018,698
Sanitation	1,437,790
Unrestricted	9,253,629
Total Net Position	<u>\$ 82,574,536</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Operating		Capital	Governmental
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	Expenses	Fees, Charges, Fines, and Other	Grants and Contributions	Grants and Contributions	Activities
General Government	\$ 5,363,164	\$ 1,220,871	\$ 925,004	\$ 54,427	\$ (3,162,862)
Public Safety	4,876,845	216,897	470,098	-	(4,189,850)
Highways and Streets	5,624,978	270,411	5,589,141	1,422,737	1,657,311
Sanitation	563,726	737,025	-	-	173,299
Culture and Recreation	928,660	99,097	18,023	-	(811,540)
Conservation of Natural Resources	3,064,095	1,912,437	-	-	(1,151,658)
Economic Development	62,542	4,157	-	-	(58,385)
Human Services	2,632,236	-	11,872	-	(2,620,364)
Interest	266,459	-	-	-	(266,459)
Total Governmental Activities	\$ 23,382,705	\$ 4,460,895	\$ 7,014,138	\$ 1,477,164	(10,430,508)
GENERAL REVENUES					
Property Taxes					13,050,872
Mortgage Registry and Deed Tax					15,443
Wind Power Production Tax					337,488
Wheelage Tax					222,087
Grants and Contributions not Restricted for a Particular Purpose					927,146
Investment Earnings					217,104
Gain on Sale of Capital Assets					11,622
Total General Revenues					14,781,762
CHANGE IN NET POSITION					4,351,254
Net Position - Beginning of Year, as restated - See Note 1.E					78,223,282
NET POSITION - END OF YEAR					\$ 82,574,536

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	\$ 7,936,921	\$ 6,169,892	\$ 105,856	\$ -
Petty Cash and Change Funds	1,405	50	-	-
Restricted Assets				
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	97,183	37,171	39,939	-
Special Assessments Receivable				
Delinquent	17,324	-	-	3,931
Unavailable	490,994	-	-	3,483,506
Accounts Receivable	4,254	-	-	-
Interest Receivable	12,695	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	348,883	8,219	-	-
Due from Other Governments	239,156	2,933,610	-	25,084
Inventories	-	846,659	-	-
Total Assets	<u>\$ 9,148,815</u>	<u>\$ 9,995,601</u>	<u>\$ 145,795</u>	<u>\$ 3,512,521</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 220,745	\$ 54,576	\$ -	\$ 114,461
Salaries Payable	278,286	79,818	-	-
Contracts Payable	30,578	155,754	-	147,241
Due to Other Funds	8,219	193	-	348,690
Due to Other Governments	212,668	3,524	-	32,637
Unearned Revenue	46,874	-	-	-
Advance from Other Governments	-	-	-	908,232
Total Liabilities	<u>797,370</u>	<u>293,865</u>	<u>-</u>	<u>1,551,261</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 3.D)				
Unavailable Revenue	<u>736,668</u>	<u>2,953,319</u>	<u>39,939</u>	<u>3,512,521</u>
FUND BALANCES (NOTE 3.E)				
Nonspendable	\$ -	\$ 846,659	\$ -	\$ -
Restricted	789,030	-	-	1,717,543
Committed	-	-	105,856	-
Assigned	-	5,901,758	-	-
Unassigned	6,825,747	-	-	(3,268,804)
Total Fund Balances	<u>7,614,777</u>	<u>6,748,417</u>	<u>105,856</u>	<u>(1,551,261)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,148,815</u>	<u>\$ 9,995,601</u>	<u>\$ 145,795</u>	<u>\$ 3,512,521</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 4,178,917	\$ 18,391,586
-	1,455
1,633,184	1,633,184
3,461	177,754
58,609	79,864
-	3,974,500
-	4,254
-	12,695
310,786	310,786
-	357,102
-	3,197,850
-	846,659
\$ 6,184,957	\$ 28,987,689

\$ 3,865	\$ 393,647
-	358,104
-	333,573
-	357,102
2,766	251,595
-	46,874
-	908,232
6,631	2,649,127

372,856	7,615,303
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\$ -	\$ 846,659
3,872,755	6,379,328
-	105,856
1,932,715	7,834,473
-	3,556,943
5,805,470	18,723,259

\$ 6,184,957	\$ 28,987,689
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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, 2015**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 18,723,259

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. 68,266,245

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. 841,728

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. 7,615,303

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	(6,382,573)	
Loans Payable	(82,945)	
Other Postemployment Benefit Obligation	(395,330)	
Compensated Absences	(601,193)	
Net Pension Liability	(4,755,961)	
Accrued Interest Payable	(40,138)	(12,258,140)

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (613,859)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 82,574,536

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	\$ 7,767,084	\$ 2,718,939	\$ 2,876,854	\$ -
Special Assessments	132,333	-	-	1,103,979
Licenses and Permits	57,725	-	-	-
Intergovernmental	2,100,538	5,686,280	87,623	-
Charges for Services	681,340	11,100	-	-
Fines and Forfeits	29,127	-	-	-
Investment Earnings	127,295	-	-	86,790
Miscellaneous	592,060	259,311	-	150,448
Total Revenues	11,487,502	8,675,630	2,964,477	1,341,217
EXPENDITURES				
CURRENT				
General Government	5,091,788	-	-	-
Public Safety	4,768,974	-	-	-
Highways and Streets	-	6,405,564	-	-
Sanitation	-	-	-	-
Culture and Recreation	905,873	-	-	-
Conservation of Natural Resources	112,744	-	-	2,925,262
Economic Development	49,790	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	2,634,127	-
Highways and Streets	-	418,592	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	32,076	-	-	135,701
Interest and Fiscal Charges	2,039	-	-	157,918
Total Expenditures	10,963,284	6,824,156	2,634,127	3,218,881
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	524,218	1,851,474	330,350	(1,877,664)
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	3,521	38,982	-	-
Proceeds from Sale of Assets	8,024	3,598	-	-
Total Other Financing Sources (Uses)	11,545	42,580	-	-
NET CHANGE IN FUND BALANCES	535,763	1,894,054	330,350	(1,877,664)
Fund Balance - Beginning of Year	7,079,014	4,771,220	(224,494)	326,403
INCREASE (DECREASE) IN INVENTORIES	-	83,143	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 7,614,777</u>	<u>\$ 6,748,417</u>	<u>\$ 105,856</u>	<u>\$ (1,551,261)</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 260,890	\$ 13,623,767
656,285	1,892,597
-	57,725
77,610	7,952,051
550	692,990
-	29,127
-	214,085
196,337	1,198,156
<u>1,191,672</u>	<u>25,660,498</u>
111,404	5,203,192
-	4,768,974
-	6,405,564
563,726	563,726
-	905,873
-	3,038,006
12,752	62,542
-	2,634,127
-	418,592
75,802	75,802
190,000	357,777
103,198	263,155
<u>1,056,882</u>	<u>24,697,330</u>
134,790	963,168
-	42,503
-	11,622
<u>-</u>	<u>54,125</u>
134,790	1,017,293
5,670,680	17,622,823
-	83,143
<u>\$ 5,805,470</u>	<u>\$ 18,723,259</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, 2015**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,017,293

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	\$ 3,400,203	
Current Year Depreciation	(2,308,363)	1,091,840

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

Taxes Receivable	2,123	
Special Assessments Receivable	589,159	
Accounts Receivable	(97,500)	
Grants Receivable	1,464,124	
Interest Receivable	3,019	
Due From Other Governments	<u>(17,831)</u>	1,943,094

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.

Principal Repayments		
General Obligation Bonds Payable	324,000	
Loans Payable	33,777	
Amortization of Discounts on Bonds	(3,322)	
Amortization of Premium on Bonds	<u>5,902</u>	360,357

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	(5,884)	
Change in Other Postemployment Benefit Obligation	(11,040)	
Change in Accrued Compensated Absences	4,444	
Change in net pension liability, as restated	(119,836)	
Change in deferred pension outflows, as restated	601,702	
Change in deferred pension inflows	(613,859)	
Change in Inventories	<u>83,143</u>	<u>(61,330)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,351,254

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, 2015**

ASSETS

Cash and Pooled Investments	<u>\$ 496,663</u>
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LIABILITIES

Due to Other Governments	<u>\$ 496,663</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, 2015**

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, 2015. 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.

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.

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.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

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

2. 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.

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.

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

4. Loans Receivable

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Loans Receivable (Continued)

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.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. 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 2015.

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.

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 and Unearned Revenue

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. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments, and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

This separate financial statement element, deferred inflows of resources, represents 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. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue arises only under the modified accrual basis of accounting, and, accordingly, is reported only in the governmental funds balance sheet. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting, and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share.

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

10. Pensions

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

11. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 Net Position (Continued)

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

12. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Classification of Fund Balances (Continued)

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

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

13. 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.

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Change in Accounting Principles (Continued)

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 82,619,381
Change in Accounting Principles	<u>(4,396,099)</u>
Net Position, January 1, 2015, as restated	<u>\$ 78,223,282</u>

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, 2015:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
Elections	\$ 14,000	\$ 28,790	\$ 14,790
Recorder	344,885	367,029	22,144
Public Safety			
Sheriff	4,354,988	4,543,408	188,420
Culture and Recreation			
Parks	127,195	225,171	97,976
Economic Development			
Economic Development	31,000	43,784	12,784

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures in Excess of Budget (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Road and Bridge Fund			
Highways and Streets			
Administration	\$ 397,162	\$ 409,392	\$ 12,230
Miscellaneous	-	4,289	4,289
Intergovernmental			
Highways and Streets	-	418,592	418,592
Debt Service Fund - Nonmajor			
Debt Service			
Interest	77,788	103,198	25,410
Nonmajor Building Fund			
Capital Outlay			
General Government	65,000	75,802	10,802

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, 21 of 178 drainage systems have deficit fund balances at December 31, 2015.

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	\$ 1,018,698
Account balance deficits	<u>(1,901,790)</u>
Total	<u>\$ (883,092)</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 \$(1,551,261) when reported on the modified accrual basis.

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, 2015, 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, 2015**

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, 2015, the County's deposits were not exposed to custodial credit risk.

Investment

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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2015, the County had the following investments:

Investment Type	Interest Rate Risk		Credit Risk		Concentration Risk
	Maturity Date	Fair Value	Credit Rating	Rating Agency	Over 5 Percent of Portfolio
U.S. Government Agency Securities					
Federal Home Loan Mtg Corp	12/30/2020	\$ 199,420	Aaa	Moody's	
Federal Farm Credit Bank Internotes	3/1/2021	199,140	Aaa	Moody's	
Total Federal Home Loan Bank Bonds		398,560			11.7%
Negotiable Certificates of Deposit					
Ally Bk Midvale Utah	3/6/2017	116,000	NR	NR	<5%
American Express Centurion Bk	11/13/2017	200,000	NR	NR	5.8%
Goldman Sachs Bk USA NY	3/5/2018	117,000	NR	NR	<5%
Sallie Mae Bank	11/26/2018	200,000	NR	NR	5.8%
American Exp Cent Bank	12/4/2018	247,000	NR	NR	7.2%
Goldman Sachs Bk USA NY	3/4/2019	117,000	NR	NR	<5%
Barclay Bank Delaware	7/16/2019	200,000	NR	NR	5.8%
BMW Bank of N America	9/26/2019	245,000	NR	NR	7.1%
Discover Bank	9/30/2019	150,000	NR	NR	<5%
1st Financial Bank USA	11/7/2019	248,000	NR	NR	7.2%
JP Morgan Chase Bank NA	2/27/2020	200,000	NR	NR	5.8%
Worlds Foremost Bank	4/15/2020	200,000	NR	NR	5.8%
Comenity Bank	6/24/2020	200,000	NR	NR	5.8%
Capital One Bank USA NA	8/12/2020	200,000	NR	NR	5.8%
Capital One NA	9/16/2020	200,000	NR	NR	5.8%
Goldman Sachs Bank USA	11/4/2020	200,000	NR	NR	5.8%
Total Negotiable Certificates of Deposit		3,040,000			
Total Investments		<u>\$ 3,438,560</u>			

NR - Not Rated

<5% - Concentration by individual issuer is less than 5% of investments

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2015, 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, 2015, 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.

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, 2015, the County's investments were not exposed to custodial credit risk.

As of December 31, 2015, the County's investments consisted of \$398,560 in government bonds, and \$3,040,000 in negotiable certificates of deposit.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 177,754	\$ -
Special Assessments	4,054,364	3,477,491
Accounts Receivable	4,254	-
Loans Receivable	310,786	310,786
Interest	12,695	-
Due from Other Governments	3,197,850	-
Total	<u>\$ 7,757,703</u>	<u>\$ 3,788,277</u>

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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, 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	203,344	2,616,230	2,448,106	371,468
Total Capital Assets, Not Being Depreciated	1,393,655	2,616,230	2,448,106	1,561,779
Capital Assets, Being Depreciated				
Buildings and Improvements	8,326,275	45,183	-	8,371,458
Land Improvements	67,266	-	-	67,266
Machinery, Furniture, and Equipment	4,802,050	369,699	229,961	4,941,788
Infrastructure	85,864,898	2,439,803	-	88,304,701
Vehicles	1,982,652	377,394	104,465	2,255,581
Total Capital Assets, Being Depreciated	101,043,141	3,232,079	334,426	103,940,794
Less Accumulated Depreciation for				
Buildings and Improvements	4,718,786	184,326	-	4,903,112
Land Improvements	19,852	3,211	-	23,063
Machinery, Furniture, and Equipment	3,736,840	216,385	229,961	3,723,264
Infrastructure	25,794,072	1,699,407	-	27,493,479
Vehicles	992,841	205,034	104,465	1,093,410
Total Accumulated Depreciation	35,262,391	2,308,363	334,426	37,236,328
Total Capital Assets, Being Depreciated, Net	65,780,750	923,716	-	66,704,466
Governmental Activities Capital Assets, Net	<u>\$ 67,174,405</u>	<u>\$ 3,539,946</u>	<u>\$ 2,448,106</u>	<u>\$ 68,266,245</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

Government-Type Activities

General Government	\$ 184,432
Public Safety	77,100
Highways and Streets, Including Depreciation of Infrastructure Assets	2,006,441
Culture and Recreation	19,590
Conservation of Natural Resources	<u>20,800</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,308,363</u>

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2015, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	\$ 193	Postage
	Ditch	<u>348,690</u>	Loan, Postage, Negative Cash
Total Due to General Fund		348,883	
Road and Bridge	General	<u>8,219</u>	Fuel
Total Due to Road and Bridge Fund		8,219	
Total To/From Other Funds		<u>\$ 357,102</u>	

The interfund receivables and payables are expected to be repaid within one year of December 31, 2015.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

Debt Summary

Types of Indebtedness	Maturity	Amounts	Rates (%)	Original Amount	Outstanding Balance 2015
General Obligation Bonds					
Construction Bonds of 2006	2023	\$ 200,000 - \$ 250,000	3.90 - 4.20	\$ 3,000,000	\$ 1,820,000
Drainage Ditch Bonds, 2014A	2035	\$70,000 - \$180,000	2.00 - 4.00	\$ 2,515,000	\$ 2,410,000
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	\$ 431,000
				Subtotal	6,331,000
				Less: Unamortized Discounts	(26,573)
				Plus: Unamortized Premiums	78,146
				Total General Obligation Bonds	6,382,573
Loans Payable	2019	\$1,701 - \$21,736	2.00	\$ 243,468	\$ 82,945
				Total Long-Term Debt	<u>\$ 6,465,518</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,019,000	\$ 173,183	\$ 27,220	\$ 1,941	\$ 2,046,220	\$ 175,124
2017	434,000	97,012	22,959	1,451	456,959	98,463
2018	414,000	88,623	21,736	547	435,736	89,170
2019	425,000	80,532	11,030	110	436,030	80,642
2020	435,000	72,283	-	-	435,000	72,283
2021-2025	1,645,000	237,027	-	-	1,645,000	237,027
2026-2030	584,000	114,503	-	-	584,000	114,503
2031-2035	375,000	44,700	-	-	375,000	44,700
Total	<u>\$ 6,331,000</u>	<u>\$ 907,863</u>	<u>\$ 82,945</u>	<u>\$ 4,049</u>	<u>\$ 6,413,945</u>	<u>\$ 911,912</u>

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.

Advance from Other Governments

On January 27, 2015, Martin County entered into a Joint Powers Agreement with Watonwan County in relation to Judicial Ditch No. 2. Watonwan County paid for all costs related to the Improvement and Maintenance of Judicial Ditch No. 2, of which \$908,232 was Martin County's portion as of 12/31/15. Martin County will repay the amount of collections received through special assessments through 2035.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Construction	\$ 2,010,000	\$ -	\$ 190,000	\$ 1,820,000	\$ 1,820,000
Less: Discount	(29,895)	-	(3,322)	(26,573)	-
Drainage Ditch	2,515,000	-	105,000	2,410,000	170,000
Plus: Premium	54,128	-	2,578	51,550	-
Crossover Refunding	1,670,000	-	-	1,670,000	-
Plus: Premium	29,920	-	3,324	26,596	-
MPFA Obligations	460,000	-	29,000	431,000	29,000
Total General Obligations	6,709,153	-	326,580	6,382,573	2,019,000
Loans Payable	116,722	-	33,777	82,945	27,220
Advance from Other Governments	-	908,232	-	908,232	218,565
Compensated Absences	605,637	558,706	563,150	601,193	493,187
Governmental Activity Long-Term Liabilities	<u>\$ 7,431,512</u>	<u>\$ 1,466,938</u>	<u>\$ 923,507</u>	<u>\$ 7,974,943</u>	<u>\$ 2,757,972</u>

Compensated absences, other post-employment benefit liability, and net pension liabilities are generally liquidated by the General Fund and the Road and Bridge special revenue fund.

D. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources as of December 31, 2015, for the County's governmental funds were as follows:

	Unearned Revenue	Deferred Inflows of Resources
Unavailable Revenue		
Taxes and special assessments, delinquent and unavailable	\$ -	\$ 4,232,118
Highway allotments that do not provide current financial resources	-	2,916,148
Loans receivable	-	310,786
Grants, reimbursement of ditch expenses, and interest receivable	46,874	156,251
Total Governmental Funds	<u>\$ 46,874</u>	<u>\$ 7,615,303</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. 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	\$ -	\$ 846,659	\$ -	\$ -
Total Nonspendable	-	846,659	-	-
Restricted				
Missing Heirs	\$ 4,088	\$ -	\$ -	\$ -
Law Library	43,134	-	-	-
Sheriff's Contingency	5,000	-	-	-
E-911 System	327,163	-	-	-
Recorder's Equipment Purchases	247,411	-	-	-
Debt Service	-	-	-	19,268
Endowments	3,831	-	-	-
Victim Assistance	25,705	-	-	-
Supervision Fees	12,661	-	-	-
Inmate Commissary	1,221	-	-	-
Conceal and Carry	110,973	-	-	-
Communications Truck	7,843	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance and Repair	-	-	-	1,698,275
Total Restricted	789,030	-	-	1,717,543
Committed to				
Human Services	\$ -	\$ -	\$ 105,856	\$ -
Total Committed	-	-	105,856	-
Assigned to				
Building Projects	\$ -	\$ -	\$ -	\$ -
	-	5,901,758	-	-
Total Assigned	-	5,901,758	-	-
Unassigned	\$ 6,825,747	\$ -	\$ -	\$ (3,268,804)
Total Fund Balances	\$ 7,614,777	\$ 6,748,417	\$ 105,856	\$ (1,551,261)

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance (Continued)

FUND BALANCES	Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Nonspendable		
Inventories	\$ -	\$ 846,659
Total Nonspendable	<u>-</u>	<u>846,659</u>
Restricted		
Missing Heirs	\$ -	\$ 4,088
Law Library	-	43,134
Sheriff's Contingency	-	5,000
E-911 System	-	327,163
Recorder's Equipment Purchases	-	247,411
Debt Service	2,218,000	2,237,268
Endowments	-	3,831
Victim Assistance	-	25,705
Supervision Fees	-	12,661
Inmate Commissary	-	1,221
Conceal and Carry	-	110,973
Communications Truck	-	7,843
Economic Development	216,965	216,965
Solid Waste	1,437,790	1,437,790
Ditch Maintenance and Repair	-	1,698,275
Total Restricted	<u>3,872,755</u>	<u>6,379,328</u>
Committed to		
Human Services	\$ -	\$ 105,856
Total Committed	<u>-</u>	<u>105,856</u>
Assigned to		
Building Projects	\$ 1,932,715	\$ 1,932,715
	-	5,901,758
Total Assigned	<u>1,932,715</u>	<u>7,834,473</u>
Unassigned	\$ -	\$ 3,556,943
Total Fund Balances	<u>\$ 5,805,470</u>	<u>\$ 18,723,259</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OPERATING LEASE

At the end of 2015, the County maintained eleven operating leases for squad cars. Daily rentals under the agreements range from \$19 - \$23 per day plus \$.27 - \$.39 per mile for maintenance. In 2015, expenditures under these agreements totaled \$21,014. Future minimum lease payments are as follows:

Year Ended	Amount
2016	\$ 14,156
2017	7,199
2018	5,023
2019	5,023
2020	1,674
Total	\$ 33,075

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of Martin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement 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 Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new member in 1967. All new members must participate in the Coordinated Plan, for which 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. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service 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 of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 321,516
Public Employees Police and Fire Fund	130,256
Public Employees Correctional Fund	58,190

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$3,731,414 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .072 percent. It was .079 percent measured as of June 30, 2014. The County recognized pension expense of \$415,182 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 188,127
Difference between projected and actual investment earnings	353,235	-
Changes in proportion	-	246,619
Contributions paid to PERA subsequent to the measurement date	159,958	-
Total	\$ 513,193	\$ 434,746

A total of \$159,958 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

General Employees Retirement Fund (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2016	\$ (56,606)
2017	(56,606)
2018	(56,607)
2019	88,308

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$965,799 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for the employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .085 percent. It was .083 percent measured as of June 30, 2014. The County recognized pension expense of \$170,030 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$7,650 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 156,621
Difference between projected and actual investment earnings	168,275	-
Changes in proportion	18,001	-
Contributions paid to PERA subsequent to the measurement date	64,586	-
Total	\$ 250,862	\$ 156,621

A total of \$64,586 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2016	\$ 14,345
2017	14,345
2018	14,345
2019	14,345
2020	(27,725)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$58,748 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for the employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Fund (Continued)

At June 30, 2015, the County's proportion was .38 percent. It was .38 percent measured as of June 30, 2014. The County recognized pension expense of \$63,399 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 22,492
Difference between projected and actual investment earnings	48,971	
Contributions paid to PERA subsequent to the measurement date	28,702	-
Total	\$ 77,673	\$ 22,492

A total of \$28,702 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2016	\$ 4,745
2017	4,746
2018	4,746
2019	12,242

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$648,611.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

5. Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
County's proportionate share of the GERS net pension liability	\$ 5,867,108	\$ 3,731,414	\$ 1,967,658
County's proportionate share of the PEPFF net pension liability	1,882,352	965,799	208,566
County's proportionate share of the PECF net pension liability	409,131	58,748	(221,700)

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

Four 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.

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 employer. 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 account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015 were:

	Employee	Employer
Contribution amount	\$ 3,472	\$ 3,472
Percentage of covered payroll	5%	5%

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, five retirees were receiving the continued health insurance benefit. The County's contributions for the year were \$34,652.

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

As of January 1, 2015, there was one retiree receiving health benefits from the County's health plan, who is also 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 \$11,107 for 2015.

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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 56,540
Interest on Net OPEB Obligation	15,402
Adjustment to ARC	(15,143)
Annual OPEB Cost	<u>56,799</u>
Contributions During the Year	(45,759)
Increase in Net OPEB Obligation	<u>11,040</u>
NET OPEB - Beginning of Year	<u>384,290</u>
NET OPEB - End of the Year	<u><u>\$ 395,330</u></u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2014 and 2015 were as follows:

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 56,799	\$ 45,759	80.6 %	\$ 395,330
2014	55,948	16,023	28.6 %	384,290
2013	87,107	40,189	46.1 %	344,365

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.

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, 2015 was 22 years.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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 \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 8 CONDUIT DEBT

On May 1, 2012, the County issued \$7,000,000 and \$1,000,000 of Housing Facilities Revenue Note (Goldfinch Estates-Vista Prairie Communities Project), Series 2012A and 2012B, respectively. These bonds were issued to finance the cost of expansion to Goldfinch Estates in Fairmont, Minnesota. The Series 2012A bonds have an interest rate of 4.375 percent and mature in amounts of \$16,175 to \$5,607,576 in the years 2016 to 2022. The Series 2012B bonds have an interest rate of 5.125 percent and mature in amounts of \$23,710 to \$23,927 in 2016.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 CONDUIT DEBT (CONTINUED)

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, 2015 was \$7,071,453.

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. 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.

B. Subsequent Events

In August of 2016, the County plans to sell \$7,425,000 of General Obligation Drainage Ditch Bonds. The intent of the planned issue is to finance several ditch repairs and improvements within the County.

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.

Faribault – Martin County Transit Board

Martin County entered into a joint powers agreement with Faribault County (Minnesota Statutes §471.59) in 2015 to provide a coordinated service delivery and funding source for public transportation.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS

Joint Ventures (Continued)

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 \$(141,284) in 2015. 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.

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 2015, Martin County paid \$1,000 to the Board.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

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 2015.

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 years. During 2015, 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 \$4,340.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

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 2015.

South Central Minnesota County Comprehensive Water Planning Project

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

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance provides the preparation to comprehensive water plans for the participating counties. During 2015, the County paid \$7,789 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 2015.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

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 2015, 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 2015.

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 2015 is \$84,400.

The proportionate shares on the counties may change for the years 2015 through 2024 if there are changes in the taxable market value over the 2014 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 14 CONTRACT COMMITMENTS

The County has active projects as of December 31, 2015. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Ditch Projects	\$ 1,922,200	\$ 45,316
Park Project	89,525	99,427
	<u>\$ 2,011,725</u>	<u>\$ 144,743</u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,334,222	\$ 7,334,222	\$ 7,767,084	\$ 432,862
Special Assessments	123,502	123,502	132,333	8,831
Licenses and Permits	49,500	49,500	57,725	8,225
Intergovernmental	2,009,832	2,009,832	2,100,538	90,706
Charges for Services	621,075	621,075	681,340	60,265
Fines and Forfeits	16,000	16,000	29,127	13,127
Investment Earnings	200,000	200,000	127,295	(72,705)
Miscellaneous	620,000	620,000	592,060	(27,940)
Total Revenues	10,974,131	10,974,131	11,487,502	513,371
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	264,487	264,487	200,967	63,520
Courts	52,000	52,000	51,458	542
County Administration	668,404	668,404	615,761	52,643
County Coordinator	224,847	224,847	213,844	11,003
County Auditor/Treasurer	615,532	615,532	597,454	18,078
County Assessor	562,245	562,245	518,216	44,029
Drainage Administrator	157,748	157,748	150,052	7,696
Elections	14,000	14,000	28,790	(14,790)
Data Processing	276,218	276,218	235,477	40,741
Attorney	439,459	439,459	438,330	1,129
Recorder	344,885	344,885	367,029	(22,144)
Buildings and Plant	397,737	397,737	334,542	63,195
Transit System	776,901	776,901	770,237	6,664
Planning and Zoning	409,346	409,346	382,653	26,693
Veterans Service Officer	205,620	205,620	186,978	18,642
Total General Government	5,409,429	5,409,429	5,091,788	317,641
PUBLIC SAFETY				
Sheriff	4,354,988	4,354,988	4,543,408	(188,420)
Coroner	13,000	13,000	11,814	1,186
Civil Defense	98,690	98,690	86,144	12,546
Victim/Witness	131,383	131,383	127,608	3,775
Total Public Safety	4,598,061	4,598,061	4,768,974	(170,913)
CULTURE AND RECREATION				
Administration	57,769	57,769	32,414	25,355
Library	667,108	667,108	648,288	18,820
Parks	127,195	127,195	225,171	(97,976)
Total Culture and Recreation	852,072	852,072	905,873	(53,801)

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 123,596	\$ 123,596	\$ 112,744	\$ 10,852
ECONOMIC DEVELOPMENT				
Administration	6,012	6,012	6,006	6
Economic Development	31,000	31,000	43,784	(12,784)
Total Economic Development	37,012	37,012	49,790	(12,778)
DEBT SERVICE				
Principal	32,076	32,076	32,076	-
Interest and Fiscal Charges	2,039	2,039	2,039	-
Total Debt Service	34,115	34,115	34,115	-
Total Expenditures	<u>11,054,285</u>	<u>11,054,285</u>	<u>10,963,284</u>	<u>91,001</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,154)	(80,154)	524,218	604,372
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	-	-	3,521	3,521
Proceeds from Sale of Assets	1,200	1,200	8,024	6,824
Total Other Financing Sources (Uses)	<u>1,200</u>	<u>1,200</u>	<u>11,545</u>	<u>10,345</u>
NET CHANGE IN FUND BALANCE	<u>\$ (78,954)</u>	<u>\$ (78,954)</u>	535,763	<u>\$ 614,717</u>
Fund Balance - Beginning of Year			<u>7,079,014</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,614,777</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, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,668,423	\$ 2,668,423	\$ 2,718,939	\$ 50,516
Intergovernmental	4,493,136	4,493,136	5,686,280	1,193,144
Charges for Services	15,000	15,000	11,100	(3,900)
Miscellaneous	280,000	280,000	259,311	(20,689)
Total Revenues	<u>7,456,559</u>	<u>7,456,559</u>	<u>8,675,630</u>	<u>1,219,071</u>
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	397,162	397,162	409,392	(12,230)
Engineering and Construction	2,987,506	2,987,506	2,499,340	488,166
Maintenance	2,518,722	2,518,722	2,130,686	388,036
Equipment and Maintenance Shops	1,578,169	1,578,169	1,361,857	216,312
Miscellaneous	-	-	4,289	(4,289)
Total Highways and Streets	<u>7,481,559</u>	<u>7,481,559</u>	<u>6,405,564</u>	<u>1,075,995</u>
INTERGOVERNMENTAL				
Highways and Streets	-	-	418,592	(418,592)
Total Expenditures	<u>7,481,559</u>	<u>7,481,559</u>	<u>6,824,156</u>	<u>657,403</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(25,000)	1,851,474	1,876,474
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	-	-	38,982	38,982
Proceeds from Sale of Assets	25,000	25,000	3,598	(21,402)
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>42,580</u>	<u>17,580</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>1,894,054</u>	<u>\$ 1,894,054</u>
Fund Balance - Beginning of Year			4,771,220	
Increase (Decrease) in Inventories			<u>83,143</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,748,417</u>	

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,887,172	\$ 2,887,172	\$ 2,876,854	\$ (10,318)
Intergovernmental	75,751	75,751	87,623	11,872
Total Revenues	2,962,923	2,962,923	2,964,477	1,554
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	2,962,923	2,962,923	2,634,127	328,796
Total Human Services	2,962,923	2,962,923	2,634,127	328,796
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	330,350	<u>\$ 330,350</u>
Fund Balance - Beginning of Year			<u>(224,494)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 105,856</u>	

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2015**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.072%	\$ 3,731,414	\$ 4,230,434	88.20%	78.19%

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

The measurement date for each year is June 30.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$ 321,516	\$ 321,516	\$ -	\$ 4,286,873	7.50%

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

The County's year-end is December 31.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.085%	\$ 965,799	\$ 779,811	123.85%	88.61%

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

The measurement date for each year is June 30.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$ 130,256	\$ 130,256	\$ -	\$ 804,054	16.20%

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

The County's year-end is December 31.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.380%	\$ 58,748	\$ 683,419	8.60%	96.95%

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

The measurement date for each year is June 30.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$ 58,190	\$ 58,190	\$ -	\$ 665,030	8.75%

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

The County's year-end is December 31

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, 2015**

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 2015.

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, 2015:

	Budget	Actual	Difference
General Fund			
General Government			
Elections	\$ 14,000	\$ 28,790	\$ 14,790
Recorder	344,885	367,029	22,144
Public Safety			
Sheriff	4,354,988	4,543,408	188,420
Culture and Recreation			
Parks	127,195	225,171	97,976
Economic Development			
Economic Development	31,000	43,784	12,784
Road and Bridge Fund			
Highways and Streets			
Administration	397,162	409,392	12,230
Miscellaneous	-	4,289	4,289
Intergovernmental			
Highways and Streets	-	418,592	418,592

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

SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

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, 2015**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	\$ 1,438,632	\$ 216,965	\$ 1,655,597	\$ 1,938,504
Cash With Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	610
Special Assessments Receivable				
Delinquent	58,609	-	58,609	-
Loans Receivable	-	310,786	310,786	-
Total Assets	<u>\$ 1,497,241</u>	<u>\$ 527,751</u>	<u>\$ 2,024,992</u>	<u>\$ 1,939,114</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 668	\$ -	\$ 668	\$ 3,197
Due to Other Governments	174	-	174	2,592
Total Liabilities	842	-	842	5,789
DEFERRED INFLOWS OF RESOURCES (Note 3.D)				
Unavailable Revenue	58,609	310,786	369,395	610
FUND BALANCES (NOTE 3.E)				
Restricted	1,437,790	216,965	1,654,755	-
Assigned	-	-	-	1,932,715
Total Fund Balances	<u>1,437,790</u>	<u>216,965</u>	<u>1,654,755</u>	<u>1,932,715</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,497,241</u>	<u>\$ 527,751</u>	<u>\$ 2,024,992</u>	<u>\$ 1,939,114</u>

<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
Debt Service	
\$ 584,816	\$ 4,178,917
1,633,184	1,633,184
2,851	3,461
-	58,609
-	310,786
<u>\$ 2,220,851</u>	<u>\$ 6,184,957</u>
\$ -	3,865
-	2,766
-	6,631
<u>2,851</u>	<u>372,856</u>
2,218,000	3,872,755
-	1,932,715
<u>2,218,000</u>	<u>5,805,470</u>
<u>\$ 2,220,851</u>	<u>\$ 6,184,957</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 604
Special Assessments	656,285	-	656,285	-
Intergovernmental	69,692	-	69,692	-
Charges for Services	550	-	550	-
Miscellaneous	25,174	2,375	27,549	168,788
Total Revenues	751,701	2,375	754,076	169,392
EXPENDITURES				
CURRENT				
General Government	-	-	-	111,404
Sanitation	563,726	-	563,726	-
Economic Development	-	12,752	12,752	-
CAPITAL OUTLAY				
General Government	-	-	-	75,802
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	563,726	12,752	576,478	187,206
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	187,975	(10,377)	177,598	(17,814)
Fund Balance - Beginning of Year	1,249,815	227,342	1,477,157	1,950,529
FUND BALANCE - END OF YEAR	<u>\$ 1,437,790</u>	<u>\$ 216,965</u>	<u>\$ 1,654,755</u>	<u>\$ 1,932,715</u>

<u>Debt Service Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>
\$ 260,286	\$ 260,890
-	656,285
7,918	77,610
-	550
-	196,337
<u>268,204</u>	<u>1,191,672</u>
-	111,404
-	563,726
-	12,752
-	75,802
190,000	190,000
103,198	103,198
<u>293,198</u>	<u>1,056,882</u>
(24,994)	134,790
<u>2,242,994</u>	<u>5,670,680</u>
<u>\$ 2,218,000</u>	<u>\$ 5,805,470</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 650,190	\$ 650,190	\$ 656,285	\$ 6,095
Intergovernmental	55,950	55,950	69,692	13,742
Charges for Services	250	250	550	300
Miscellaneous	5,000	5,000	25,174	20,174
	<u>711,390</u>	<u>711,390</u>	<u>751,701</u>	<u>40,311</u>
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste Management	620,770	620,770	563,726	57,044
	<u>620,770</u>	<u>620,770</u>	<u>563,726</u>	<u>57,044</u>
NET CHANGE IN FUND BALANCE	<u>\$ 90,620</u>	<u>\$ 90,620</u>	187,975	<u>\$ 97,355</u>
Fund Balance - Beginning of Year			<u>1,249,815</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,437,790</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ 604	\$ 604
Miscellaneous	172,927	172,927	168,788	(4,139)
Total Revenues	172,927	172,927	169,392	(3,535)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Building Operations	134,500	134,500	111,404	23,096
CAPITAL OUTLAY -				
General Government	65,000	65,000	75,802	(10,802)
Total Expenditures	199,500	199,500	187,206	12,294
NET CHANGE IN FUND BALANCE	<u>\$ (26,573)</u>	<u>\$ (26,573)</u>	(17,814)	<u>\$ 8,759</u>
Fund Balance - Beginning of Year			<u>1,950,529</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,932,715</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 260,947	\$ 260,947	\$ 260,286	\$ (661)
Intergovernmental	6,841	6,841	7,918	1,077
Total Revenues	267,788	267,788	268,204	416
EXPENDITURES				
CURRENT				
DEBT SERVICE				
Principal Payments	190,000	190,000	190,000	-
Interest	77,788	77,788	103,198	(25,410)
Total Debt Service	267,788	267,788	293,198	(25,410)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(24,994)	<u>24,994</u>
Fund Balance - Beginning of Year			<u>2,242,994</u>	
FUND BALANCE - END OF YEAR			<u>\$2,218,000</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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
ASSETS				
Cash and Pooled Investments	\$ 19,201	\$ 384,389	\$ 394,142	\$ 9,448
LIABILITIES				
Due to Other Governments	\$ 19,201	\$ 384,389	\$ 394,142	\$ 9,448
<u>MORTGAGE REGISTRY TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 24,480	\$ 268,087	\$ 256,703	\$ 35,864
LIABILITIES				
Due to Other Governments	\$ 24,480	\$ 268,087	\$ 256,703	\$ 35,864
<u>DEED TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 31,379	\$ 247,669	\$ 229,426	\$ 49,622
LIABILITIES				
Due to Other Governments	\$ 31,379	\$ 247,669	\$ 229,426	\$ 49,622
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 349,957	\$ 35,114,212	\$ 35,062,440	\$ 401,729
LIABILITIES				
Due to Other Governments	\$ 349,957	\$ 35,114,212	\$ 35,062,440	\$ 401,729
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 425,017	\$ 36,014,357	\$ 35,942,711	\$ 496,663
LIABILITIES				
Due to Other Governments	\$ 425,017	\$ 36,014,357	\$ 35,942,711	\$ 496,663

OTHER SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2015**

	<u>Total All Funds</u>
APPROPRIATIONS AND SHARED REVENUE	
STATE	
Highway Users Tax	\$ 4,179,773
County Program Aid	436,927
Aquatic Invasive Species Aid	100,207
Market Value Credit	332,042
Disparity Reduction Aid	35,360
PERA Rate Increase Aid	36,967
State Police Aid	87,732
Enhanced 911	103,094
Pollution Control Agency	<u>69,692</u>
Total Appropriations and Shared Revenue	5,381,794
 STATE GRANTS	
MINNESOTA DEPARTMENT OF	
Corrections	82,088
Natural Resources	65,610
Transportation	369,711
Veteran's Affairs	10,000
Public Safety	76,686
Water and Soil Resources	<u>154,299</u>
Total State Grants	758,394
 FEDERAL GRANTS	
FEDERAL DEPARTMENT OF	
Commerce	335
Justice	82,924
Transportation	1,667,123
Homeland Security	54,881
Institute of Museum & Library Services	<u>6,600</u>
Total Federal Grants	<u>1,811,863</u>
 Total State and Federal Grants	 <u>2,570,257</u>
 Total Intergovernmental Revenues	 <u><u>\$ 7,952,051</u></u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce Passed through Blue Earth County, Minnesota State and Local Implementation Grant Program	11.549	None Provided	\$ 335	\$ -
U.S. Department of Justice Passed Through Minnesota Department of Public Safety				
Juvenile Accountability Block Grants	16.523	F-T2JABG-2015- MARTINCO-4424	29,485	-
Crime Victim Assistance	16.575	F-CVS-2015- MARTINVS-5323	15,283	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	F-YIP-2014- MARTPROB-5113	38,156	-
Total Department of Justice			<u>82,924</u>	<u>-</u>
U.S. Department of Transportation Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00046	1,422,737	-
Formula Grants for Rural Areas	20.509	AGR#07193	268,504	-
Total Department of Transportation			<u>1,691,241</u>	<u>-</u>
U.S. Institute of Museum and Library Services Passed Through Minnesota Department of Education Grants to States	45.310	E3701	6,600	-
U.S. Department of Homeland Security Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	MARTIN FEG- 120115	5,987	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2015- MARTINCO-1132	22,288	-
Passed Through Blue Earth County, Minnesota Homeland Security Grant Program	97.067	None Provided	1,503	-
Passed Through Murray County, Minnesota Homeland Security Grant Program	97.067	None Provided	2,500	-
Total Homeland Security Grant Program 97.067			4,003	-
Total Department of Homeland Security			<u>32,278</u>	<u>-</u>
Total Cash Federal Awards			<u>\$ 1,813,378</u>	<u>\$ -</u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Notes:

1. Reporting Entity

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

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Martin County, it is not intended to and does not present the financial position or changes in net position of Martin County.

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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Martin County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 1,811,863
Grants received more than 60 days after year-end, unavailable in 2015:	
Formula Grants for Rural Areas	69,015
Unavailable in 2014, recognized as revenue in 2015:	
Formula Grants for Rural Areas	(44,897)
Emergency Management Performance Grants	<u>(22,603)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,813,378</u>