

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Year Ended December 31, 2014



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
1st District	Marie Dranttel*	January 2017
2nd District	James Stenson	January 2019
3rd District	David Haack	January 2017
4th District	Jack Kolars	January 2019
5th District	Dr. Bruce Beatty	January 2017
Officers Elected		
Attorney	Michelle Zehnder Fischer	January 2019
County Judge	Allison Krehbiel	January 2017
County Judge	Todd Westphal	January 2015
County Recorder	Kathryn Conlon	January 2019
Registrar of Titles	Kathryn Conlon	January 2019
Sheriff	David Lange	January 2019
Officers Appointed		
Assessor	Doreen Pehrson	December 2016
Interim Auditor-Treasurer	Jaci Kopet	July 2015
Finance Director	Lisa Stadler	Indefinite
Court Administrator	Carol Weikle	Indefinite
Public Works Director	Seth Greenwood	May 2017
Probation Officer (Court Services Director)	Richard Molitor	Indefinite
Surveyor	Bolton & Menk	Indefinite
Veterans Service Officer	Charles Dempewolf	November 2015
Coroner	Dr. Michael McGee	January 2015
Administrator	Ryan Krosch	Indefinite
Social Services Director	Joan Tesdahl	Indefinite
Public Health Director	Mary Hildebrandt	Indefinite
Environmental Services Director	Mandy Landkamer	Indefinite
Extension Director	LuAnn Hiniker	Indefinite
Human Resources Director	Jamie Haefner	Indefinite
Emergency Management Director	Denise Wright	Indefinite
Technologies Director	Dayle Moore	Indefinite
Facilities Maintenance Director	Douglas Krueger	Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nicollet County
St. Peter, 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 Nicollet County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nicollet County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 August 13, 2015, on our consideration of Nicollet 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 Nicollet County’s internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 13, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)**

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet County for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Nicollet County exceeded its liabilities by \$104,288,291 at the close of 2014. Of this amount, \$24,096,996 (unrestricted net position) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.
- Nicollet County's total net position increased by \$3,596,291 in 2014, or 3.57 percent.
- At the close of 2014, Nicollet County's governmental funds reported combined ending fund balances of \$33,180,632, a decrease of \$5,297,426 in comparison with the prior year. Of the total fund balance, \$10,652,244 is available for spending at the County's discretion and is noted as unassigned fund balance.
- At the close of 2014, the unassigned fund balance for the General Fund was \$10,969,498, or 56 percent, of total General Fund expenditures.
- Nicollet County's total debt decreased by \$3,135,000, or 13.8 percent, during 2014. The key factor in the decrease was due to the repayment of general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenues. The governmental activities of Nicollet County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

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

Fund Financial Statements

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

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

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

Nicollet County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Governmental fund financial statements are on Exhibits 3 through 7.

- Proprietary funds--Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 through 10.
- Fiduciary funds--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Nicollet County's fiduciary funds consist of five agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. Fiduciary funds are on Exhibit 11.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Nicollet County's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on Exhibit A-1.

In addition, the County also provides supplementary information on Nicollet County's intergovernmental revenue on Exhibit D-1.

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Nicollet County's assets exceeded liabilities by \$104,288,291 at the close of 2014. The largest portion of Nicollet County's net position (72 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

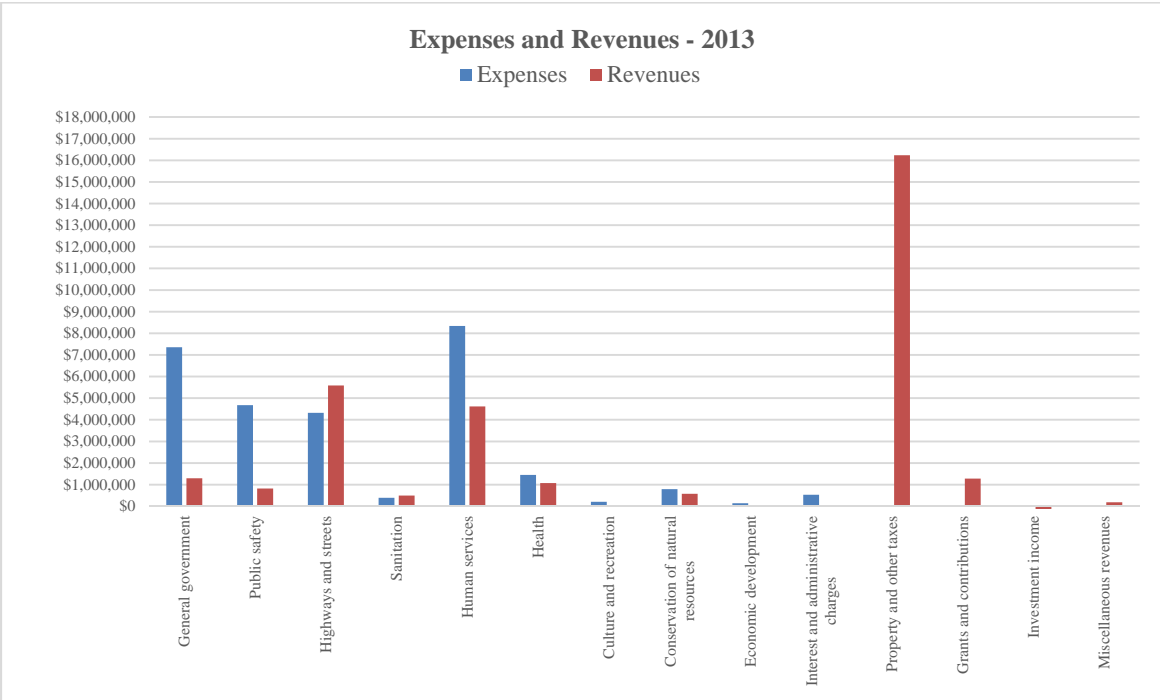
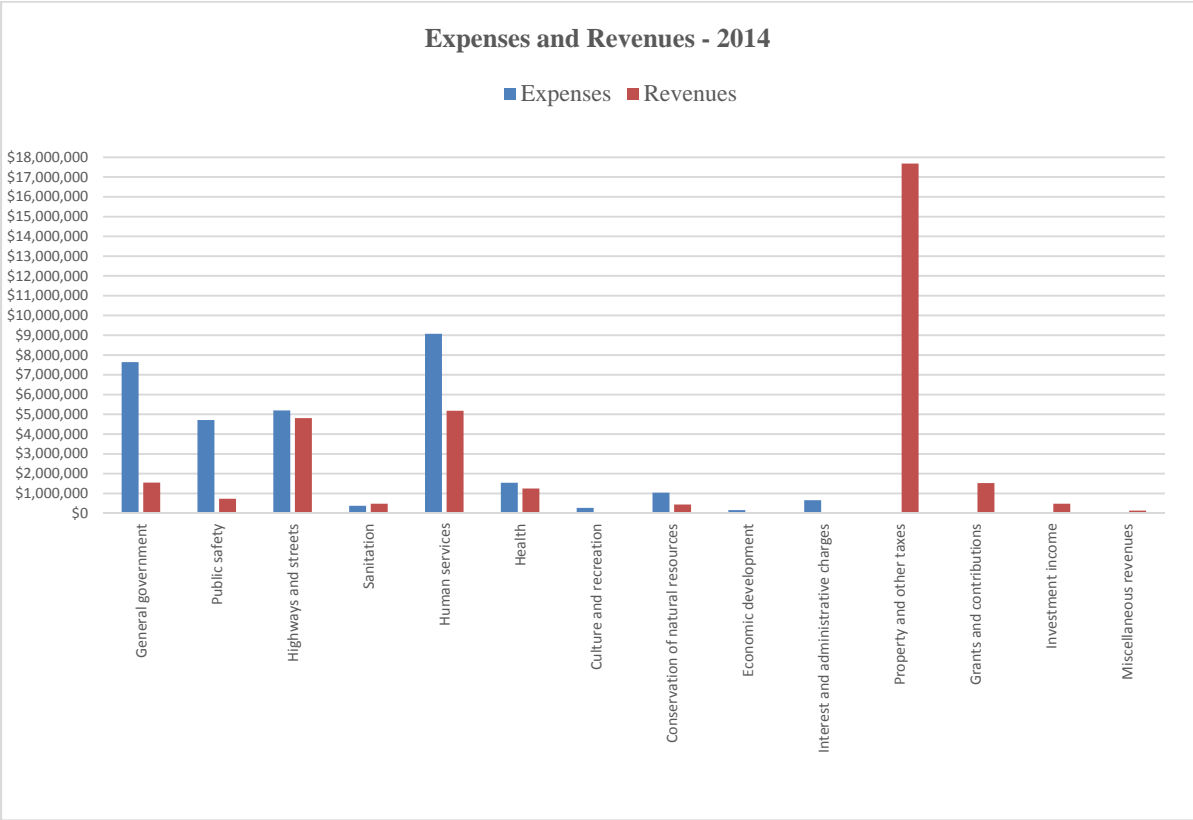
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 41,716,806	\$ 48,402,253
Capital assets	<u>88,517,465</u>	<u>80,479,217</u>
Total Assets	<u>\$ 130,234,271</u>	<u>\$ 128,881,470</u>
Long-term liabilities outstanding	\$ 23,386,856	\$ 26,584,256
Other liabilities	<u>2,559,124</u>	<u>1,605,214</u>
Total Liabilities	<u>\$ 25,945,980</u>	<u>\$ 28,189,470</u>
Net Position		
Net investment in capital assets	\$ 74,582,750	\$ 69,925,383
Restricted	5,608,545	19,445,697
Unrestricted	<u>24,096,996</u>	<u>11,320,920</u>
Total Net Position	<u>\$ 104,288,291</u>	<u>\$ 100,692,000</u>

The unrestricted net position amount of \$24,096,996 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens and creditors.

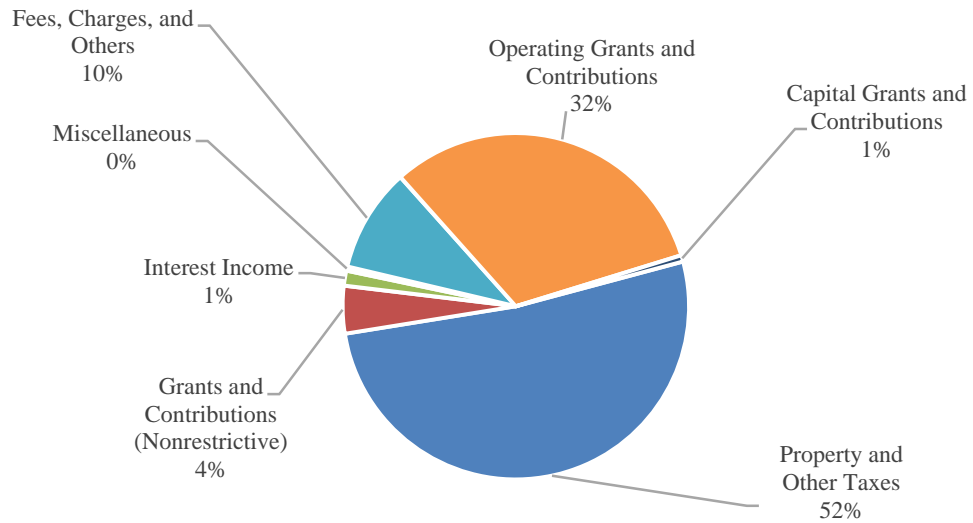
GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net position by \$3,596,291 or 3.6 percent, over the 2013 net position. The following table summarizes the changes in net position for 2014.

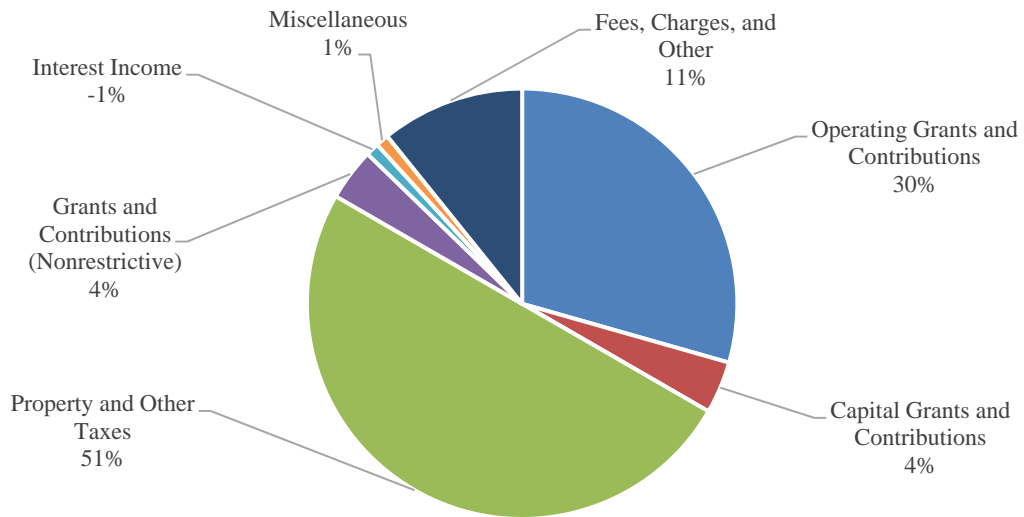
	Changes in Net Position	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 3,325,096	\$ 3,607,755
Operating grants and contributions	10,907,845	9,625,445
Capital grants and contributions	203,542	1,232,679
General revenues		
Property taxes	17,603,633	16,159,598
Other	<u>2,210,329</u>	<u>1,356,588</u>
Total Revenues	<u>\$ 34,250,445</u>	<u>\$ 31,982,065</u>
Expenses		
General government	\$ 7,640,395	\$ 7,353,561
Public safety	4,711,714	4,679,566
Highways and streets	5,196,195	4,321,582
Sanitation	372,269	394,085
Human services	9,074,208	8,339,452
Health	1,536,908	1,446,702
Culture and recreation	270,841	207,583
Conservation of natural resources	1,035,634	794,424
Economic development	154,968	136,996
Interest	<u>661,022</u>	<u>535,070</u>
Total Expenses	<u>\$ 30,654,154</u>	<u>\$ 28,209,021</u>
Increase in Net Position	\$ 3,596,291	\$ 3,773,044
Net Position, January 1	<u>100,692,000</u>	<u>96,918,956</u>
Net Position, December 31	<u>\$ 104,288,291</u>	<u>\$ 100,692,000</u>



Revenues by Source - 2014



Revenues by Source - 2013



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$33,180,632, a decrease of \$5,297,426 in comparison with the prior year. The majority of this amount (\$22,325,706) constitutes assigned and unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$11,719,498, while total fund balance was \$19,264,618. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total fund expenditures. The assigned and unassigned fund balance represents 60 percent of total General Fund expenditures, while total fund balance represents 99 percent of that same amount. In 2014, the fund balance amount in the General Fund decreased by \$3,718,877.

The Road and Bridge Special Revenue Fund's fund balance decreased by \$472,719 in 2014. The main reason for this decrease was the purchase of equipment in 2014 with the capital notes that were issued in 2013.

The Human Service Special Revenue Fund's fund balance increased by \$630,495. Revenues increased \$2,068,142, or 27 percent, due to an increase in tax revenue and intergovernmental revenue, while expenditures increased \$741,705, or 9 percent.

The fund balance of the Revolving Loan Special Revenue Fund increased \$56,747 in 2014. This was a result of a slight increase in revenues and decrease in expenditures during the year.

The Ditch Special Revenue Fund has a negative fund balance of \$19,603 at year-end 2014. Total fund balance decreased by \$215,547, or 110 percent, in 2014 due to a decrease in special assessment revenue and an increase of expenditures due to ditch redetermination and repairs resulting from the 2014 flooding.

The Debt Service Special Revenue Fund's restricted fund balance decreased by \$1,577,525. The decrease was a result of paying off the remaining 2006A Capital Improvement Bonds.

General Fund Budgetary Highlights

The actual revenues exceeded the budgeted revenues by \$392,128. This was due to grant revenue received from the Department of Natural Resources and Department of Human Services that was not budgeted for in 2014. The actual expenditures were more than budgeted expenditures by \$3,879,655. The major reason for variances of actual expenditures from final budget in this case are the unbudgeted expenditures for the Health and Human Services building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2014, was \$88,517,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 10 percent. Major contributing factors were additional infrastructure and an increase in construction in progress. The increase in construction in progress was related to the construction of the Health and Human Services building.

Capital Assets

	<u>2014</u>	<u>2013</u>
Land	\$ 4,452,305	\$ 4,204,205
Construction in progress	4,990,066	851,193
Land improvements	122,631	139,470
Building	8,433,126	8,819,220
Machinery, vehicles, furniture, and equipment	2,478,523	2,269,800
Infrastructure	<u>68,040,814</u>	<u>64,195,329</u>
Totals	<u>\$ 88,517,465</u>	<u>\$ 80,479,217</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$19,590,000, which is backed by the full faith and credit of the government.

	Outstanding Debt	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 18,210,000	\$ 21,345,000
General obligation notes	<u>1,380,000</u>	<u>1,380,000</u>
Total	<u>\$ 19,590,000</u>	<u>\$ 22,725,000</u>

The County's debt related to general obligation bonds decreased by \$3,135,000 (14 percent) during the fiscal year. The primary reason for the decrease is due to the repayment of the general obligations.

Nicollet County's bond rating is "Aa2" from Moody's.

Minnesota statutes limit the amount of net debt to three percent of the market value of taxable property in the County. As of the end of 2014, Nicollet County is below the three percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in Note 3.C. in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Nicollet County's unemployment rate was 2.4 percent as of the end of 2014. This is moderately below the statewide rate of 3.6 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics - LAUS Data.)
- Nicollet County's population remains steady at 33,093. Industries are maintaining, and agricultural property values continue to grow.

At the end of 2014, Nicollet County set its 2015 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nicollet County Finance Department, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Assets

Cash and pooled investments	\$	35,935,249
Taxes receivable		
Prior - net		314,230
Special assessments receivable		
Delinquent - net		26,938
Noncurrent - net		971,482
Accounts receivable - net		779,623
Accrued interest receivable		22,618
Due from other governments		3,165,242
Inventories		421,541
Prepaid items		79,883
Capital assets		
Non-depreciable		9,442,371
Depreciable - net of accumulated depreciation		79,075,094
Total Assets	\$	<u>130,234,271</u>

Liabilities

Accounts payable	\$	649,259
Salaries payable		219,826
Contracts payable		1,103,800
Due to other governments		181,197
Accrued interest payable		307,860
Unearned revenue		97,182
Long-term liabilities		
Due within one year		2,294,934
Due in more than one year		20,273,689
Other postemployment benefits obligations		818,233
Total Liabilities	\$	<u>25,945,980</u>

Net Position

Net investment in capital assets	\$	74,582,750
Restricted for		
General government		702,441
Public safety		431,429
Highways and streets		2,024,983
Conservation of natural resources		276,778
Debt service		2,172,914
Unrestricted		24,096,996
Total Net Position	\$	<u>104,288,291</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 7,640,395	\$ 922,017	\$ 624,646	\$ -	\$ (6,093,732)
Public safety	4,711,714	206,980	525,872	-	(3,978,862)
Highways and streets	5,196,195	95,199	4,508,999	203,542	(388,455)
Sanitation	372,269	390,673	90,957	-	109,361
Human services	9,074,208	771,501	4,408,299	-	(3,894,408)
Health	1,536,908	497,399	749,072	-	(290,437)
Culture and recreation	270,841	-	-	-	(270,841)
Conservation of natural resources	1,035,634	441,327	-	-	(594,307)
Economic development	154,968	-	-	-	(154,968)
Interest and administrative charges	661,022	-	-	-	(661,022)
Total Governmental Activities	\$ 30,654,154	\$ 3,325,096	\$ 10,907,845	\$ 203,542	\$ (16,217,671)
General Revenues					
Property taxes					\$ 17,603,633
Mortgage registry and deed tax					44,844
Payments in lieu of tax					32,692
Grants and contributions not restricted to specific programs					1,523,527
Unrestricted investment earnings					479,181
Miscellaneous					130,085
Total general revenues					\$ 19,813,962
Change in net position					\$ 3,596,291
Net Position - January 1					100,692,000
Net Position - December 31					\$ 104,288,291

FUND FINANCIAL STATEMENTS

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 19,603,159	\$ 6,249,883
Taxes receivable		
Delinquent - net	176,737	34,535
Special assessments		
Delinquent - net	8,134	-
Noncurrent - net	-	-
Accounts receivable - net	61,673	106
Accrued interest receivable	22,618	-
Due from other funds	422,226	3,418
Due from other governments	269,724	2,238,309
Prepaid items	62,947	2,253
Inventories	-	421,541
	\$ 20,627,218	\$ 8,950,045
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 191,358	\$ 35,049
Salaries payable	136,582	21,544
Contracts payable	728,344	324,721
Due to other funds	663	-
Due to other governments	56,372	2,080
Unearned revenue	97,182	-
	\$ 1,210,501	\$ 383,394

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 4,417,846	\$ 637,825	\$ 75,587	\$ 2,558,349	\$ 33,542,649
66,815	-	-	36,143	314,230
-	16,271	2,533	-	26,938
-	490,180	481,302	-	971,482
711,328	-	6,516	-	779,623
-	-	-	-	22,618
-	-	-	-	425,644
657,209	-	-	-	3,165,242
14,683	-	-	-	79,883
-	-	-	-	421,541
<u>\$ 5,867,881</u>	<u>\$ 1,144,276</u>	<u>\$ 565,938</u>	<u>\$ 2,594,492</u>	<u>\$ 39,749,850</u>
\$ 212,593	\$ -	\$ 527	\$ -	\$ 439,527
61,700	-	-	-	219,826
-	-	50,735	-	1,103,800
24,907	-	6,547	393,527	425,644
77,386	-	45,359	-	181,197
-	-	-	-	97,182
<u>\$ 376,586</u>	<u>\$ -</u>	<u>\$ 103,168</u>	<u>\$ 393,527</u>	<u>\$ 2,467,176</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Deferred Inflows of Resources		
Unavailable revenue	\$ 152,099	\$ 2,260,347
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 421,541
Prepaid items	62,947	2,253
Restricted for		
Law library	54,938	-
Recorder's equipment	547,136	-
Enhanced 911	321,496	-
Handgun permit fees	90,688	-
Sheriff's contingency	3,810	-
Forfeited sheriff property	15,435	-
Forfeited attorney property	36,208	-
Veteran van	63,504	-
Veteran grave markers	655	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Capital purchases	6,348,303	-
Assigned for		
Equipment	200,000	-
Court costs	500,000	-
Elections	50,000	-
Road and bridge	-	5,882,510
Human services	-	-
Septic/sewer loans	-	-
Unassigned	10,969,498	-
Total Fund Balances	\$ 19,264,618	\$ 6,306,304
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,627,218	\$ 8,950,045

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>\$ 675,681</u>	<u>\$ 503,491</u>	<u>\$ 482,373</u>	<u>\$ 28,051</u>	<u>\$ 4,102,042</u>
\$ -	\$ -	\$ -	\$ -	\$ 421,541
14,683	-	-	-	79,883
-	-	-	-	54,938
-	-	-	-	547,136
-	-	-	-	321,496
-	-	-	-	90,688
-	-	-	-	3,810
-	-	-	-	15,435
-	-	-	-	36,208
-	-	-	-	63,504
-	-	-	-	655
-	-	-	2,172,914	2,172,914
-	400,764	-	-	400,764
-	-	297,651	-	297,651
-	-	-	-	6,348,303
-	-	-	-	200,000
-	-	-	-	500,000
-	-	-	-	50,000
-	-	-	-	5,882,510
4,800,931	-	-	-	4,800,931
-	240,021	-	-	240,021
-	-	(317,254)	-	10,652,244
<u>\$ 4,815,614</u>	<u>\$ 640,785</u>	<u>\$ (19,603)</u>	<u>\$ 2,172,914</u>	<u>\$ 33,180,632</u>
<u>\$ 5,867,881</u>	<u>\$ 1,144,276</u>	<u>\$ 565,938</u>	<u>\$ 2,594,492</u>	<u>\$ 39,749,850</u>

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 3A

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)		\$ 33,180,632
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 funds.		88,517,465
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.		4,102,042
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and notes	\$ (19,590,000)	
Less: unamortized discount on bonds payable	120	
Unamortized premium on bonds and notes payable	(840,861)	
Accrued interest payable	(307,860)	
Loans payable	(664,960)	
Compensated absences payable	(1,472,922)	
Net OPEB liability	(818,233)	(23,694,716)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net position.		2,182,868
Net Position of Governmental Activities (Exhibit 1)		\$ 104,288,291

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Revenues		
Taxes	\$ 10,099,558	\$ 1,803,777
Special assessments	290,905	-
Licenses and permits	91,554	-
Intergovernmental	2,934,013	6,885,087
Charges for services	1,143,123	44,812
Fines and forfeits	31,336	-
Gifts and contributions	14,247	900
Investment earnings	479,802	-
Miscellaneous	472,008	49,487
	\$ 15,556,546	\$ 8,784,063
Expenditures		
Current		
General government	\$ 12,075,396	\$ -
Public safety	4,783,199	-
Highways and streets	-	8,774,234
Sanitation	313,074	-
Human services	-	-
Health	1,572,777	-
Culture and recreation	104,284	66,593
Conservation of natural resources	372,172	977
Economic development	154,968	-
Intergovernmental	99,553	180,981
Debt service		
Principal	-	205,000
Interest	-	4,715
Administrative charges	-	-
	\$ 19,475,423	\$ 9,232,500
Excess of Revenues Over (Under) Expenditures	\$ (3,918,877)	\$ (448,437)
Other Financing Sources (Uses)		
Transfers in	\$ 200,000	\$ -
Loans issued	-	-
	\$ 200,000	\$ -
Net Change in Fund Balances	\$ (3,718,877)	\$ (448,437)
Fund Balances - January 1	22,983,495	6,779,023
Increase (decrease) in inventories	-	(24,282)
Fund Balances - December 31	\$ 19,264,618	\$ 6,306,304

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

EXHIBIT 4

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 3,875,074	\$ -	\$ -	\$ 1,888,777	\$ 17,667,186
-	179,455	492,097	-	962,457
-	-	-	-	91,554
5,099,735	-	-	15,885	14,934,720
359,132	-	-	-	1,547,067
-	-	-	-	31,336
-	-	-	-	15,147
90	-	-	-	479,892
432,020	-	32,075	-	985,590
\$ 9,766,051	\$ 179,455	\$ 524,172	\$ 1,904,662	\$ 36,714,949
\$ -	\$ -	\$ -	\$ -	\$ 12,075,396
-	-	-	-	4,783,199
-	-	-	-	8,774,234
-	68,392	-	-	381,466
9,135,556	-	-	-	9,135,556
-	-	-	-	1,572,777
-	-	-	-	170,877
-	-	667,575	-	1,040,724
-	-	-	-	154,968
-	-	-	-	280,534
-	112,074	55,000	2,875,000	3,247,074
-	10,634	17,144	604,687	637,180
-	-	-	2,500	2,500
\$ 9,135,556	\$ 191,100	\$ 739,719	\$ 3,482,187	\$ 42,256,485
\$ 630,495	\$ (11,645)	\$ (215,547)	\$ (1,577,525)	\$ (5,541,536)
\$ -	\$ -	\$ -	\$ -	\$ 200,000
-	68,392	-	-	68,392
\$ -	\$ 68,392	\$ -	\$ -	\$ 268,392
\$ 630,495	\$ 56,747	\$ (215,547)	\$ (1,577,525)	\$ (5,273,144)
4,185,119	584,038	195,944	3,750,439	38,478,058
-	-	-	-	(24,282)
\$ 4,815,614	\$ 640,785	\$ (19,603)	\$ 2,172,914	\$ 33,180,632

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 4A

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (Exhibit 4) **\$ (5,273,144)**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Unavailable revenue - December 31	\$ 4,102,042	
Unavailable revenue - January 1	<u>(6,566,546)</u>	(2,464,504)

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

Expenditures for general capital assets and infrastructure	\$ 10,907,004	
Current year depreciation	<u>(2,868,756)</u>	8,038,248

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Loans payable		(68,392)
Principal repayments	\$ 3,247,074	
Amortization of premium/discount on bonds and notes	<u>101,292</u>	3,348,366

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

Change in inventories	\$ (24,282)	
Change in accrued interest payable	(122,634)	
Change in net OPEB liability	(85,356)	
Change in compensated absences payable	<u>2,782</u>	(229,490)

The net income of the Internal Service Fund is reported with governmental activities.		<u>245,207</u>
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Change in Net Position of Governmental Activities (Exhibit 2) **\$ 3,596,291**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,190,597	\$ 10,190,597	\$ 10,099,558	\$ (91,039)
Special assessments	280,000	280,000	290,905	10,905
Licenses and permits	54,000	54,000	91,554	37,554
Intergovernmental	2,033,072	2,033,072	2,934,013	900,941
Charges for services	1,603,060	1,603,060	1,143,123	(459,937)
Fines and forfeits	40,000	40,000	31,336	(8,664)
Gifts and contributions	11,900	11,900	14,247	2,347
Investment earnings	175,135	175,135	479,802	304,667
Miscellaneous	776,654	776,654	472,008	(304,646)
Total Revenues	\$ 15,164,418	\$ 15,164,418	\$ 15,556,546	\$ 392,128
Expenditures				
Current				
General government				
Commissioners	\$ 316,791	\$ 316,791	\$ 306,237	\$ 10,554
Courts	53,000	53,000	45,456	7,544
Courts - CHIPS/TPR	60,000	60,000	47,049	12,951
Law library	35,000	35,000	26,657	8,343
County administrator	284,894	284,894	303,081	(18,187)
Finance	-	-	53,094	(53,094)
Capital improvements	6,000	6,000	-	6,000
Auditor-Treasurer	826,193	826,193	778,313	47,880
Accounting and auditing	70,100	70,100	58,794	11,306
Assessor	754,019	754,019	690,088	63,931
Human resources	111,039	111,039	104,244	6,795
Office of technologies	1,153,765	1,153,765	1,294,717	(140,952)
Machine room	77,000	77,000	69,453	7,547
Elections	71,800	71,800	76,104	(4,304)
Other general government	643,564	643,564	420,277	223,287
County attorney	970,355	970,355	944,414	25,941
County attorney's forfeited property proceeds	-	-	4,322	(4,322)
Recorder/abstracter	495,637	495,637	428,723	66,914
Recorder - future equipment	138,600	138,600	8,110	130,490
Surveyor	15,000	15,000	14,005	995
Telephone	153,898	153,898	337,329	(183,431)
Courthouse operations	656,108	656,108	694,428	(38,320)
NM county offices building	16,500	16,500	12,690	3,810
Health and human services building	-	-	4,345,999	(4,345,999)
Building fund department	50,000	50,000	1,770	48,230
Veterans service	141,783	141,783	138,994	2,789
Environmental services	610,264	610,264	871,048	(260,784)
Total general government	\$ 7,711,310	\$ 7,711,310	\$ 12,075,396	\$ (4,364,086)

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,633,836	\$ 1,633,836	\$ 1,542,041	\$ 91,795
Boat and water safety	2,018	2,018	3,263	(1,245)
Prisoner commissions account	7,750	7,750	10,148	(2,398)
Sheriff - snowmobile safety enforcement	2,919	2,919	1,362	1,557
Enhanced 911 system	111,000	111,000	66,106	44,894
Sheriff - forfeited property proceeds	2,000	2,000	23,007	(21,007)
Sheriff - offroad highway grant	2,000	2,000	5,544	(3,544)
Coroner	45,000	45,000	36,395	8,605
Dispatch center	640,976	640,976	640,355	621
Corrections	1,315,519	1,315,519	1,286,247	29,272
Probation department	1,103,035	1,103,035	1,006,784	96,251
Nicollet collaborative	24,589	24,589	34,683	(10,094)
Emergency services	133,846	133,846	127,264	6,582
Total public safety	\$ 5,024,488	\$ 5,024,488	\$ 4,783,199	\$ 241,289
Sanitation				
Solid waste management	\$ 357,932	\$ 357,932	\$ 313,074	\$ 44,858
Health				
Public health nurse	\$ 471,123	\$ 471,123	\$ 443,011	\$ 28,112
WIC program	151,265	151,265	146,157	5,108
Maternal and child health	211,830	211,830	208,134	3,696
Bioterrorism grant	20,000	20,000	22,568	(2,568)
Waivered programs	766,196	766,196	628,508	137,688
Loan closet account	700	700	913	(213)
Core function - nursing department	24,750	24,750	24,159	591
Senior citizen transportation	99,628	99,628	99,327	301
Total health	\$ 1,745,492	\$ 1,745,492	\$ 1,572,777	\$ 172,715
Culture and recreation				
Historical society	\$ 107,705	\$ 107,705	\$ 104,284	\$ 3,421
Conservation of natural resources				
Agricultural society	\$ 44,100	\$ 44,100	\$ 44,100	\$ -
County extension	200,210	200,210	180,813	19,397
Soil and water conservation district	149,306	149,306	146,559	2,747
Tri-county fair	700	700	700	-
Total conservation of natural resources	\$ 394,316	\$ 394,316	\$ 372,172	\$ 22,144

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Economic development	\$ 43,675	\$ 43,675	\$ 44,706	\$ (1,031)
Housing and redevelopment authority	110,262	110,262	110,262	-
Total economic development	<u>\$ 153,937</u>	<u>\$ 153,937</u>	<u>\$ 154,968</u>	<u>\$ (1,031)</u>
Intergovernmental				
Culture and recreation - regional library	<u>\$ 100,588</u>	<u>\$ 100,588</u>	<u>\$ 99,553</u>	<u>\$ 1,035</u>
Total Expenditures	<u>\$ 15,595,768</u>	<u>\$ 15,595,768</u>	<u>\$ 19,475,423</u>	<u>\$ (3,879,655)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (431,350)	\$ (431,350)	\$ (3,918,877)	\$ (3,487,527)
Other Financing Sources (Uses)				
Transfers in	215,000	215,000	200,000	(15,000)
Net Change in Fund Balance	\$ (216,350)	\$ (216,350)	\$ (3,718,877)	\$ (3,502,527)
Fund Balance - January 1	<u>22,983,495</u>	<u>22,983,495</u>	<u>22,983,495</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 22,767,145</u>	<u>\$ 22,767,145</u>	<u>\$ 19,264,618</u>	<u>\$ (3,502,527)</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,804,408	\$ 1,804,408	\$ 1,803,777	\$ (631)
Intergovernmental	4,882,929	4,882,929	6,885,087	2,002,158
Charges for services	39,400	39,400	44,812	5,412
Gifts and contributions	-	-	900	900
Miscellaneous	165,042	165,042	49,487	(115,555)
Total Revenues	\$ 6,891,779	\$ 6,891,779	\$ 8,784,063	\$ 1,892,284
Expenditures				
Current				
Highways and streets				
Administration	\$ 318,205	\$ 318,205	\$ 312,565	\$ 5,640
Maintenance	1,733,731	1,733,731	1,697,767	35,964
Construction	3,870,765	3,870,765	5,769,610	(1,898,845)
Equipment maintenance shops	495,760	495,760	994,292	(498,532)
Total highways and streets	\$ 6,418,461	\$ 6,418,461	\$ 8,774,234	\$ (2,355,773)
Culture and recreation				
Parks	\$ 75,812	\$ 75,812	\$ 66,593	\$ 9,219
Conservation of natural resources				
Agricultural inspection	\$ 13,050	\$ 13,050	\$ 977	\$ 12,073
Intergovernmental				
Highways and streets	\$ 174,741	\$ 174,741	\$ 180,981	\$ (6,240)
Debt service				
Principal	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest	4,715	4,715	4,715	-
Total debt service	\$ 209,715	\$ 209,715	\$ 209,715	\$ -
Total Expenditures	\$ 6,891,779	\$ 6,891,779	\$ 9,232,500	\$ (2,340,721)
Net Change in Fund Balance	\$ -	\$ -	\$ (448,437)	\$ (448,437)
Fund Balance - January 1	6,779,023	6,779,023	6,779,023	-
Increase (decrease) in inventories	-	-	(24,282)	(24,282)
Fund Balance - December 31	\$ 6,779,023	\$ 6,779,023	\$ 6,306,304	\$ (472,719)

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,913,558	\$ 3,913,558	\$ 3,875,074	\$ (38,484)
Intergovernmental	4,356,133	4,356,133	5,099,735	743,602
Charges for services	255,600	255,600	359,132	103,532
Investment earnings	-	-	90	90
Miscellaneous	604,168	604,168	432,020	(172,148)
	<u>604,168</u>	<u>604,168</u>	<u>432,020</u>	<u>(172,148)</u>
Total Revenues	<u>\$ 9,129,459</u>	<u>\$ 9,129,459</u>	<u>\$ 9,766,051</u>	<u>\$ 636,592</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,029,942	\$ 3,029,942	\$ 3,165,477	\$ (135,535)
Social services	6,099,517	6,099,517	5,970,079	129,438
	<u>6,099,517</u>	<u>6,099,517</u>	<u>5,970,079</u>	<u>129,438</u>
Total Expenditures	<u>\$ 9,129,459</u>	<u>\$ 9,129,459</u>	<u>\$ 9,135,556</u>	<u>\$ (6,097)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 630,495	\$ 630,495
Fund Balance - January 1	<u>4,185,119</u>	<u>4,185,119</u>	<u>4,185,119</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 4,185,119</u></u>	<u><u>\$ 4,185,119</u></u>	<u><u>\$ 4,815,614</u></u>	<u><u>\$ 630,495</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 8

**STATEMENT OF FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2014**

Assets

Current assets	
Cash and pooled investments	\$ 2,392,600

Liabilities

Current liabilities	
Accounts payable	209,732
	<hr/>

Net Position

Unrestricted	<u><u>\$ 2,182,868</u></u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 9

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenues	
Charges for services	\$ 3,894,096
Operating Expenses	
Professional services	<u>3,448,889</u>
Net Income (Loss) Before Transfers	\$ 445,207
Transfers out	<u>(200,000)</u>
Change in Net Position	\$ 245,207
Net Position - January 1	<u>1,937,661</u>
Net Position - December 31	<u><u>\$ 2,182,868</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 10

**STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,894,096
Payments to suppliers	<u>(3,405,165)</u>
Net Cash Provided by (Used in) Operating Activities	\$ 488,931
Cash Flows Used In Noncapital Financing Activities	
Transfers out	<u>(200,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 288,931
Cash and Cash Equivalents at January 1	<u>2,103,669</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 2,392,600</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 445,207
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	<u>43,724</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 488,931</u></u>

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 11

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Assets

Cash and pooled investments	<u>\$ 1,675,378</u>
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Liabilities

Due to other governments	<u>\$ 1,675,378</u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies

Nicollet County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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

Nicollet County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 5.B. The County also participates in several jointly-governed organizations described in Note 5.C.

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

In the government-wide statement of net position, the governmental activities are 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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. 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 clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Human Services Special Revenue Fund is used to account for restricted revenue sources from the federal, state, and other oversight agencies, as well as assigned property tax revenues from the County to be used for economic assistance and community social services programs.

The Revolving Loan Special Revenue Fund is used to account for restricted and assigned special assessment revenue for the financial transactions resulting from loans for the replacement of existing septic systems.

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

The Debt Service Fund is used to account for property tax revenues for the payment of principal, interest, and related costs of County debt.

Additionally, the County reports the following funds:

The Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program.

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 for others in an agent capacity.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, 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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Nicollet County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

The County's cash and pooled investments are considered to be cash equivalents.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2014 were \$479,802.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Deposits and Investments (Continued)

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Investments of the County are reported at fair value.

3. Receivables and Payables

Outstanding balances between funds are reported as “due to/from other funds.”

All accounts and taxes receivable are shown net of an allowance for uncollectibles.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

Accounts receivable are individually analyzed to arrive at the accounts receivable allowance for uncollectibles. The taxes receivable allowance is equal to 1/4 percent of outstanding property taxes at year-end.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014 and noncurrent special assessments payable in 2015 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

4. Inventories and Prepaid Items

All inventories are valued using a weighted average method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Land improvements	20 - 30
Infrastructure	50 - 75
Machinery and equipment	5 - 15

6. Compensated Absences

It is Nicollet County's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Unearned Revenue

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

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

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

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

Unassigned - 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

12. Use of Estimates

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

E. Future Change in Accounting Standards

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Debt Service Fund. All annual appropriations lapse at year-end.

On or before mid-July of each year, all departments submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund level.

During the year, the Board did not amend the revenue and expenditure budgets.

B. Deficit Fund Equity

On the full accrual basis of accounting, 47 of the 85 drainage systems have incurred expenses in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund equity as of December 31, 2014, using the full accrual basis of accounting.

Account balances	\$ 208,800
Account balance deficit	<u>(211,030)</u>
Fund Equity - Full Accrual Basis	<u>\$ (2,230)</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

2. Stewardship, Compliance, and Accountability

B. Deficit Fund Equity (Continued)

Using the modified accrual basis of accounting, noncurrent receivables do not affect fund balance. Noncurrent receivables are deferred inflows of resources. Using this basis of accounting, 56 ditches had fund deficits.

Account balances	\$ 297,651
Account balance deficit	<u>(317,254)</u>
 Fund Balance - Modified Accrual Basis	 <u>\$ (19,603)</u>

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2014:

	Expenditures	Budget	Excess
General Fund	\$ 19,475,423	\$ 15,595,768	\$ 3,879,655
Road and Bridge Special Revenue Fund	9,232,500	6,891,779	2,340,721
Human Services Special Revenue Fund	9,135,556	9,129,459	6,097
Debt Service Fund	3,482,187	1,906,376	1,575,811

D. Deficit Fund Balance

The Ditch Special Revenue Fund had a deficit fund balance of \$19,603 at December 31, 2014, which will be eliminated by special assessments and disaster grant funding.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 33,542,649
Internal Service Fund	
Cash and pooled investments	2,392,600
Fiduciary funds - agency funds	
Cash and pooled investments	<u>1,675,378</u>
 Total Cash and Investments	 <u>\$ 37,610,627</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured deposits. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. At December 31, 2014, the County had the following investments:

<u>Investment Type</u>	<u>Carrying (Fair) Value</u>	<u>Maturity Dates</u>	
		<u>0 - 1 Year</u>	<u>Over 1 Year</u>
Mutual funds	\$ 16,628,150	\$ 16,628,150	\$ -
Negotiable certificates	3,138,191	-	3,138,191
U.S. government securities (1)	4,669,871	-	4,669,871
Total	<u>\$ 24,436,212</u>	<u>\$ 16,628,150</u>	<u>\$ 7,808,062</u>

(1) These notes have step provisions which could result in the notes being called prior to maturity.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. The County's exposure to credit risk as of December 31, 2014, is as follows:

<u>S&P Rating</u>	<u>Fair Value</u>
AA+	\$ 4,669,871
AAAm	<u>16,628,150</u>
Total	<u>\$ 21,298,021</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers to hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased in excess of available SIPC coverage are transferred to an approved third-party custodian. At December 31, 2014, none of the County's investments were subject to custodial credit risk.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one issuer that represents five percent or more of the County's investments are as follows:

Issuer	Reported Amount
Federal Home Loan Bank (FHLB)	\$ 3,854,857

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities, including the applicable allowances for uncollectible accounts (none in the current year), are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - prior	\$ 314,230	\$ -
Special assessments - prior	26,938	-
Special assessments - noncurrent	971,482	720,817
Accounts	779,623	-
Accrued interest	22,618	-
Due from other governments	3,165,242	-
Total Governmental Activities	\$ 5,280,133	\$ 720,817

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,204,205	\$ 248,100	\$ -	\$ 4,452,305
Construction in progress	851,193	4,332,020	193,147	4,990,066
Total capital assets not depreciated	<u>\$ 5,055,398</u>	<u>\$ 4,580,120</u>	<u>\$ 193,147</u>	<u>\$ 9,442,371</u>
Capital assets depreciated				
Buildings	\$ 15,251,063	\$ -	\$ -	\$ 15,251,063
Land improvements	459,156	-	-	459,156
Machinery and equipment	6,755,370	832,737	204,324	7,383,783
Infrastructure	88,786,462	5,687,294	-	94,473,756
Total capital assets depreciated	<u>\$ 111,252,051</u>	<u>\$ 6,520,031</u>	<u>\$ 204,324</u>	<u>\$ 117,567,758</u>
Less: accumulated depreciation for				
Buildings	\$ 6,431,843	\$ 386,094	\$ -	\$ 6,817,937
Land improvements	319,686	16,839	-	336,525
Machinery and equipment	4,485,570	624,014	204,324	4,905,260
Infrastructure	24,591,133	1,841,809	-	26,432,942
Total accumulated depreciation	<u>\$ 35,828,232</u>	<u>\$ 2,868,756</u>	<u>\$ 204,324</u>	<u>\$ 38,492,664</u>
Total capital assets depreciated, net	<u>\$ 75,423,819</u>	<u>\$ 3,651,275</u>	<u>\$ -</u>	<u>\$ 79,075,094</u>
Governmental Activities Capital Assets, Net	<u>\$ 80,479,217</u>	<u>\$ 8,231,395</u>	<u>\$ 193,147</u>	<u>\$ 88,517,465</u>

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

General government	\$ 388,582
Public safety	161,321
Highways and streets, including depreciation of infrastructure assets	2,280,545
Human services	35,401
Culture and recreation	411
Conservation of natural resources	693
Sanitation	1,803
Total Depreciation Expense	<u>\$ 2,868,756</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Human Services	\$ 24,907	Utilities and services
	Ditch	3,792	Administrative fees
	Debt Service	393,527	Bond proceeds
Road and Bridge	General	663	Fuel
	Ditch	<u>2,755</u>	Labor, maintenance, and fuel
	Total Due To/From Other Funds	<u>\$ 425,644</u>	

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of a transfer from the Self-Insurance Internal Service Fund to the General Fund of \$200,000 for general operations.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County offered an early retirement incentive program for County employees in 2014. The early retirement was voluntary and included continued health and dental insurance on an employee's existing plan at 100 percent of single coverage for 36 months after the effective date of retirement or until eligible for other insurance benefits. The County will also contribute \$2,500 annually to the individual's Voluntary Employee's Beneficiary Association (VEBA) health savings account. The cost of this program totaled \$63,360 in 2014. This includes \$36,902 for health insurance, \$5,595 for dental insurance, and \$20,863 for VEBA payments. The OPEB actuarial information includes the continued health insurance amount of \$36,902 since these employees were active in the program.

Nicollet County provides postemployment health care benefits for early retirees and elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans. As of December 31, 2014, two retiree families were receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2014, the County recognized \$18,603 of expenditures. A separate, audited GAAP-basis postemployment plan report is not issued.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

basis, usually paying retiree benefits out of the General Fund. As of January 1, 2014, there were approximately 42 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$80,278 for 2014. A separate, audited GAAP-basis postemployment plan report is not issued.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued 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 the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	235,349
Interest on net OPEB obligation		28,579
Adjustment to ARC		<u>(42,789)</u>
Annual OPEB cost (expense)	\$	221,139
Contributions made		<u>(135,783)</u>
Increase in net OPEB obligation	\$	85,356
Net OPEB Obligation - Beginning of Year		<u>732,877</u>
Net OPEB Obligation - End of Year	\$	<u>818,233</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

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 the years ended December 31, 2012, 2013, and 2014, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 192,870	\$ 92,185	47.80%	\$ 652,642
December 31, 2013	191,081	110,846	58.01	732,877
December 31, 2014	221,139	135,783	61.40	818,233

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$1,856,018, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,856,018. The covered payroll (annual payroll of active employees covered by the plan) was \$11,351,116, and the ratio of the UAAL to the covered payroll was 16.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Nicollet County's implicit rate of return on the General Fund. The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. Neither rate includes an inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 23 years.

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds					
2004A G.O. Capital Improvement Bonds	2015	\$295,000	3.70	\$ 2,605,000	\$ 295,000
2008A G.O. Road Reconstruction Bonds	2024	\$420,000 - \$615,000	3.50 - 3.65	6,985,000	5,110,000
2008A G.O. Drainage Bonds	2023	\$45,000 - \$55,000	3.30 - 3.60	815,000	465,000
2013A G.O. Capital Improvement Bonds (Social Services Building)	2029	\$30,000 - \$1,105,000	3.00 - 5.00	10,530,000	10,530,000

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2014</u>
2013A G.O. Capital Improvement Bonds	2019	\$110,000 - \$125,000	3.00 - 5.00	465,000	465,000
2013B G.O. Capital Improvement Refunding Bonds	2017	\$435,000 - \$460,000	2.00	<u>1,345,000</u>	<u>1,345,000</u>
Total general obligation bonds				<u>\$ 22,745,000</u>	\$ 18,210,000
General obligation notes					
2013A G.O. Capital Improvement Notes	2019	\$325,000 - \$370,000	3.00 - 5.00	<u>\$ 1,380,000</u>	1,380,000
Less: unamortized discount					(120)
Plus: unamortized premium					<u>840,861</u>
Total General Obligation Bonds and Notes, Net					<u>\$ 20,430,741</u>

Capital improvement bonds and notes and road reconstruction bonds are being retired by the Debt Service Fund, and drainage bonds are paid by the Ditch Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects. The loans are secured by special assessments.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
2002 Seven Mile Creek CWP Project	2015	\$ 11,936	2.00	\$ 215,392	\$ 11,818
2005 Seven Mile Creek Watershed Continuation CWP Project	2018	10,694	2.00	192,974	81,825
2006 Rush River Watershed	2018	5,141	2.00	92,781	34,593
2007 Middle Minnesota Watershed	2020	17,108	2.00	308,726	192,553
2007 Rush River Watershed	2021	10,442	2.00	188,425	135,780
2011 Middle River Watershed	2024	16,874	2.00	188,391	188,391
2014 Rush River Watershed	2026	8,645	2.00	20,000	20,000
Totals				<u>\$ 1,206,689</u>	<u>\$ 664,960</u>

Payments on the loans are made by the Revolving Loan Special Revenue Fund.

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		General Obligation Notes		Loans*	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,205,000	\$ 660,680	\$ -	\$ 59,150	\$ 90,082	\$ 8,624
2016	1,085,000	627,298	325,000	54,275	79,837	6,933
2017	1,115,000	595,610	335,000	42,700	81,442	5,328
2018	1,180,000	553,660	350,000	27,250	77,938	3,691
2019	1,215,000	502,435	370,000	9,250	52,817	2,283
2020 – 2024	7,285,000	1,647,054	-	-	74,453	1,530
2025 – 2029	5,125,000	516,531	-	-	-	-
Total	<u>\$ 18,210,000</u>	<u>\$ 5,103,268</u>	<u>\$ 1,380,000</u>	<u>\$ 192,625</u>	<u>\$ 456,569</u>	<u>\$ 28,389</u>

*The debt service requirements for the loans from the Minnesota Pollution Control Agency of \$188,391 and \$20,000 are not known as of December 31, 2014.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Debt Service Requirements (Continued)

Debt Refunding

On November 1, 2013, the County issued \$1,345,000 of General Obligation Refunding Bonds, Series 2013B, with an average interest rate of 2.0 percent to refund \$1,355,000 of the Capital Improvement Bonds, Series 2006A, with an average interest rate of 4.0 percent. The County made principal and interest payments on the Series 2006A Bonds through the call date of February 1, 2014. The County refunded the bonds to reduce its total debt service payments by \$58,775 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$58,008.

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 21,345,000	\$ -	\$ 3,135,000	\$ 18,210,000	\$ 1,205,000
General obligation notes	1,380,000	-	-	1,380,000	-
Less: unamortized discounts	(1,673)	-	(1,553)	(120)	-
Plus: unamortized premiums	943,706	-	102,845	840,861	-
Total bonds and notes payable	\$ 23,667,033	\$ -	\$ 3,236,292	\$ 20,430,741	\$ 1,205,000
Loans payable	708,642	68,392	112,074	664,960	90,082
Compensated absences	1,475,704	-	2,782	1,472,922	999,852
Total Long-Term Liabilities	\$ 25,851,379	\$ 68,392	\$ 3,351,148	\$ 22,568,623	\$ 2,294,934

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2014, for the County's governmental funds and activities were as follows:

	Deferred Inflows of Resources
Unavailable revenue	
Taxes and special assessments, delinquent and deferred	\$ 1,232,477
Highway allotments that do not provide current financial resources	2,024,983
Grants, interest, and charges for services revenue	844,582
Total Governmental Funds	\$ 4,102,042

6. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Health and Human Services Building	\$ 3,427,790	\$ 5,077,053
Generator Project	161,344	941,718

D. 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. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$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. 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.

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$175,000 stop-loss per family per year (\$3,365,143 aggregate) for the health plan. There is a maximum claim limit of \$1,000 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2014	2013
Unpaid claims, January 1	\$ 166,008	\$ 142,734
Incurred claims (including IBNRs)	2,640,492	2,786,782
Claims payments	(2,596,768)	(2,763,508)
Unpaid Claims, December 31	\$ 209,732	\$ 166,008

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Nicollet 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.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members are required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

In 2014, the County is required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 740,978	\$ 651,514	\$ 582,870
Public Employees Police and Fire Fund	137,951	120,760	112,584
Public Employees Correctional Fund	64,433	57,760	50,755

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,836	\$ 6,836
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. 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.

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

A. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2013, the most current information available, the Health Services Board had a net position of \$732,757.

Complete financial statements for the Health Services Board can be obtained at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

Minnesota River Valley Drug Task Force

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Valley Drug Task Force (Continued)

The joint powers are Blue Earth, Nicollet, Watonwan, and Martin Counties and the Cities of St. Peter, Mankato, North Mankato, St. James, and Madelia. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Nicollet County contributed \$13,818 to the Task Force in 2014. Current financial statements are not available.

Nicollet County Family Services Collaborative

The Nicollet County Family Services Collaborative was established in 1998 through a joint powers agreement, pursuant to Minn. Stat. § 471.59. The Collaborative includes Nicollet County, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication.

Control of the Collaborative is vested in a five-member governing board consisting of one County Commissioner, one school board member from St. Peter and Nicollet Public Schools, one board member from the Minnesota Valley Action Council, and one parent representative. Nicollet County acts as the fiscal agent for the Collaborative and accounts for it as an agency fund. Funding is provided by state and federal grants and contributions from participating members. Nicollet County contributed \$10,000 to the Collaborative in 2014. Current financial statements are not available.

Rush River Clean Water Partnership

Nicollet County entered into a joint powers agreement with Sibley County to create and operate Rush River Clean Water Partnership, pursuant to Minn. Stat. § 471.59 and a joint powers agreement effective February 26, 2008. Management of Rush River Clean Water Partnership is vested in the Board of Directors, which consists of five representatives, three from the Sibley County Board of Commissioners and two from the Nicollet County Board of Commissioners. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain clean water projects that promote citizen participation and water quality improvement.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rush River Clean Water Partnership (Continued)

The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. Current financial statements are not available.

South Central Minnesota Regional Emergency Communications Board

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

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Communications Board. During 2014, the County made no contributions to the Communications Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Central Workforce Service Area Joint Powers Board

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

During 2014, the County did not make financial contributions to this Board.

Separate financial information can be obtained from:

South Central Workforce Council
706 North Victory Drive
Mankato, Minnesota 56001

Tri-County Solid Waste

Nicollet County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$116,118 in 2014. Sibley County is the fiscal agent. Current financial statements are not available.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

C. Jointly-Governed Organizations

Sentence to Serve

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

Joint Airport Zoning Board

The Joint Airport Zoning Board was established by joint action of Blue Earth County, LeSueur County, Nicollet County, the City of Mankato, and the City of St. Peter, and has representation from each entity on the Board. The purpose of the Board is to create an ordinance to prevent the creation or establishment of airport hazards and to ensure public safety. The County's responsibility does not extend beyond making the appointments to the Board.

Mankato/North Mankato Area Planning Organization

The Mankato/North Mankato Area Planning Organization's (MAPO) general purpose is to meet and maintain a continuing, cooperative, and comprehensive metropolitan transportation planning process. MAPO membership is composed of Blue Earth County, Nicollet County, and various cities and townships within the two counties. The County appoints one local elected official to the Policy Board. During the year, the County paid \$5,813 to the MAPO.

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, Nicollet County expended \$85,207 to the MCCC.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Minnesota River Board

The Minnesota River Board promotes orderly water quality improvement and management of the Minnesota River Watershed. During the year, the County paid \$1,250 to the Board.

The County passed a resolution of termination at the February 11, 2014, Board meeting. Effective April 1, 2014, the County is no longer a member of the Minnesota River Board.

South Central Community-Based Initiative

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 10, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board comprises one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. The County did not contribute to the Initiative Board in 2014.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each County appoints one member for the Joint Powers Board. During the year, the County made no contributions to SCEMS.

South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$7,964 to the Board.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization (SERHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters with the SERHSEM region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Nicollet County's responsibility does not extend beyond making this appointment.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2014 is \$110,262. The proportionate shares of the counties may change for years 2015 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

B. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2014.

C. Subsequent Event

On April 28, 2015, the County Board approved a resolution related to the Minnesota Pollution Control Agency Clean Water Partnership and authorized the County to issue a General Obligation Note up to \$500,000 from the Minnesota Pollution Control Agency. Loan funds will be lent to eligible borrowers to fund projects for the control and abatement of water pollution. Loans are secured by the County by recording the debt on the property where the loan funds are spent.

REQUIRED SUPPLEMENTARY INFORMATION

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2010	\$ -	\$ 1,580,922	\$ 1,580,922	0.0%	\$ 9,600,349	16.5%
January 1, 2012	-	1,575,848	1,575,848	0.0	9,263,282	17.0
January 1, 2014	-	1,856,018	1,856,018	0.0	11,351,116	16.4

See Note 3.C.1., Other Postemployment Benefits, for more information.

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SUPPLEMENTARY INFORMATION

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

DEBT SERVICE FUND

The Debt Service Fund is used to account for property tax revenues for the payment of the principal, interest, and related costs of County debt.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT B-1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,889,932	\$ 1,889,932	\$ 1,888,777	\$ (1,155)
Intergovernmental	16,444	16,444	15,885	(559)
Total Revenues	\$ 1,906,376	\$ 1,906,376	\$ 1,904,662	\$ (1,714)
Expenditures				
Debt service				
Principal	\$ 1,520,000	\$ 1,520,000	\$ 2,875,000	\$ (1,355,000)
Interest	386,376	386,376	604,687	(218,311)
Administrative charges	-	-	2,500	(2,500)
Total Expenditures	\$ 1,906,376	\$ 1,906,376	\$ 3,482,187	\$ (1,575,811)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,577,525)	\$ (1,577,525)
Fund Balance - January 1	3,750,439	3,750,439	3,750,439	-
Fund Balance - December 31	\$ 3,750,439	\$ 3,750,439	\$ 2,172,914	\$ (1,577,525)

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

AGENCY FUNDS

The Agency Fund is used to account for all assets not accounted for by other agency funds and held by the County as an agent for individuals, private organizations, other governments, or other funds.

The Settlement Fund accounts for all taxes and penalties collected and the distribution of the taxes.

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

The Community Health Service Fund accounts for collections and disbursements for Brown-Nicollet Community Health Services.

The Family Services Collaborative Fund accounts for collections and disbursements for the Family Services Collaborative.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 16,502	\$ 393,672	\$ 274,038	\$ 136,136
<u>Liabilities</u>				
Due to other governments	\$ 16,502	\$ 393,672	\$ 274,038	\$ 136,136
 <u>SETTLEMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 466,728	\$ 67,971,158	\$ 67,938,108	\$ 499,778
<u>Liabilities</u>				
Due to other governments	\$ 466,728	\$ 67,971,158	\$ 67,938,108	\$ 499,778
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 156,606	\$ 3,704,319	\$ 3,657,189	\$ 203,736
<u>Liabilities</u>				
Due to other governments	\$ 156,606	\$ 3,704,319	\$ 3,657,189	\$ 203,736

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY HEALTH SERVICE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>546,318</u>	\$ <u>1,715,730</u>	\$ <u>1,755,365</u>	\$ <u>506,683</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>546,318</u>	\$ <u>1,715,730</u>	\$ <u>1,755,365</u>	\$ <u>506,683</u>
 <u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>434,179</u>	\$ <u>131,060</u>	\$ <u>236,194</u>	\$ <u>329,045</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>434,179</u>	\$ <u>131,060</u>	\$ <u>236,194</u>	\$ <u>329,045</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>1,620,333</u>	\$ <u>73,915,939</u>	\$ <u>73,860,894</u>	\$ <u>1,675,378</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>1,620,333</u>	\$ <u>73,915,939</u>	\$ <u>73,860,894</u>	\$ <u>1,675,378</u>

SCHEDULES

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Appropriations and Shared Revenue

State

Highway users tax	\$ 6,571,067
County program aid	1,336,802
PERA rate reimbursement	34,276
Disparity reduction aid	10,983
Police aid	92,026
Enhanced 911	110,476
Market value credit	141,466
SCORE	90,957
Aquatic invasive species prevention aid	33,597
	<u>8,421,650</u>

Total appropriations and shared revenue **\$ 8,421,650**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 953,555
	<u>953,555</u>

Payments

Local

Payments in lieu of taxes	\$ 32,692
	<u>32,692</u>

Grants

State

Minnesota Department of	
Public Safety	\$ 10,440
Health	95,740
Natural Resources	278,708
Human Services	1,624,275
Veterans Affairs	5,768
Corrections	267,810
Water and Soil Resources Board	82,073
	<u>2,364,814</u>

Total state **\$ 2,364,814**

Federal

Department of	
Agriculture	\$ 386,839
Transportation	99,520
Health and Human Services	2,632,490
Homeland Security	43,160
	<u>3,162,009</u>

Total federal **\$ 3,162,009**

Total state and federal grants **\$ 5,526,823**

Total Intergovernmental Revenue **\$ 14,934,720**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 120,628
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>266,211</u>
Total U.S. Department of Agriculture		\$ <u>386,839</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ <u>203,542</u>
U.S. Department of Health and Human Services		
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	\$ 22,506
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 - \$471,906)	93.558	30,539
Maternal and Child Health Services Block Grant to the States	93.994	27,281
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2,208
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 - \$471,906)	93.558	441,367
Child Support Enforcement	93.563	726,429
Refugee and Entrant Assistance - State-Administered Programs	93.566	1,390
Child Care and Development Block Grant	93.575	20,997
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,455
Foster Care - Title IV-E	93.658	99,708
Social Services Block Grant	93.667	136,929
Chafee Foster Care Independence Program	93.674	2,507
Children's Health Insurance Program	93.767	127
Medical Assistance Program	93.778	<u>843,164</u>
Total U.S. Department of Health and Human Services		\$ <u>2,356,607</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 79,486
Hazard Mitigation Grant	97.039	18,276
Emergency Management Performance Grants	97.042	<u>24,884</u>
Total U.S. Department of Homeland Security		\$ <u>122,646</u>
Total Federal Awards		\$ <u>3,069,634</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Nicollet 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 Nicollet County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Nicollet County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Nicollet County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	3,162,009
Grants received more than 60 days after year-end, unavailable in 2014		
Highway Planning and Construction (CFDA #20.205)		104,022
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		79,486
Unavailable in 2013, recognized as revenue in 2014		
Temporary Assistance for Needy Families (CFDA #93.558)		(135,995)
Foster Care - Title IV-E (CFDA #93.658)		(10,062)
Medical Assistance Program (CFDA #93.778)		(129,826)
		(129,826)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	3,069,634

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **No**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-001

Audit Adjustments

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

Condition: During our audit, we proposed audit adjustments that resulted in changes to Nicollet County's financial statements. The adjustments were reviewed and approved by appropriate staff and are reflected in the financial statements.

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

Effect: The following audit adjustments were necessary:

- An adjustment of \$336,047 was required in the Road and Bridge Special Revenue Fund to record additional highway allotments revenue due to the County at year-end.
- Adjustments were made in the Ditch Special Revenue Fund to reclassify \$50,735 as contracts payable rather than accounts payable and to reclassify \$31,657 as miscellaneous revenue rather than special assessments revenue.
- Adjustments of \$393,527 were made in the General Fund and the Debt Service Fund to set up due to/from other funds for capital bond proceeds that were transferred to the Debt Service Fund when they should have been recorded in the General Fund.
- A \$200,000 reclassification in the Self-Insurance Internal Service Fund was made to record a transfer out for a payment made to the General Fund.

Cause: County employees' assigned functions were changed due to some personnel changes. The County informed us that employees did not detect the errors in the normal course of performing their newly assigned functions.

Recommendation: We recommend that the County review internal controls currently in place and design and implement procedures to improve controls over financial reporting to ensure the County's annual financial statements are fairly presented in accordance with generally accepted accounting principles.

Client's Response:

Nicollet County will continue to educate and train the appropriate staff to detect and correct misstatements of the financial statements to reduce and eliminate audit adjustments.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-001

Ditch Fund Deficit Cash Balances

Criteria: Drainage system costs are required by Minn. Stat. § 103E.655 to be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

Additionally, individual ditch systems should be maintained with a positive fund balance to display solvency. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Condition: The County had ditch systems with individual deficit cash balances and individual fund deficit balances at December 31, 2014.

Context: At December 31, 2014, 51 ditch systems had negative cash balances totaling \$252,442, and 47 ditch systems had fund deficit balances totaling \$211,030.

Effect: The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances. Ditch systems with fund deficit balances indicate that measures have not been taken to ensure an individual ditch system can meet financial obligations.

Cause: The County informed us that expenditures had been made for ditch systems with insufficient cash to cover the expenditures. Additionally, special assessments levied for systems had not been sufficient to meet all obligations of the systems.

Recommendation: We recommend that the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655. Fund deficit balances should be eliminated by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance of the ditch systems.

Client's Response:

Nicollet County will continue to aggressively attempt to bring all ditch systems into a positive balance.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding 2014-001

Ditch Special Revenue Fund Deficit Fund Balance

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance.

Condition: As of December 31, 2014, the assets in the County's Ditch Special Revenue Fund did not exceed liabilities, resulting in a deficit fund balance amount.

Context: As of December 31, 2014, the Ditch Special Revenue Fund has a deficit fund balance of \$19,603.

Effect: A negative fund balance indicates that measures have not been taken to ensure that the fund can meet current or future financial obligations.

Cause: The County did not approve sufficient special assessment revenues to cover the redetermination expenditures and the unforeseen flooding expenditures in the Ditch Special Revenue Fund.

Recommendation: We recommend that the County monitor fund balance and eliminate the deficit fund balance.

Client's Response:

Nicollet County has continued to make an aggressive attempt to bring all ditch systems to a positive fund balance. It is the intent to continue to work towards a positive balance in the Ditch Special Revenue Fund; although, in 2014, Nicollet County experienced extensive flood damage to several drainage systems. Unexpected expenses were encountered which are expected to be reimbursed by FEMA in the year 2015.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Nicollet County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by the employers to report the net pension liability and deferred outflows/inflows of resources.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 13, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Nicollet County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 1996-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are reported for that purpose.

Nicollet County's Responses to Findings

Nicollet County's responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 13, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Nicollet County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Nicollet County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nicollet County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nicollet County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Nicollet County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Nicollet County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 13, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR