

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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, 2015



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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2015**

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 2021
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
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 2019
Coroner	Dr. Michael McGee	January 2016
Administrator	Ryan Krosch	Indefinite
Human Services Director	Joan Tesdahl	Indefinite
Public Health Director	Mary Hildebrandt	Indefinite
Property and Public 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of December 31, 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary 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 10, 2016, 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 the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 10, 2016

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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, 2015
(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, 2015. 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 and deferred outflows of resources of Nicollet County exceeded its liabilities and deferred inflows of resources by \$97,297,808 at the close of 2015. Of this amount, \$12,789,334 (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 \$2,137,355 after the restatement for Governmental Accounting Statements Board (GASB) Statements 68 and 71. Additional information about the implementation of GASB Statements 68, 71, and 82 can be found in Note 1.E.
- At the close of 2015, Nicollet County's governmental funds reported combined ending fund balances of \$26,760,528, a decrease of \$6,420,104 in comparison with the prior year. Of the total fund balance \$8,504,101 is available for spending at the County's discretion and is noted as unassigned fund balance.
- At the close of 2015, the unassigned fund balance for the General Fund was \$9,164,205, or 38.5 percent, of total General Fund expenditures.
- Nicollet County's total bonds and capital notes payable decreased by \$1,205,000. There were payments of \$295,000 to G.O. Capital Improvement Bonds, Series 2004A; \$420,000 to Road Reconstruction Bonds, Series 2008A; \$55,000 to G.O. Drainage Bonds, Series 2008A; and \$435,000 to G.O. Capital Improvement Refunding Bonds, Series 2013B.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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. 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 six 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 and Exhibit C-1.

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 (Exhibit A-1) and schedules of the

proportionate share of net pension liability and schedules of contributions (Exhibits A-2 to A-7). In addition, the County also provides supplementary information on intergovernmental revenue and expenditures of federal awards (Exhibits D-1 and D-2).

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 these 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 \$97,297,808 at the close of 2015. The largest portion of Nicollet County’s net position (80.9 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

	2014 Restated (1)	2015
Assets		
Current and other assets	\$ 41,716,806	\$ 33,942,856
Capital assets	<u>88,517,465</u>	<u>97,538,232</u>
Total Assets	<u>\$ 130,234,271</u>	<u>\$ 131,481,088</u>
Deferred Outflows of Resources	<u>\$ 470,408</u>	<u>\$ 1,596,664</u>
Liabilities		
Long-term liabilities outstanding	\$ 32,985,102	\$ 32,482,363
Other liabilities	<u>2,559,124</u>	<u>2,269,260</u>
Total Liabilities	<u>\$ 35,544,226</u>	<u>\$ 34,751,623</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 1,028,321</u>
Net position		
Net investment in capital assets	\$ 74,582,750	\$ 78,741,122
Restricted	5,608,545	5,767,352
Unrestricted	<u>14,969,158</u>	<u>12,789,334</u>
Total Net Position	<u>\$ 95,160,453</u>	<u>\$ 97,297,808</u>

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

The unrestricted net position amount of \$12,789,334 as of December 31, 2015, may be used to meet the County’s ongoing obligations to citizens and creditors.

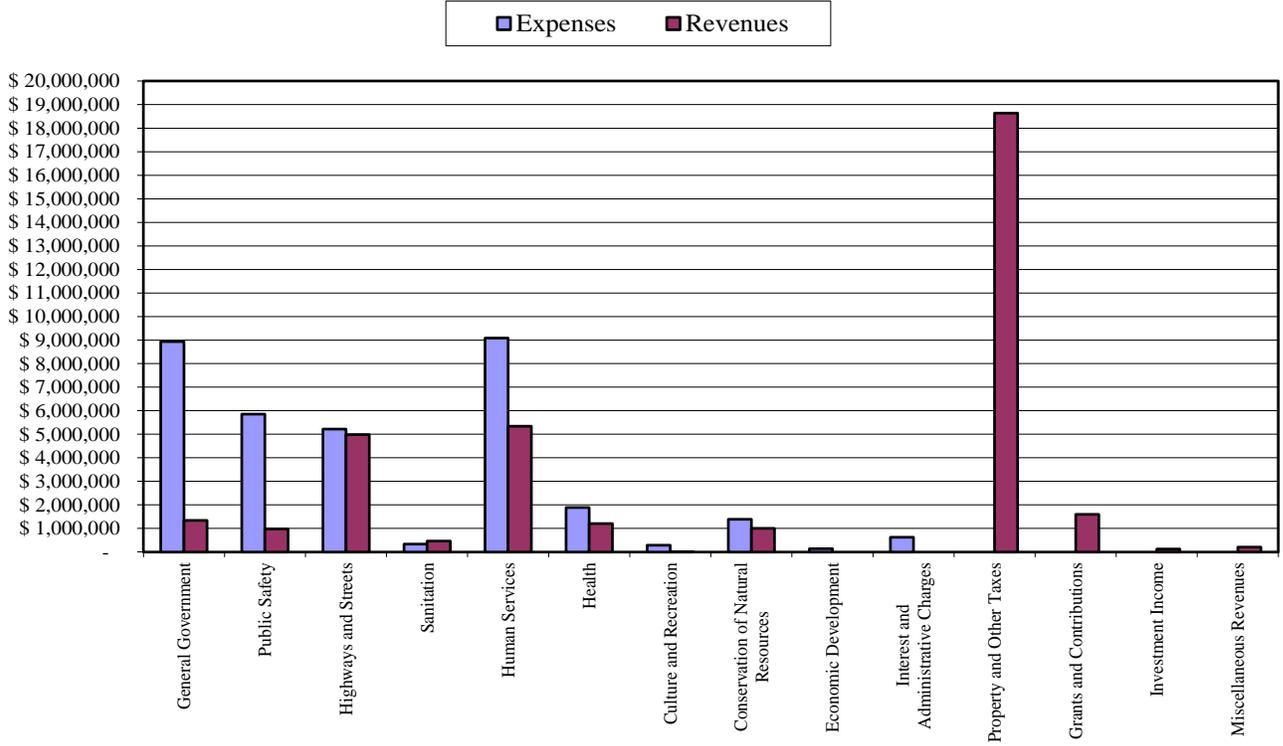
GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net position by \$2,137,355 or 2.2 percent, over the 2015 net position. The following table summarizes the changes in net position for 2015.

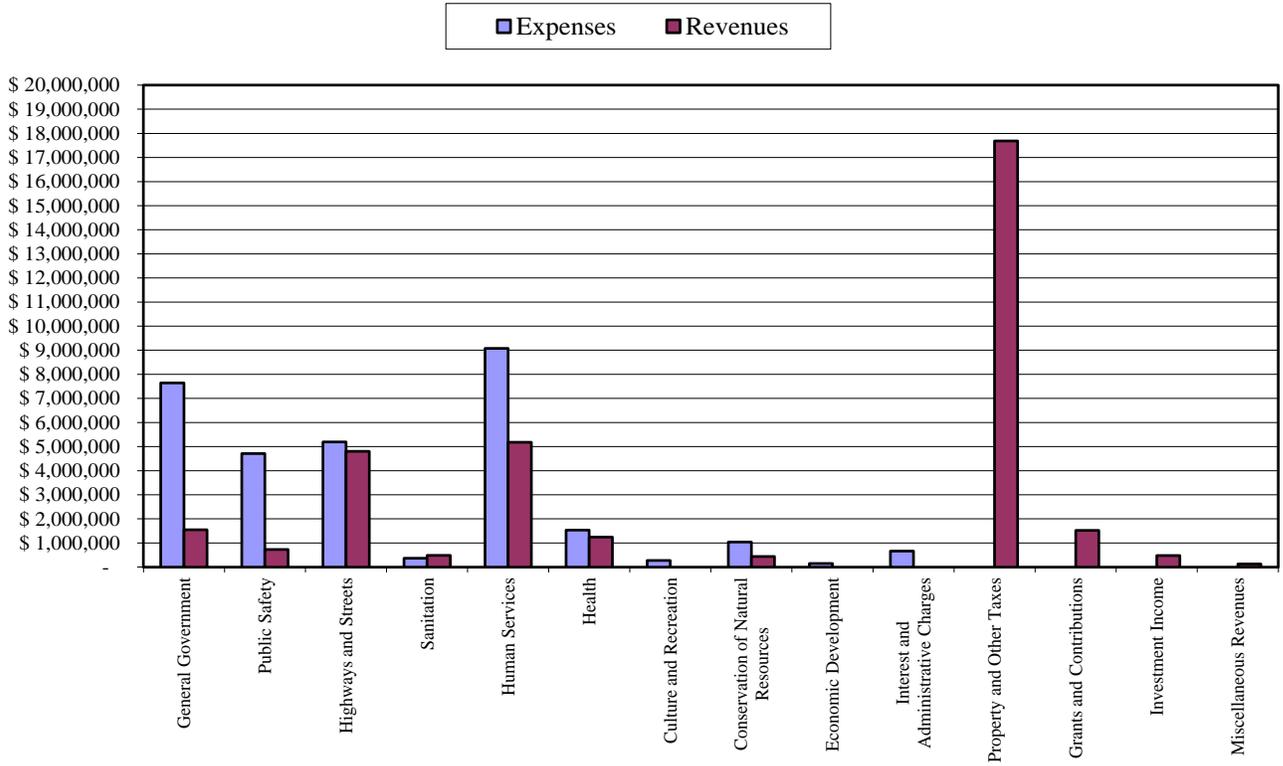
	2014	2015
Revenues		
Program revenues		
Charges for services	\$ 3,325,096	\$ 3,651,900
Operating grants and contributions	10,907,845	11,674,008
Capital grants and contributions	203,542	12,934
General revenues		
Property taxes	17,603,633	18,512,995
Other	2,210,329	2,063,805
Total Revenues	\$ 34,250,445	\$ 35,915,642
Expenses		
General government	\$ 7,640,395	\$ 8,936,063
Public safety	4,711,714	5,860,896
Highways and streets	5,196,195	5,222,454
Sanitation	372,269	338,972
Human services	9,074,208	9,088,724
Health	1,536,908	1,892,946
Culture and recreation	270,841	288,809
Conservation of natural resources	1,035,634	1,387,915
Economic development	154,968	137,934
Interest	661,022	623,574
Total Expenses	\$ 30,654,154	\$ 33,778,287
Increase in Net Position	\$ 3,596,291	\$ 2,137,355
Net Position - January 1, as restated	100,692,000	95,160,453*
Net Position - December 31, as reported	<u>\$ 104,288,291</u>	<u>\$ 97,297,808</u>

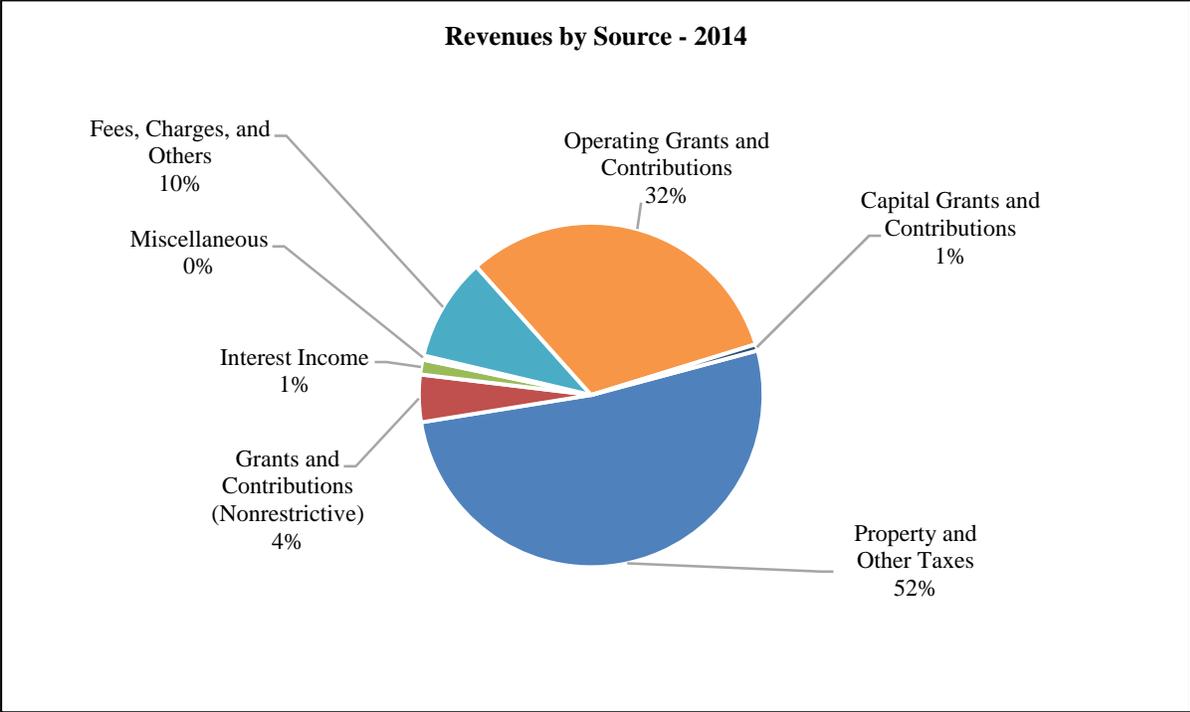
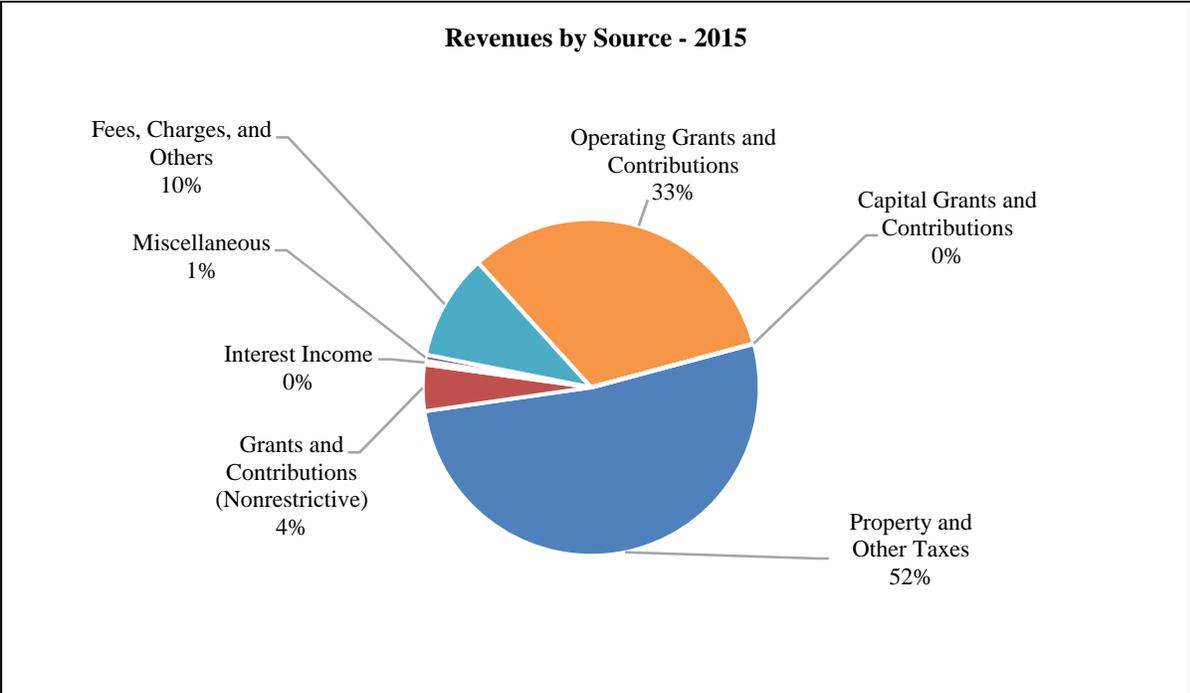
*Amount includes a change in accounting principles: see Note 1.E.

Expenses and Revenues - 2015



Expenses and Revenues - 2014





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 \$26,760,528, a decrease of \$6,420,104 in comparison with the prior year. The majority of this amount (\$21,696,055) 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 \$9,914,205, while total fund balance was \$11,376,657. 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 42 percent of total General Fund expenditures, while total fund balance represents 48 percent of that same amount. In 2015, the fund balance amount in the General Fund decreased by \$7,887,961. The major reason for the decrease was due to the Health and Human Services Building Project expenditures that were financed by the 2013 debt issuance.

The Road and Bridge Special Revenue Fund's fund balance increased by \$733,662 in 2015. The main reason for this increase was due to intergovernmental payments received for road projects.

The Human Services Special Revenue Fund's fund balance increased by \$753,487 in 2015. Revenues exceeded the budget by \$646,642, while expenditures were less than budgeted by \$149,855. The excess budget in revenues was due primarily to the higher than expected intergovernmental funds for two programs.

The Revolving Loan Special Revenue Fund's fund balance increased by \$11,156 in 2015. The increase was the result of early collections on septic loans.

The Ditch Special Revenue Fund had a negative fund balance of \$349,464 at year-end 2015. Total fund balance decreased by \$329,861 in 2015 due to outstanding intergovernmental payments.

The Debt Service Special Revenue Fund's restricted fund balance increased by \$299,413 in 2015. Tax collections were greater than the debt obligations in 2015.

General Fund Budgetary Highlights

The difference between the original budget expenditures and the final amended budget expenditures was an increase of \$7,667,987 during the year. The difference between the original budget revenues and the final amended budget revenues was an increase of \$10,952. The significant budget changes during the current year were:

- Increasing Health and Human Services Building capital outlay expenditures by \$6,757,105 and general government capital outlay expenditures by \$742,894 for expenditures related to the Health and Human Services Building Project that were not included in the original budget.
- Increasing the recorder future equipment expenditure budget by \$164,400 for a purchase that was not included in the original budget.
- Increasing miscellaneous revenue by \$10,952 for refunds and reimbursements related to the Health and Human Service Building Project that were not included in the original budget.

The final amended budget expenditures and transfers out exceeded actual expenditures and transfers out by \$96,621. The actual revenues and transfers in exceeded final amended budget revenues and transfers in by \$172,325. Significant variances during the current year included the following:

- Actual Health and Human Services Building capital outlay expenditures were over budget by \$224,761 due to additional cost for equipment, supplies, and professional and technical services.
- Building fund department was unbudgeted in 2015, which resulted in a budget variance of \$385,788.
- Intergovernmental revenues exceeded the budget by \$815,860 for unbudgeted revenue. The most significant sources were corrections salary reimbursement from the Department of Corrections and intergovernmental reimbursement for services from the Department of Human Services.
- Charges for services was under budget by \$373,013 as a result of revenue that was reclassified in the current year actual, but a corresponding budget adjustment was not made.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2015, was \$97,538,232 (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. The major capital asset events in 2015 were additional infrastructure; building; and acquisition of machinery, vehicles, furniture, and equipment.

Capital Assets

	<u>2014</u>	<u>2015</u>
Land	\$ 4,452,305	\$ 4,838,093
Construction in progress	4,990,066	211,283
Land improvements	122,631	106,707
Building	8,433,126	19,842,068
Machinery, vehicles, furniture, and equipment	2,478,523	3,402,849
Infrastructure	<u>68,040,814</u>	<u>69,137,232</u>
Totals	<u>\$ 88,517,465</u>	<u>\$ 97,538,232</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 \$18,385,000, which is backed by the full faith and credit of the government.

Outstanding Debt

	<u>2014</u>	<u>2015</u>
General obligation bonds	\$ 18,210,000	\$ 17,005,000
General obligation notes	<u>1,380,000</u>	<u>1,380,000</u>
Total	<u>\$ 19,590,000</u>	<u>\$ 18,385,000</u>

The County's debt related to general obligation bonds decreased by \$1,205,000 (6.15 percent) during the fiscal year. The primary reason for the decrease is due to the capital improvement bonds and notes being retired by the Debt Service Fund.

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 2015, 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 2015. This is moderately below the statewide rate of 3.7 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics - LAUS Data.)
- Nicollet County's population remains steady at 33,032. Industries are maintaining, and agricultural property values continue to grow.

At the end of 2015, Nicollet County set its 2016 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.

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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, 2015**

Assets

Cash and pooled investments	\$	27,822,830
Taxes receivable		
Delinquent - net		278,794
Special assessments receivable		
Delinquent - net		20,838
Noncurrent - net		832,966
Accounts receivable - net		840,379
Accrued interest receivable		29,108
Due from other governments		3,298,691
Inventories		308,463
Prepaid items		510,787
Capital assets		
Non-depreciable		5,049,376
Depreciable - net of accumulated depreciation		92,488,856
Total Assets	\$	<u>131,481,088</u>

Deferred Outflows of Resources

Deferred pension outflows	\$	<u>1,596,664</u>
---------------------------	----	-------------------------

Liabilities

Accounts payable	\$	1,372,138
Salaries payable		233,418
Contracts payable		152,467
Due to other governments		131,201
Accrued interest payable		292,848
Unearned revenue		87,188
Long-term liabilities		
Due within one year		2,628,610
Due in more than one year		19,042,756
Net pension obligation		9,959,794
Other postemployment benefits obligations		851,203
Total Liabilities	\$	<u>34,751,623</u>

Deferred Inflows of Resources

Deferred pension inflows	\$	<u>1,028,321</u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Net Position

Net investment in capital assets	\$ 78,741,122
Restricted for	
General government	649,609
Public safety	312,734
Highways and streets	1,937,626
Human services	145,940
Conservation of natural resources	249,862
Debt service	2,471,581
Unrestricted	<u>12,789,334</u>
Total Net Position	<u>\$ 97,297,808</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 8,936,063	\$ 960,838	\$ 380,737	\$ -	\$ (7,594,488)
Public safety	5,860,896	424,103	558,005	-	(4,878,788)
Highways and streets	5,222,454	141,091	4,832,369	12,934	(236,060)
Sanitation	338,972	362,996	99,028	-	123,052
Human services	9,088,724	709,079	4,635,452	-	(3,744,193)
Health	1,892,946	447,037	765,392	-	(680,517)
Culture and recreation	288,809	1,114	-	-	(287,695)
Conservation of natural resources	1,387,915	605,642	403,025	-	(379,248)
Economic development	137,934	-	-	-	(137,934)
Interest and administrative charges	623,574	-	-	-	(623,574)
Total Governmental Activities	<u>\$ 33,778,287</u>	<u>\$ 3,651,900</u>	<u>\$ 11,674,008</u>	<u>\$ 12,934</u>	<u>\$ (18,439,445)</u>
General Revenues					
Property taxes					\$ 18,512,995
Mortgage registry and deed tax					88,172
Payments in lieu of tax					36,906
Grants and contributions not restricted to specific programs					1,599,400
Unrestricted investment earnings					129,654
Miscellaneous					209,673
Total general revenues					<u>\$ 20,576,800</u>
Change in net position					<u>\$ 2,137,355</u>
Net Position - Beginning, as previously reported					\$ 104,288,291
Prior period adjustment (Note 1.E.)					(9,127,838)
Net Position - January 1, as restated					<u>\$ 95,160,453</u>
Net Position - December 31					<u>\$ 97,297,808</u>

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FUND FINANCIAL STATEMENTS

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 10,472,845	\$ 6,646,012
Taxes receivable		
Delinquent - net	157,305	28,128
Special assessments		
Delinquent - net	7,107	-
Noncurrent - net	-	-
Accounts receivable - net	57,079	655
Accrued interest receivable	29,108	-
Interfund receivable	257,343	-
Due from other funds	440,350	94,267
Due from other governments	280,597	1,954,956
Prepaid items	500,109	5,576
Inventories	-	308,463
	\$ 12,201,843	\$ 9,038,057
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 214,655	\$ 14,497
Salaries payable	143,822	20,638
Contracts payable	87,130	-
Interfund payable	-	-
Due to other funds	94,247	-
Due to other governments	57,868	2,690
Unearned revenue	87,188	-
	\$ 684,910	\$ 37,825
Deferred Inflows of Resources		
Unavailable revenue	\$ 140,276	\$ 1,960,266

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 5,095,310	\$ 645,929	\$ -	\$ 2,858,051	\$ 25,718,147
60,213	-	-	33,148	278,794
-	10,834	2,897	-	20,838
-	406,416	426,550	-	832,966
770,782	2,444	9,419	-	840,379
-	-	-	-	29,108
-	-	-	-	257,343
-	-	-	-	534,617
734,560	1,252	327,326	-	3,298,691
4,198	-	158	746	510,787
-	-	-	-	308,463
<u>\$ 6,665,063</u>	<u>\$ 1,066,875</u>	<u>\$ 766,350</u>	<u>\$ 2,891,945</u>	<u>\$ 32,630,133</u>
\$ 204,761	\$ -	\$ 13,797	\$ -	\$ 447,710
68,019	-	939	-	233,418
-	-	65,337	-	152,467
-	-	257,343	-	257,343
46,823	-	20	393,527	534,617
46,108	-	24,535	-	131,201
-	-	-	-	87,188
<u>\$ 365,711</u>	<u>\$ -</u>	<u>\$ 361,971</u>	<u>\$ 393,527</u>	<u>\$ 1,843,944</u>
<u>\$ 730,251</u>	<u>\$ 414,934</u>	<u>\$ 753,843</u>	<u>\$ 26,091</u>	<u>\$ 4,025,661</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 308,463
Prepaid items	500,109	5,576
Restricted for		
Law library	22,418	-
Recorder's equipment	460,250	-
Enhanced 911	183,762	-
Handgun permit fees	112,774	-
Sheriff's contingency	4,649	-
Forfeited sheriff property	11,549	-
Forfeited attorney property	38,591	-
Veteran van	63,320	-
Aquatic invasive species program	65,030	-
Child protection services	-	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Assigned for		
Equipment	200,000	-
Court costs	500,000	-
Elections	50,000	-
Road and bridge	-	6,725,927
Human services	-	-
Septic/sewer loans	-	-
Unassigned	9,164,205	-
Total Fund Balances	\$ 11,376,657	\$ 7,039,966
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,201,843	\$ 9,038,057

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 308,463
4,198	-	158	746	510,787
-	-	-	-	22,418
-	-	-	-	460,250
-	-	-	-	183,762
-	-	-	-	112,774
-	-	-	-	4,649
-	-	-	-	11,549
-	-	-	-	38,591
-	-	-	-	63,320
-	-	-	-	65,030
145,940	-	-	-	145,940
-	-	-	2,471,581	2,471,581
-	354,877	-	-	354,877
-	-	310,482	-	310,482
-	-	-	-	200,000
-	-	-	-	500,000
-	-	-	-	50,000
-	-	-	-	6,725,927
5,418,963	-	-	-	5,418,963
-	297,064	-	-	297,064
-	-	(660,104)	-	8,504,101
<u>\$ 5,569,101</u>	<u>\$ 651,941</u>	<u>\$ (349,464)</u>	<u>\$ 2,472,327</u>	<u>\$ 26,760,528</u>
<u>\$ 6,665,063</u>	<u>\$ 1,066,875</u>	<u>\$ 766,350</u>	<u>\$ 2,891,945</u>	<u>\$ 32,630,133</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, 2015**

Fund balances - total governmental funds (Exhibit 3)		\$ 26,760,528
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.		97,538,232
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.		4,025,661
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 1,596,664	
Deferred inflows related to pensions	<u>(1,028,321)</u>	568,343
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(292,848)
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	\$ (18,385,000)	
Unamortized premium on bonds and notes payable	(739,314)	
Loans payable	(618,111)	
Compensated absences payable	(1,928,941)	
Net pension liability	(9,959,794)	
Net OPEB liability	<u>(851,203)</u>	(32,482,363)
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.		<u>1,180,255</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 97,297,808</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge
Revenues		
Taxes	\$ 10,738,806	\$ 1,664,275
Special assessments	291,811	-
Licenses and permits	100,870	-
Intergovernmental	2,743,219	5,366,667
Charges for services	1,186,261	72,767
Fines and forfeits	28,648	-
Gifts and contributions	16,740	1,990
Investment earnings	129,718	-
Miscellaneous	739,976	66,334
	\$ 15,976,049	\$ 7,172,033
Expenditures		
Current		
General government	\$ 7,681,436	\$ -
Public safety	5,277,618	-
Highways and streets	-	5,472,817
Sanitation	284,520	-
Human services	-	-
Health	1,723,444	-
Culture and recreation	105,553	82,138
Conservation of natural resources	359,364	12,306
Economic development	137,934	-
Intergovernmental	100,707	191,186
Capital outlay	8,114,968	661,092
Debt service		
Principal	-	-
Interest	-	-
Administrative charges	-	-
	\$ 23,785,544	\$ 6,419,539
Excess of Revenues Over (Under) Expenditures	\$ (7,809,495)	\$ 752,494
Other Financing Sources (Uses)		
Transfers in	\$ 15,781	\$ 94,247
Transfers out	(94,247)	-
Loans issued	-	-
	\$ (78,466)	\$ 94,247
Net Change in Fund Balances	\$ (7,887,961)	\$ 846,741
Fund Balances - January 1	19,264,618	6,306,304
Increase (decrease) in inventories	-	(113,079)
Fund Balances - December 31	\$ 11,376,657	\$ 7,039,966

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>
\$ 4,098,253	\$ -	\$ -	\$ 2,122,096	\$ 18,623,430
-	146,064	634,980	-	1,072,855
-	-	-	-	100,870
5,023,308	-	75,699	32,481	13,241,374
473,557	-	-	-	1,732,585
-	-	-	-	28,648
-	-	-	-	18,730
262	-	-	-	129,980
201,903	-	26,518	-	1,034,731
<u>\$ 9,797,283</u>	<u>\$ 146,064</u>	<u>\$ 737,197</u>	<u>\$ 2,154,577</u>	<u>\$ 35,983,203</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,681,436
-	-	-	-	5,277,618
-	-	-	-	5,472,817
-	52,649	-	-	337,169
9,043,796	-	-	-	9,043,796
-	-	-	-	1,723,444
-	-	-	-	187,691
-	-	996,838	-	1,368,508
-	-	-	-	137,934
-	-	-	-	291,893
-	-	-	-	8,776,060
-	107,935	55,000	1,150,000	1,312,935
-	19,629	15,220	704,610	739,459
-	-	-	554	554
<u>\$ 9,043,796</u>	<u>\$ 180,213</u>	<u>\$ 1,067,058</u>	<u>\$ 1,855,164</u>	<u>\$ 42,351,314</u>
<u>\$ 753,487</u>	<u>\$ (34,149)</u>	<u>\$ (329,861)</u>	<u>\$ 299,413</u>	<u>\$ (6,368,111)</u>
\$ -	\$ -	\$ -	\$ -	\$ 110,028
-	(15,781)	-	-	(110,028)
-	61,086	-	-	61,086
<u>\$ -</u>	<u>\$ 45,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,086</u>
\$ 753,487	\$ 11,156	\$ (329,861)	\$ 299,413	\$ (6,307,025)
4,815,614	640,785	(19,603)	2,172,914	33,180,632
-	-	-	-	(113,079)
<u>\$ 5,569,101</u>	<u>\$ 651,941</u>	<u>\$ (349,464)</u>	<u>\$ 2,472,327</u>	<u>\$ 26,760,528</u>

**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, 2015**

Net change in fund balances - total governmental funds (Exhibit 4) \$ (6,307,025)

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

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	\$ 4,025,661	
Unavailable revenue - January 1	<u>(4,102,042)</u>	(76,381)

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 as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.

Expenditures for general capital assets and infrastructure	\$ 12,592,111	
Current year depreciation	(3,560,122)	
Net book value of assets disposed	<u>(11,222)</u>	9,020,767

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 issued	\$ (61,086)	
Principal repayments	1,312,935	
Amortization of premium/discount on bonds and notes	<u>101,427</u>	1,353,276

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

Change in inventories	\$ (113,079)	
Change in net deferred pension outflows, as restated	1,126,256	
Change in accrued interest payable	15,012	
Change in compensated absences payable	(456,019)	
Change in net pension obligation, as restated	(361,548)	
Change in net OPEB liability	(32,970)	
Change in net deferred pension inflows	<u>(1,028,321)</u>	(850,669)

The net loss of the Internal Service Fund is reported with governmental activities. (1,002,613)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,137,355

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,890,735	\$ 10,890,735	\$ 10,738,806	\$ (151,929)
Special assessments	290,000	290,000	291,811	1,811
Licenses and permits	56,000	56,000	100,870	44,870
Intergovernmental	1,927,359	1,927,359	2,743,219	815,860
Charges for services	1,559,274	1,559,274	1,186,261	(373,013)
Fines and forfeits	38,500	38,500	28,648	(9,852)
Gifts and contributions	13,300	13,300	16,740	3,440
Investment earnings	120,135	120,135	129,718	9,583
Miscellaneous	723,250	734,202	739,976	5,774
Total Revenues	\$ 15,618,553	\$ 15,629,505	\$ 15,976,049	\$ 346,544
Expenditures				
Current				
General government				
Commissioners	\$ 313,114	\$ 313,114	\$ 311,756	\$ 1,358
Courts	58,500	58,500	78,744	(20,244)
Courts - CHIPS/TPR	55,000	55,000	45,660	9,340
Law library	38,805	38,805	52,866	(14,061)
County administrator	295,306	295,306	293,130	2,176
Finance	327,190	330,778	266,203	64,575
Capital improvements	12,000	12,000	4,000	8,000
Public services	565,263	565,263	595,406	(30,143)
Accounting and auditing	70,100	70,100	63,987	6,113
Property assessment	738,353	738,353	672,722	65,631
Human resources	117,386	117,386	113,989	3,397
Office of technologies	1,211,887	1,211,887	1,166,669	45,218
Machine room	76,000	76,000	70,945	5,055
Elections	38,100	38,100	6,502	31,598
Other general government	618,729	618,729	460,148	158,581
County attorney	927,015	927,015	876,762	50,253
County attorney's forfeited property proceeds	-	-	2,517	(2,517)
Recorder/abstracter	448,704	448,704	392,070	56,634
Recorder - future equipment	138,000	302,400	162,075	140,325
Surveyor	15,000	15,000	16,538	(1,538)
Telephone	164,723	164,723	204,026	(39,303)
Courthouse operations	688,704	688,704	684,366	4,338
North Mankato county office building	18,000	18,000	9,877	8,123
Building fund department	-	-	385,788	(385,788)
Veterans service	126,667	126,667	127,175	(508)
Property services	692,262	692,262	617,515	74,747
Total general government	\$ 7,754,808	\$ 7,922,796	\$ 7,681,436	\$ 241,360

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, 2015**

	<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	\$ 1,798,310	\$ 1,798,310	\$ 1,670,293	\$ 128,017
Boat and water safety	1,164	1,164	75	1,089
Sheriff's contingency fund	-	-	338	(338)
Prisoner commissions account	9,000	9,000	35,866	(26,866)
Sheriff - snowmobile safety enforcement	3,506	3,506	4,634	(1,128)
Enhanced 911 system	43,000	43,000	168,453	(125,453)
Sheriff - forfeited property proceeds	2,000	2,000	4,952	(2,952)
Sheriff - offroad highway grant	4,935	4,935	1,272	3,663
Gun permits	-	-	2,917	(2,917)
Coroner	42,000	42,000	46,477	(4,477)
Dispatch center	681,170	681,170	684,967	(3,797)
Corrections	1,325,120	1,325,120	1,373,419	(48,299)
Probation department	1,111,554	1,111,554	1,099,667	11,887
Nicollet collaborative	79,898	79,898	53,137	26,761
Emergency services	135,633	135,633	131,151	4,482
Total public safety	\$ 5,237,290	\$ 5,237,290	\$ 5,277,618	\$ (40,328)
Sanitation				
Solid waste management	\$ 302,700	\$ 302,700	\$ 284,520	\$ 18,180
Health				
Public health nurse	\$ 471,598	\$ 471,598	\$ 548,254	\$ (76,656)
WIC program	159,255	159,255	118,631	40,624
Maternal and child health	227,168	227,168	235,667	(8,499)
Public health emergency preparedness	23,000	23,000	20,826	2,174
Waivered programs	733,653	733,653	697,687	35,966
Loan closet account	1,020	1,020	521	499
Core function - nursing department	24,770	24,770	200	24,570
Senior citizen transportation	100,616	100,616	101,658	(1,042)
Total health	\$ 1,741,080	\$ 1,741,080	\$ 1,723,444	\$ 17,636
Culture and recreation				
Historical society	\$ 108,728	\$ 108,728	\$ 105,553	\$ 3,175

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Agricultural society	\$ 44,100	\$ 44,100	\$ 44,100	\$ -
COOP extension	-	-	77	(77)
County extension	177,187	177,187	155,506	21,681
Soil and water conservation district	158,997	158,997	158,981	16
Tri-county fair	700	700	700	-
Total conservation of natural resources	\$ 380,984	\$ 380,984	\$ 359,364	\$ 21,620
Economic development				
Economic development	\$ 35,786	\$ 35,786	\$ 25,467	\$ 10,319
Housing and redevelopment authority	112,467	112,467	112,467	-
Total economic development	\$ 148,253	\$ 148,253	\$ 137,934	\$ 10,319
Intergovernmental				
Culture and recreation - regional library	\$ 100,088	\$ 100,088	\$ 100,707	\$ (619)
Capital outlay				
General government	\$ 173,994	\$ 916,888	\$ 859,947	\$ 56,941
Health and human services building	-	6,757,105	6,981,866	(224,761)
Public safety	360,500	360,500	273,155	87,345
Total capital outlay	\$ 534,494	\$ 8,034,493	\$ 8,114,968	\$ (80,475)
Total Expenditures	\$ 16,308,425	\$ 23,976,412	\$ 23,785,544	\$ 190,868
Excess of Revenues Over (Under)				
Expenditures	\$ (689,872)	\$ (8,346,907)	\$ (7,809,495)	\$ 537,412
Other Financing Sources (Uses)				
Transfers in	\$ 190,000	\$ 190,000	\$ 15,781	\$ (174,219)
Transfers out	-	-	(94,247)	(94,247)
Total Other Financing Sources (Uses)	\$ 190,000	\$ 190,000	\$ (78,466)	\$ (268,466)
Net Change in Fund Balance	\$ (499,872)	\$ (8,156,907)	\$ (7,887,961)	\$ 268,946
Fund Balance - January 1	19,264,618	19,264,618	19,264,618	-
Fund Balance - December 31	\$ 18,764,746	\$ 11,107,711	\$ 11,376,657	\$ 268,946

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,679,324	\$ 1,679,324	\$ 1,664,275	\$ (15,049)
Intergovernmental	4,604,467	4,604,467	5,366,667	762,200
Charges for services	39,400	39,400	72,767	33,367
Gifts and contributions	-	-	1,990	1,990
Miscellaneous	17,795	112,042	66,334	(45,708)
Total Revenues	\$ 6,340,986	\$ 6,435,233	\$ 7,172,033	\$ 736,800
Expenditures				
Current				
Highways and streets				
Administration	\$ 326,611	\$ 326,611	\$ 322,270	\$ 4,341
Maintenance	1,620,194	1,620,194	1,526,943	93,251
Construction	3,201,091	3,201,091	3,211,784	(10,693)
Equipment maintenance shops	391,278	485,525	411,820	73,705
Total highways and streets	\$ 5,539,174	\$ 5,633,421	\$ 5,472,817	\$ 160,604
Culture and recreation				
Parks	91,511	91,511	82,138	9,373
Conservation of natural resources				
Agricultural inspection	13,050	13,050	12,306	744
Intergovernmental				
Highways and streets	180,981	180,981	191,186	(10,205)
Capital outlay				
Highways and streets	667,270	667,270	661,092	6,178
Total Expenditures	\$ 6,491,986	\$ 6,586,233	\$ 6,419,539	\$ 166,694
Excess of Revenues Over (Under) Expenditures	\$ (151,000)	\$ (151,000)	\$ 752,494	\$ 903,494
Other Financing Sources (Uses)				
Transfers in	-	-	94,247	94,247
Net Change in Fund Balance	\$ (151,000)	\$ (151,000)	\$ 846,741	\$ 997,741
Fund Balance - January 1	6,306,304	6,306,304	6,306,304	-
Increase (decrease) in inventories	-	-	(113,079)	(113,079)
Fund Balance - December 31	\$ 6,155,304	\$ 6,155,304	\$ 7,039,966	\$ 884,662

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

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,140,707	\$ 4,140,707	\$ 4,098,253	\$ (42,454)
Intergovernmental	4,432,684	4,535,884	5,023,308	487,424
Charges for services	257,800	257,800	473,557	215,757
Investment earnings	-	-	262	262
Miscellaneous	216,250	216,250	201,903	(14,347)
Total Revenues	\$ 9,047,441	\$ 9,150,641	\$ 9,797,283	\$ 646,642
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,083,651	\$ 3,083,651	\$ 3,107,782	\$ (24,131)
Social services	6,068,465	6,110,000	5,936,014	173,986
Total Expenditures	\$ 9,152,116	\$ 9,193,651	\$ 9,043,796	\$ 149,855
Net Change in Fund Balance	\$ (104,675)	\$ (43,010)	\$ 753,487	\$ 796,497
Fund Balance - January 1	4,815,614	4,815,614	4,815,614	-
Fund Balance - December 31	\$ 4,710,939	\$ 4,772,604	\$ 5,569,101	\$ 796,497

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 8

**STATEMENT OF FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2015**

Assets

Current assets	
Cash and pooled investments	\$ 2,104,683

Liabilities

Current liabilities	
Accounts payable	924,428
	<hr/>

Net Position

Unrestricted	<u><u>\$ 1,180,255</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, 2015**

Operating Revenues	
Charges for services	\$ 3,880,487
Miscellaneous revenue	<u>40,136</u>
Total Operating Revenues	\$ 3,920,623
Operating Expenses	
Professional services	<u>4,923,236</u>
Change in Net Position	\$ (1,002,613)
Net Position - January 1	<u>2,182,868</u>
Net Position - December 31	<u><u>\$ 1,180,255</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 10

**STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,880,487
Receipts from service providers	40,136
Payments to service providers	<u>(4,208,540)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (287,917)
Cash and Cash Equivalents at January 1	<u>2,392,600</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 2,104,683</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (1,002,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	<u>714,696</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (287,917)</u></u>

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 11

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015

Assets

Cash and pooled investments	<u>\$ 1,642,444</u>
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Liabilities

Due to other governments	<u>\$ 1,642,444</u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2015 were \$129,718.

**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 2010 through 2015 and noncurrent special assessments payable in 2016 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

Nicollet County's policy permits 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. Compensated absences are 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 reports 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 has one item, deferred pension outflows, which qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position reports 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 two types of items, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the

**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

8. Deferred Outflows/Inflows of Resources (Continued)

governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share.

9. Pension Plan

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

10. Unearned Revenue

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

11. 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.

**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 Net Position (Continued)

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

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

12. 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.

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 are 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.

**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

12. Classification of Fund Balances (Continued)

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

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

13. Use of Estimates

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

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

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

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

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

	<u>Governmental Activities</u>
Net Position, January 1, 2015, as previously reported	\$ 104,288,291
Change in accounting principles	<u>(9,127,838)</u>
Net Position, January 1, 2015, as restated	<u>\$ 95,160,453</u>

**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 amend the revenue and expenditure budgets.

B. Deficit Fund Equity

On the full accrual basis of accounting, 48 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, 2015, using the full accrual basis of accounting.

Account balances	\$ 218,893
Account balance deficit	<u>(224,513)</u>
Fund Equity - Full Accrual Basis	<u>\$ (5,620)</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 and bonds payable do not affect fund balance. Noncurrent receivables are deferred inflows of resources and bonds payable are not reported. Using this basis of accounting, 56 ditches had fund deficits.

Account balances (ditch maintenance and repairs and nonspendable)	\$ 310,640
Account balance deficit	<u>(660,104)</u>
 Fund Balance - Modified Accrual Basis	 <u>\$ (349,464)</u>

C. Deficit Fund Balance

The Ditch Special Revenue Fund had a deficit fund balance of \$349,464 at December 31, 2015, which will be eliminated by special assessments and disaster grant funding.

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	\$ 25,718,147
Internal Service Fund	
Cash and pooled investments	2,104,683
Fiduciary funds - agency funds	
Cash and pooled investments	<u>1,642,444</u>
 Total Cash and Investments	 <u>\$ 29,465,274</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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, 2015, \$1,998,009 of the County's deposits were exposed to custodial credit risk.

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

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, 2015, 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	\$ 4,021,808	\$ 4,021,808	\$ -
Negotiable certificates	4,842,283	-	4,842,283
U.S. government securities (1)	<u>3,461,680</u>	<u>-</u>	<u>3,461,680</u>
Total	<u>\$ 12,325,771</u>	<u>\$ 4,021,808</u>	<u>\$ 8,303,963</u>

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

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, 2015, is as follows:

<u>S&P Rating</u>	<u>Fair Value</u>
AA+	\$ 3,461,680
AAAm	<u>4,021,808</u>
Total	<u>\$ 7,483,488</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2015, none of the County's investments were subject to custodial credit risk.

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:

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank (FHLB)	\$ 1,993,695
Federal Home Loan Mortgage Corporation (FHLMC)	<u>1,094,560</u>
Total	<u>\$ 3,088,255</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, 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 - delinquent	\$ 278,794	\$ -
Special assessments - delinquent	20,838	-
Special assessments - noncurrent	832,966	594,635
Accounts	840,379	-
Accrued interest	29,108	-
Due from other governments	3,298,691	-
Total Governmental Activities	\$ 5,300,776	\$ 594,635

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,452,305	\$ 385,788	\$ -	\$ 4,838,093
Construction in progress	4,990,066	121,115	4,899,898	211,283
Total capital assets not depreciated	\$ 9,442,371	\$ 506,903	\$ 4,899,898	\$ 5,049,376
Capital assets depreciated				
Buildings	\$ 15,251,063	\$ 12,096,995	\$ -	\$ 27,348,058
Land improvements	459,156	-	-	459,156
Machinery and equipment	7,383,783	1,889,921	392,696	8,881,008
Infrastructure	94,473,756	2,998,190	-	97,471,946
Total capital assets depreciated	\$ 117,567,758	\$ 16,985,106	\$ 392,696	\$ 134,160,168

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 6,817,937	\$ 688,053	\$ -	\$ 7,505,990
Land improvements	336,525	15,924	-	352,449
Machinery and equipment	4,905,260	954,373	381,474	5,478,159
Infrastructure	26,432,942	1,901,772	-	28,334,714
Total accumulated depreciation	\$ 38,492,664	\$ 3,560,122	\$ 381,474	\$ 41,671,312
Total capital assets depreciated, net	\$ 79,075,094	\$ 13,424,984	\$ 11,222	\$ 92,488,856
Governmental Activities Capital Assets, Net	\$ 88,517,465	\$ 13,931,887	\$ 4,911,120	\$ 97,538,232

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

General government	\$ 741,113
Public safety	251,637
Highways and streets, including depreciation of infrastructure assets	2,411,004
Human services	153,461
Culture and recreation	411
Conservation of natural resources	693
Sanitation	1,803
Total Depreciation Expense	\$ 3,560,122

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Human Services	\$ 46,823	Utilities and services
	Debt Service	393,527	Bond proceeds
Road and Bridge	General	94,247	Notes proceeds
	Ditch	20	Equipment
Total Due To/From Other Funds		\$ 534,617	

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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 Receivables/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 257,343</u>

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments. The balance due from the Ditch Special Revenue Fund is not expected to be repaid within the year.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of a transfer from the Revolving Loan Special Revenue Fund to the General Fund of \$15,781 for septic loan interest payments and a transfer from the General Fund to the Road and Bridge Special Revenue Fund of \$94,247 for the reallocation of capital improvements notes proceeds for the purchase of a motor grader.

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

**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)

Voluntary Employee's Beneficiary Association (VEBA) health savings account. The cost of this program totaled \$71,360 in 2015. This includes \$28,800 for health insurance, \$5,280 for dental insurance, and \$37,820 for VEBA payments.

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, 2015, one retiree family was receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2015, the County recognized \$16,176 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 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 \$101,172 for 2015. A separate, audited GAAP-basis postemployment plan report is not issued.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB) (Continued)

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		32,729
Adjustment to ARC		(46,400)
Annual OPEB cost (expense)	\$	221,678
Contributions made		(188,708)
Increase in net OPEB obligation	\$	32,970
Net OPEB Obligation - Beginning of Year		818,233
Net OPEB Obligation - End of Year	\$	851,203

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, 2013, 2014, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 191,081	\$ 110,846	58.01%	\$ 732,877
December 31, 2014	221,139	135,783	61.40	818,233
December 31, 2015	221,678	188,708	85.13	851,203

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB) (Continued)

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.

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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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, 2015, was 22 years.

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2008A G.O. Road Reconstruction Bonds	2024	\$440,000 - \$615,000	3.50 - 3.65	\$ 6,985,000	\$ 4,690,000
2008A G.O. Drainage Bonds	2023	\$45,000 - \$55,000	3.30 - 3.60	815,000	410,000
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
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	\$450,000 - \$460,000	2.00	<u>1,345,000</u>	<u>910,000</u>
Total general obligation bonds				<u>\$ 20,140,000</u>	\$ 17,005,000
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
Plus: unamortized premium					<u>739,314</u>
Total General Obligation Bonds and Notes, Net					<u>\$ 19,124,314</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt (Continued)

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.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
2005 Seven Mile Creek Watershed Continuation CWP Project	2018	\$ 10,694	2.00	\$ 192,974	\$ 61,975
2006 Rush River Watershed	2018	5,141	2.00	92,781	24,954
2007 Middle Minnesota Watershed	2020	17,108	2.00	308,726	162,037
2007 Rush River Watershed	2021	10,442	2.00	188,425	117,521
2011 Middle River Watershed	2024	16,874	2.00	195,574	177,721
2014 Rush River Watershed	2026	8,645	2.00	50,000	50,000
2015 Middle Minnesota Watershed	2027	17,290	2.00	23,903	23,903
Totals				<u>\$ 1,052,383</u>	<u>\$ 618,111</u>

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		General Obligation Notes		Loans*	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,085,000	\$ 627,298	\$ 325,000	\$ 54,275	\$ 98,049	\$ 10,396
2017	1,115,000	595,610	335,000	42,700	100,020	8,426
2018	1,180,000	553,660	350,000	27,250	96,889	6,415
2019	1,215,000	502,435	370,000	9,250	72,149	4,626
2020	1,340,000	447,755	-	-	73,599	3,176
2021 - 2025	6,900,000	1,376,693	-	-	103,502	4,084
2026 - 2029	4,170,000	339,137	-	-	-	-
Total	\$ 17,005,000	\$ 4,442,588	\$ 1,380,000	\$ 133,475	\$ 544,208	\$ 37,123

*The debt service requirements for the loans from the Minnesota Pollution Control Agency of \$50,000 and \$23,903 are not known as of December 31, 2015.

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 18,210,000	\$ -	\$ 1,205,000	\$ 17,005,000	\$ 1,085,000
General obligation notes	1,380,000	-	-	1,380,000	325,000
Less: unamortized discounts	(120)	-	(120)	-	-
Plus: unamortized premiums	840,861	-	101,547	739,314	-
Total bonds and notes payable	\$ 20,430,741	\$ -	\$ 1,306,427	\$ 19,124,314	\$ 1,410,000
Loans payable	664,960	61,086	107,935	618,111	98,049
Compensated absences	1,472,922	1,086,144	630,125	1,928,941	1,120,561
Total Long-Term Liabilities	\$ 22,568,623	\$ 1,147,230	\$ 2,044,487	\$ 21,671,366	\$ 2,628,610

Compensated absences, other postemployment benefits liability, and pension liabilities are generally liquidated by the General Fund and the Road and Bridge and Human Service Special Revenue Funds.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Unearned Revenue/Deferred Inflows of Resources

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

	Unearned Revenue	Deferred Inflows of Resources - Unavailable Revenue
Taxes and special assessments, delinquent and deferred Highway allotments that do not provide current financial resources	\$ -	\$ 1,064,774
Grants	-	1,937,625
Charges for services	87,188	327,326
Interest	-	683,637
	-	12,299
Total Governmental Funds	\$ 87,188	\$ 4,025,661

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.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. 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	
	2015	2014
Unpaid claims, January 1	\$ 209,732	\$ 166,008
Incurred claims (including IBNRs)	4,247,030	2,640,492
Claims payments	(3,532,334)	(2,596,768)
Unpaid Claims, December 31	\$ 924,428	\$ 209,732

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

1. 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

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

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

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

General Employees Retirement Fund	\$	802,319
Public Employees Police and Fire Fund		155,415
Public Employees Correctional Fund		69,841

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$8,782,899 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.1695 percent. It was 0.1811 percent measured as of June 30, 2014. The County recognized pension expense of \$1,043,848 for its proportionate share of the General Employees Retirement Fund's pension expense.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 442,807
Difference between projected and actual investment earnings	831,436	-
Changes in proportion	-	380,671
Contributions paid to PERA subsequent to the measurement date	401,767	-
Total	\$ 1,233,203	\$ 823,478

The \$401,767 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (66,634)
2017	(66,634)
2018	(66,634)
2019	207,860

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$1,113,509 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.098 percent. It was 0.098 percent measured as of June 30, 2014. The County recognized pension expense of \$191,884 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$8,820 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 180,575
Difference between projected and actual investment earnings	194,011	-
Contributions paid to PERA subsequent to the measurement date	80,587	-
Total	\$ 274,598	\$ 180,575

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The \$80,587 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 12,388
2017	12,388
2018	12,388
2019	12,388
2020	(36,116)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$63,386 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.41 percent. It was 0.41 percent measured as of June 30, 2014. The County recognized pension expense of \$68,404 for its proportionate share of the Public Employees Correctional Fund's pension expense.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 24,268
Difference between projected and actual investment earnings	52,837	-
Contributions paid to PERA subsequent to the measurement date	36,026	-
Total	\$ 88,863	\$ 24,268

The \$36,026 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 5,120
2017	5,120
2018	5,120
2019	13,209

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$1,304,136.

5. Actuarial Assumptions

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

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

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

6. Discount Rate

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

7. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 13,809,839	\$ 8,782,899	\$ 4,631,419
Public Employees Police and Fire Fund net pension liability	2,170,241	1,113,509	240,465
Public Employees Correctional Fund net pension liability (asset)	441,431	63,386	(239,202)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

Four employees of 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,290	\$ 7,290
Percentage of covered payroll	5%	5%

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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

B. 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, 2014, the most current information available, the Health Services Board had a net position of \$743,164.

Complete financial statements for the Health Services Board can be obtained at 622 South Front Street, 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.

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Madelia, Mankato, North Mankato, St. James, and St. Peter. 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 \$14,233 to the Task Force in 2015. 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Nicollet County Family Services Collaborative (Continued)

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 2015. 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 a 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. The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. During the year, Nicollet County contributed \$1,000 to the partnership. 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

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 2015, 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.

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, Sibley, Waseca, and Watonwan Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is composed 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 2015, Nicollet County did not make financial contributions to this Board. Separate financial information can be obtained from the 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Solid Waste (Continued)

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 \$65,300 in 2015. Nicollet County became the fiscal agent effective January 1, 2015. Current financial statements are not available.

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, LeSueur, and Nicollet Counties, and the Cities of Mankato and 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. Nicollet County's responsibility does not extend beyond making the appointments to the Board.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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 Board. During the year, Nicollet County paid \$2,545 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 \$104,279 to the MCCC.

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, Nicollet County made no payments to the joint powers.

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. Nicollet County did not contribute to the Board in 2015.

**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, Nicollet 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, Nicollet County paid \$7,576 to the Board.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization 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 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. During the year, Nicollet County contributed \$1,000 to the Organization.

**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 2015 is \$112,467. The proportionate shares of the counties may change for years 2016 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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	0.00%	\$ 9,600,349	16.47%
January 1, 2012	-	1,575,848	1,575,848	0.00	9,263,282	17.01
January 1, 2014	-	1,856,018	1,856,018	0.00	11,351,116	16.35

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-2

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1695%	\$ 8,782,899	\$ 9,971,196	88.08%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-3

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 802,319	\$ 802,319	-	\$ 10,697,561	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-4

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.098%	\$ 1,113,509	\$ 898,436	123.94%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 155,415	\$ 155,415	\$ -	\$ 959,354	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-6

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.41%	\$ 63,386	\$ 732,578	8.65%	96.95%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 69,841	\$ 69,841	\$ -	\$ 798,177	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,144,575	\$ 2,144,575	\$ 2,122,096	\$ (22,479)
Intergovernmental	-	-	32,481	32,481
Total Revenues	\$ 2,144,575	\$ 2,144,575	\$ 2,154,577	\$ 10,002
Expenditures				
Debt service				
Principal	\$ 1,457,122	\$ 1,457,122	\$ 1,150,000	\$ 307,122
Interest	687,453	687,453	704,610	(17,157)
Administrative charges	-	-	554	(554)
Total Expenditures	\$ 2,144,575	\$ 2,144,575	\$ 1,855,164	\$ 289,411
Net Change in Fund Balance	\$ -	\$ -	\$ 299,413	\$ 299,413
Fund Balance - January 1	2,172,914	2,172,914	2,172,914	-
Fund Balance - December 31	\$ 2,172,914	\$ 2,172,914	\$ 2,472,327	\$ 299,413

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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.

The Tri-County Solid Waste Fund accounts for collections and disbursements for the Tri-County Solid Waste joint venture.

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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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>136,136</u>	\$ <u>483,367</u>	\$ <u>538,895</u>	\$ <u>80,608</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>136,136</u>	\$ <u>483,367</u>	\$ <u>538,895</u>	\$ <u>80,608</u>
 <u>SETTLEMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>499,778</u>	\$ <u>70,644,681</u>	\$ <u>70,616,101</u>	\$ <u>528,358</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>499,778</u>	\$ <u>70,644,681</u>	\$ <u>70,616,101</u>	\$ <u>528,358</u>
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>203,736</u>	\$ <u>4,053,998</u>	\$ <u>4,073,102</u>	\$ <u>184,632</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>203,736</u>	\$ <u>4,053,998</u>	\$ <u>4,073,102</u>	\$ <u>184,632</u>

**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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY HEALTH SERVICE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>506,683</u>	\$ <u>1,572,115</u>	\$ <u>1,522,558</u>	\$ <u>556,240</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>506,683</u>	\$ <u>1,572,115</u>	\$ <u>1,522,558</u>	\$ <u>556,240</u>
 <u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>329,045</u>	\$ <u>162,539</u>	\$ <u>232,631</u>	\$ <u>258,953</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>329,045</u>	\$ <u>162,539</u>	\$ <u>232,631</u>	\$ <u>258,953</u>
 <u>TRI-COUNTY SOLID WASTE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>-</u>	\$ <u>237,196</u>	\$ <u>203,543</u>	\$ <u>33,653</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>-</u>	\$ <u>237,196</u>	\$ <u>203,543</u>	\$ <u>33,653</u>

**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, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>1,675,378</u>	\$ <u>77,153,896</u>	\$ <u>77,186,830</u>	\$ <u>1,642,444</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>1,675,378</u>	\$ <u>77,153,896</u>	\$ <u>77,186,830</u>	\$ <u>1,642,444</u>

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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, 2015**

Appropriations and Shared Revenue

State

Highway users tax	\$ 4,719,372
County program aid	1,298,964
PERA rate reimbursement	17,138
Disparity reduction aid	11,667
Police aid	107,006
Enhanced 911	110,476
Market value credit	271,631
SCORE	99,028
Aquatic invasive species prevention aid	37,331
	<u>6,672,613</u>

Total appropriations and shared revenue **\$ 6,672,613**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 923,701
	<u>923,701</u>

Payments

Local

Payments in lieu of taxes	\$ 36,906
	<u>36,906</u>

Grants

State

Minnesota Department of	
Public Safety	\$ 83,637
Transportation	71,726
Health	106,115
Natural Resources	8,383
Human Services	1,771,682
Veterans Affairs	9,856
Corrections	293,124
Water and Soil Resources Board	108,943
	<u>2,453,466</u>

Total state **\$ 2,453,466**

Federal

Department of	
Agriculture	\$ 361,685
Transportation	116,956
Education	4,187
Health and Human Services	2,416,941
Homeland Security	254,919
	<u>3,154,688</u>

Total federal **\$ 3,154,688**

Total state and federal grants **\$ 5,608,154**

Total Intergovernmental Revenue **\$ 13,241,374**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 111,978
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN101S2514	<u>249,707</u>
Total U.S. Department of Agriculture			<u>\$ 361,685</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00052	<u>\$ 12,934</u>
U.S. Department of Education			
Passed Through Brown-Nicollet Community Health Services Special Education - Grants for Infants and Families	84.181	H181A150029	<u>\$ 4,187</u>
U.S. Department of Health and Human Services			
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	90TP000529	\$ 28,337
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 - \$449,209)</i>	93.558	1502MNTANF	30,265
Maternal and Child Health Services Block Grant to the States	93.994	16162MN004W1003	33,452
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1401MNFPS	2,415
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 - \$449,209)</i>	93.558	1502MNTANF	418,944
Child Support Enforcement	93.563	1604MNCEST	723,172
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCA	350
Child Care and Development Block Grant	93.575	G1501MNCDF	21,341
Community-Based Child Abuse Prevention Grants	93.590	1302MNFPG	17,788
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWS	1,592
Foster Care - Title IV-E	93.658	1501MNFOS	161,220
Social Services Block Grant	93.667	1501MNSOS	126,945
Chafee Foster Care Independence Program	93.674	1401MN142	2,968
Children's Health Insurance Program	93.767	1405MN502	115
Medical Assistance Program	93.778	1505MN5ADM	<u>1,010,255</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,579,159</u>

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMNP0000001	\$ 397,654
Emergency Management Performance Grants	97.042	F-EMPG-2015-NICOLLCO-1031	21,905
Emergency Management Performance Grants	97.042	F-EMPG-2015-NICOLLCO-1101	1,369
<i>(Total Emergency Management Performance Grants 97.042 - \$23,274)</i>			
Total U.S. Department of Homeland Security			\$ 420,928
Total Federal Awards			\$ 3,378,893

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Nicollet County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,154,688
Grants received more than 60 days after year-end, unavailable in 2015	
Child Support Enforcement (CFDA #93.563)	24,900
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	245,495
Unavailable in 2014, recognized as revenue in 2015	
Highway Planning and Construction (CFDA #20.205)	(104,022)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(79,486)
Collaborative Grants (received into an agency fund)	
Foster Care - Title IV-E (CFDA #93.658)	65,572
Medical Assistance (CFDA #93.778)	71,746
	71,746
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,378,893

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBRE 31, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medical Assistance	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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

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

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.

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 non-detection of 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 made for December 31, 2015:

- Adjustments were made in the Ditch Special Revenue Fund to reclassify \$75,699 as state and federal grants rather than special assessment revenue and to record additional receivables and unavailable revenue of \$327,326 for state and federal grants funds received in 2016 for 2015 expenditures.
- An adjustment of \$257,343 was made in the Ditch Special Revenue Fund to record the negative cash balance as an interfund payable to the General Fund.
- Adjustments of \$1,947,621, \$1,278,858, \$615,468, and \$51,476 were made in the General Fund, Debt Service Fund, Ditch Special Revenue Fund, and Revolving Loan Special Revenue Fund, respectively, to properly report fund balance classifications.

Cause: The County informed us that it did not have adequate procedures in place which allowed for further review of account balances and supporting documentation.

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

Individual Ditch 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 of \$100,000, whichever is larger.

Condition: The County had ditch systems with individual deficit cash balances and individual fund deficit balances at December 31, 2015.

Context: At December 31, 2015, 55 ditch systems had negative cash balances totaling \$320,888, and 48 ditch systems had fund deficit balances totaling \$224,513.

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.

ITEMS ARISING THIS YEAR

Finding 2015-001

Ditch Special Revenue Fund Cash Deficit

Criteria: As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Financial Services Director. The County Board has oversight responsibilities for the property, funds, and business of the County. The Board should be notified if a fund does not have sufficient money available to cover expenditures so that it can provide temporary or permanent resources as needed for the fund.

Condition: As of December 31, 2015, the Ditch Special Revenue Fund had a deficit cash balance.

Context: At December 31, 2015, the Ditch Special Revenue Fund had a negative cash balance totaling \$257,343.

Effect: Allowing payment of expenditures from the Ditch Special Revenue Fund when cash balances were not available resulted in deficit cash balances in this fund, which is inconsistent with Minn. Stat. § 385.04.

Cause: The Ditch Special Revenue Fund did not have sufficient resources to cover expenditures, as ditch levies were not sufficient to cover the ditch work performed.

Recommendation: We recommend the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit when a payment is made from that fund.

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 2016. There was substantial work that was completed and paid for in 2015. As of December 31, 2015, pending expenses for reimbursement from FEMA was \$405,370.27, which would have put the ditch fund in the positive.

Finding 2015-002

Insufficient Collateral

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

Condition: At December 31, 2015, the governmental entity had deposits at Citizens Bank that were not adequately covered by collateral.

Context: Nicollet County's deposits at Citizens Bank had insufficient collateral coverage by \$1,998,009 as of December 31, 2015.

Effect: When a governmental entity has insufficient collateral with a bank, the entity may not receive all deposits in the event of bank default.

Cause: In December 2015, Nicollet County experienced changes to its Investment Services on its cash sweep option account, adding a Flex Insured Option. The change in options did not provide notification of collateral deficits from the investment broker to insure adequate pledged collateral to secure deposits.

Recommendation: We recommend Nicollet County monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

Nicollet County has reviewed its sweep cash account options with the bank and has removed the Flex Insured Option to insure adequate collateral under U.S. Treasury Obligations.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Ditch Special Revenue Fund Deficit Fund Balance (2014-001)

During the prior year, the assets in the County's Ditch Special Revenue Fund did not exceed liabilities, resulting in a deficit fund balance amount.

Resolution

As of December 31, 2015, there were no significant deficit balances. On the full accrual basis, the deficit in the fund is not significant.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, 2015, 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 10, 2016.

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.

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. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001, that we consider to be a significant deficiency.

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 Counties*, 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 Counties*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001, 2015-001, and 2015-002. 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.

Nicollet County's Response to Findings

Nicollet County's responses to the internal control and legal compliance 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 Counties* 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 10, 2016

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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) *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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 10, 2016