

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

---

**BROWN COUNTY**  
**NEW ULM, 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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Year Ended December 31, 2015**



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

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		6
Basic Financial Statements		
County-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	19
Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Position--Governmental Activities	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	5	22
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities--Governmental Activities	6	24
Budgetary Comparison Statements		
General Fund	7	25
Road and Bridge Special Revenue Fund	8	28
Family Services Special Revenue Fund	9	29
Landfill Special Revenue Fund	10	30
County Ditch Special Revenue Fund	11	31
Statement of Fiduciary Net Position - Agency Funds	12	32
Notes to the Financial Statements		33
Required Supplementary Information		
Schedule of Funding Progress - Other Postemployment Benefits	A-1	87
PERA General Employees Retirement Fund		
Schedule of Proportionate Share of Net Pension Liability	A-2	88
Schedule of Contributions	A-3	88
PERA Public Employees Police and Fire Fund		
Schedule of Proportionate Share of Net Pension Liability	A-4	89
Schedule of Contributions	A-5	89
PERA Public Employees Correctional Fund		
Schedule of Proportionate Share of Net Pension Liability	A-6	90
Schedule of Contributions	A-7	90

**BROWN COUNTY  
NEW ULM, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section (Continued)</b>		
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules		
Nonmajor Governmental Fund		91
Budgetary Comparison Schedule - Building and Capital		
Improvements Capital Projects Fund	B-1	92
Agency Funds		93
Combining Statement of Changes in Assets and Liabilities - All		
Agency Funds	C-1	94
Schedules		
Schedule of Deposits and Investments	D-1	98
Schedule of Intergovernmental Revenue - Governmental Funds	D-2	99
Schedule of Expenditures of Federal Awards	D-3	101
Notes to the Schedule of Expenditures of Federal Awards		103
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs		104
Report on Internal Control Over Financial Reporting and on		
Compliance and Other Matters Based on an Audit of Financial		
Statements Performed in Accordance with <i>Government Auditing</i>		
<i>Standards</i>		
		109
Report on Compliance for Each Major Federal Program and Report		
on Internal Control Over Compliance		
		112



This page was left blank intentionally.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

ORGANIZATION  
2015

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Richard Seeboth	January 2017
2nd District	James Berg	January 2017
3rd District	Scott Windschitl*	January 2017
4th District	Dean M. Simonsen	January 2019
5th District	Dennis Potter	January 2019
<b>Officers</b>		
<b>Elected</b>		
Attorney	Chuck Hanson	January 2019
Auditor/Treasurer	Jean Prochniak	January 2019
County Recorder	Betti Kamolz	January 2019
Sheriff	Rich Hoffmann	January 2019
<b>Appointed</b>		
Administrator	Charles Enter	Indefinite
Assessor	Rita Treml	January 31, 2016
Family Services Director	Tom Henderson	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2018
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	May 31, 2018
Human Resources Director	Ruth Schaefer	Indefinite
<b>Planning and Zoning</b>		
Administrator	Laine Sletta	Indefinite
Public Health Director	Karen Moritz	Indefinite
Veterans Service Officer	Greg Peterson	April 11, 2017
Lay Board Member	Elizabeth Mohr	December 31, 2015
Lay Board Member	Judy Kuster	December 31, 2015

\*Chair

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Brown County  
New Ulm, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown 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 did not audit the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely upon the report of the other auditors. We also did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Brown County has an equity interest. The SCHA is a joint venture discussed in Note 6.C. to the financial statements. The County's investment in the SCHA, \$3,112,575, represents 2.8 percent and 3.2 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied

procedures on the conversion adjustments to the financial statements of the SCHA, which conform to financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. 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. The financial statements of Brown County Economic Development Partners, Inc., and the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Landfill Special Revenue Fund, and the County Ditch 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.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brown 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 September 8, 2016, on our consideration of Brown 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 Brown County's internal control over financial reporting and compliance. It does not include Brown County Economic Development Partners, Inc., or the South Country Health Alliance, which were audited by other auditors.

## **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 Brown 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* 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*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 8, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(Unaudited)**

As management of Brown County, we offer readers of the Brown County financial statements this narrative overview and analysis of the financial activities of Brown 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 Brown County exceeded its liabilities and deferred inflows of resources at the close of 2015 by \$97,478,096. Of this amount, \$7,297,538 (unrestricted net position) may be used to meet Brown County's ongoing obligations to citizens and creditors.
- Brown County's total net position increased by \$2,365,774 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E.
- At the close of 2015, Brown County's governmental funds reported combined ending fund balances of \$22,400,081. The amount of \$3,659,326 is unassigned and is available for spending at the County's discretion.
- At the close of 2015, unassigned fund balance for the General Fund was \$3,829,678, or 29.8 percent, of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to Brown County's basic financial statements. Brown County's basic financial statements are comprised of three components: (1) county-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.

## **County-Wide Financial Statements**

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

The statement of net position presents information on all of Brown 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 Brown 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 (for example, uncollected taxes and earned but unused vacation leave).

The county-wide financial statements list the functions of Brown County principally supported by taxes and intergovernmental revenues. The governmental activities of Brown County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. There are no business-type activities within Brown County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The county-wide financial statements include not only Brown County itself (the primary government), but also the legally separate Economic Development Partners, Inc. (EDP). The EDP, although legally separate, functions for all practical purposes as an integral part of Brown County and, therefore, has been included in the county-wide financial statements.

The county-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. Brown 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 Brown County can be divided into two categories: governmental funds and fiduciary funds.

Because the focus of governmental funds is narrower than that of the county-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the county-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term

financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance 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 county-wide financial statements. However, unlike the county-wide financial statements, County fund-level financial statements focus on short-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 the County's short-term financing requirements.

Brown County reports five major funds and one nonmajor governmental fund. The major funds are: the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Landfill Special Revenue Fund, and County Ditch Special Revenue Fund. The nonmajor governmental fund is the Building and Capital Improvements Capital Projects Fund. Information is presented separately for the major funds and in the aggregate for the nonmajor funds in Exhibits 3 and 5.

**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. Brown County's fiduciary funds consist of 11 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 county-wide financial statements because those resources are not available to support the County's programs.

Brown County's governmental fund financial statements are on Exhibits 3 through 11, and Brown County's fiduciary funds are on Exhibit 12.

### **Notes to the Financial Statements**

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 Brown County's progress in funding its obligation to provide other postemployment benefits to its employees and schedules of the proportionate share of net pension liability and schedules of contributions. Required supplementary information can be found on Exhibits A-1 through A-7. In addition, the County also provides supplementary information on Brown County's deposits and investments, intergovernmental revenues, and expenditures of federal awards (Exhibits D-1 through D-3).

Brown County adopts an annual appropriated budget for its General Fund, the special revenue funds, and the capital projects fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

## COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Brown County's assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$97,478,096 at the close of 2015. The largest portion of Brown County's net position (84.6 percent) reflects its investment in capital assets (such as land, buildings, and equipment); however, it should be noted that these assets are not available for future spending. Comparative data with 2014 is presented.

**Table 1**  
**Governmental Net Position**

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 29,148,938	\$ 28,613,641
Capital assets	<u>82,508,000</u>	<u>81,333,564</u>
Total Assets	<u>\$ 111,656,938</u>	<u>\$ 109,947,205</u>
Deferred Outflows of Resources	<u>\$ 1,493,671</u>	<u>\$ -</u>
Liabilities		
Long-term liabilities outstanding	\$ 13,239,017	\$ 3,914,581
Other liabilities	<u>1,270,596</u>	<u>2,082,385</u>
Total Liabilities	<u>\$ 14,509,613</u>	<u>\$ 5,996,966</u>
Deferred Inflows of Resources	<u>\$ 1,162,900</u>	<u>\$ -</u>
Net Position		
Investment in capital assets	\$ 82,508,000	\$ 81,333,564
Restricted	7,672,558	7,617,993
Unrestricted	<u>7,297,538</u>	<u>14,998,682</u>
Total Net Position, as reported	<u>\$ 97,478,096</u>	<u>\$ 103,950,239</u>
Change in accounting principles*		<u>(8,837,917)</u>
Total Net Position, as restated		<u>\$ 95,112,322</u>

\*During the year ended December 31, 2015, the County implemented the new pension accounting and financial reporting standards, GASB Statements 68 and 71. Accordingly, the County recorded a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

The unrestricted net position amount of \$7,297,538 as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors.

### Governmental Activities

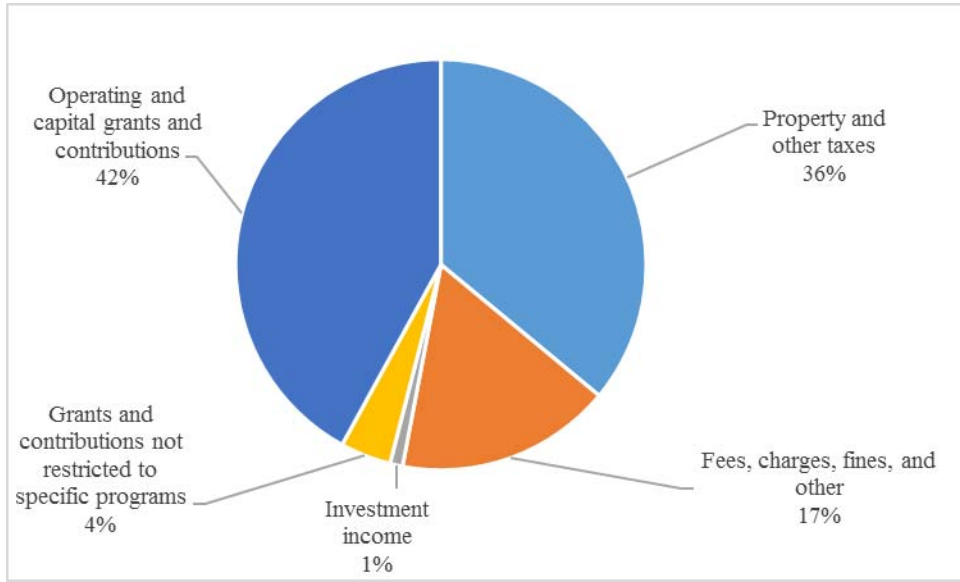
The County's activities from operations increased net position by \$2,365,774, or 2.5 percent (\$95,112,322, as restated, in 2014 to \$97,478,096 in 2015). Table 2 summarizes the changes in net position for 2015.

**Table 2**  
**Changes in Governmental Net Position**

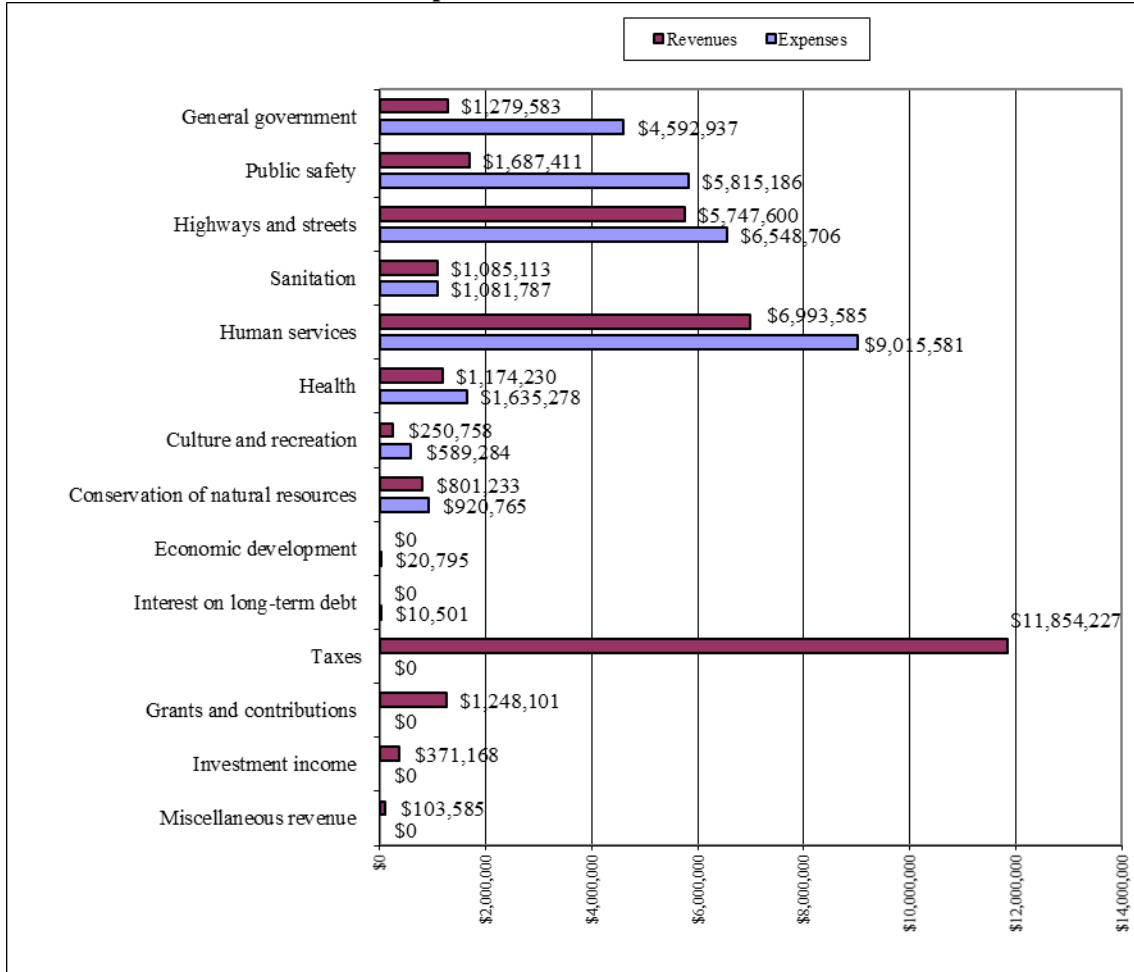
	2015	2014
Revenues		
Program revenues		
Charges for services	\$ 5,344,570	\$ 6,076,750
Operating grants and contributions	13,114,562	11,948,348
Capital grants and contributions	560,381	1,579,573
General revenues		
Property taxes	11,483,802	11,305,279
Other	2,093,279	2,854,068
Total Revenues	\$ 32,596,594	\$ 33,764,018
Expenses		
General government	\$ 4,592,937	\$ 4,423,669
Public safety	5,815,186	5,295,236
Highways and streets	6,548,706	5,135,096
Sanitation	1,081,787	257,835
Human services	9,015,581	9,236,393
Health	1,635,278	1,630,269
Culture and recreation	589,284	356,917
Conservation of natural resources	920,765	842,312
Economic development	20,795	5,795
Interest	10,501	12,539
Total Expenses	\$ 30,230,820	\$ 27,196,061
Increase in Net Position	\$ 2,365,774	\$ 6,567,957
Net Position - January 1, as restated	95,112,322*	97,382,282
Net Position - December 31	\$ 97,478,096	\$ 103,950,239

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

### Revenues by Source - 2015



### Expenses and Revenues - 2015



(Unaudited)



Total revenues for the County were \$32,596,594, while total expenses were \$30,230,820. This reflects a \$2,365,774 increase in net position for the year ended December 31, 2015.

## **FINANCIAL ANALYSIS OF THE COUNTY'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.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,400,081, an increase of \$1,105,134 in comparison with the prior year. Of this amount, \$3,659,326 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,829,678, while total General Fund balance was \$5,448,610. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.8 percent of total General Fund expenditures, while total fund balance represents 42.4 percent of that same amount.

### **General Fund Budgetary Highlights**

There were no changes between the original budget and the final amended budget. Total General Fund revenues exceeded budgeted revenues by \$851,236, due in large part to grant funding and to the market value of investments at December 31, 2015. Government Accounting Standards require that the County's investments reflect their market value on the balance sheet date. As with any long-term investment, the County's long-term investments are subject to market fluctuations, and the County adjusted the value accordingly. When held to maturity, the County will realize the interest earnings that are associated with these investments, which consist primarily of U.S. Government Securities and negotiable certificates of deposit. Overall, the actual expenditures exceeded budgeted expenditures by \$520,766, primarily due to unbudgeted and grant funded emergency management expenditures in the public service function.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2015, amounts to \$82,508,000 (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 \$1,174,436.

**Table 3**  
**Governmental Capital Assets**  
**(Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land	\$ 1,038,712	\$ 1,038,712
Construction in progress	212,500	571,517
Land improvements	1,408,669	1,459,370
Buildings and improvements	11,754,524	11,957,111
Machinery, furniture, and equipment	3,182,054	2,965,567
Computer software - intangible	439,083	390,295
Infrastructure	<u>64,472,458</u>	<u>62,950,992</u>
Totals	<u>\$ 82,508,000</u>	<u>\$ 81,333,564</u>

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

### Long-Term Debt

At the end of the current fiscal year, the County had no bond-related debt outstanding.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Brown County's average unemployment rate was 4.1 percent as of the end of 2015. This was slightly above the statewide rate of 3.7 percent.
- Mortgage interest rates have risen only slightly during 2015, resulting in a stable volume of mortgage refinancing.
- At the end of 2015, Brown 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 Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, P. O. Box 115, New Ulm, Minnesota 56073.

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**COUNTY-WIDE FINANCIAL STATEMENTS**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 1*

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

	<b>Primary Government Governmental Activities</b>	<b>Economic Development Partners, Inc., Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 21,494,217	\$ 9,469
Taxes receivable		
Delinquent	88,530	-
Special assessments receivable		
Delinquent	37,667	-
Current	540,225	-
Noncurrent	281,440	-
Accounts receivable	948,967	-
Accrued interest receivable	41,957	-
Loans receivable	-	324,230
Due from other governments	2,367,019	-
Inventories	236,341	-
Investment in joint venture	3,112,575	-
Capital assets		
Non-depreciable	1,251,212	-
Depreciable - net of accumulated depreciation	81,256,788	-
	<b>\$ 111,656,938</b>	<b>\$ 333,699</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	<b>\$ 1,493,671</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 440,818	\$ 1,016
Salaries payable	260,792	-
Contracts payable	105,780	-
Due to other governments	339,170	-
Accrued interest payable	546	-
Unearned revenue	123,490	-
Long-term liabilities		
Due within one year	191,868	-
Due in more than one year	3,087,845	-
Net pension liability	9,366,356	-
Other postemployment benefits obligations	592,948	-
	<b>\$ 14,509,613</b>	<b>\$ 1,016</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred pension inflows	<b>\$ 1,162,900</b>	<b>\$ -</b>

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



**BROWN COUNTY  
NEW ULM, MINNESOTA**

***EXHIBIT 1  
(Continued)***

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

	<b>Primary Government Governmental Activities</b>	<b>Economic Development Partners, Inc., Component Unit</b>
<b><u>Net Position</u></b>		
Investment in capital assets	\$ 82,508,000	\$ -
Restricted for		
General government	70,583	-
Public safety	362,094	-
Highways and streets	1,060,149	-
Human services	3,128,248	-
Conservation of natural resources	1,445,379	-
Landfill closure/postclosure	1,606,105	-
Other purposes	-	4,100
Unrestricted	7,297,538	328,583
<b>Total Net Position</b>	<b>\$ 97,478,096</b>	<b>\$ 332,683</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 4,592,937	\$ 1,097,177
Public safety	5,815,186	312,211
Highways and streets	6,548,706	155,150
Sanitation	1,081,787	1,009,092
Human services	9,015,581	1,528,791
Health	1,635,278	516,261
Culture and recreation	589,284	18,465
Conservation of natural resources	920,765	707,423
Economic development	20,795	-
Interest	10,501	-
<b>Total Primary Government</b>	<b><u>\$ 30,230,820</u></b>	<b><u>\$ 5,344,570</u></b>
<b>Component unit</b>		
Economic Development Partners, Inc.	<b><u>\$ 30,777</u></b>	<b><u>\$ 13,608</u></b>

**General Revenues**

Property taxes  
 Wheelage tax  
 Grants and contributions not restricted  
 to specific programs  
 Payments in lieu of tax  
 Investment income  
 Miscellaneous

**Total general revenues**

**Change in net position**

Net Position - January 1, as previously reported  
 Restatement (Note 1.E.)

**Net Position - January 1, as restated**

**Net Position - December 31**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Economic Development Partners, Inc., Component Unit</b>
\$ 182,406	\$ -	\$ (3,313,354)	
1,375,200	-	(4,127,775)	
5,164,043	428,407	(801,106)	
76,021	-	3,326	
5,332,820	131,974	(2,021,996)	
657,969	-	(461,048)	
232,293	-	(338,526)	
93,810	-	(119,532)	
-	-	(20,795)	
-	-	(10,501)	
<b>\$ 13,114,562</b>	<b>\$ 560,381</b>	<b>\$ (11,211,307)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (17,169)</b>
		\$ 11,483,802	\$ -
		297,794	-
		1,248,101	15,000
		72,631	-
		371,168	-
		103,585	-
		<b>\$ 13,577,081</b>	<b>\$ 15,000</b>
		<b>\$ 2,365,774</b>	<b>\$ (2,169)</b>
		\$ 103,950,239	\$ 334,852
		(8,837,917)	-
		<b>\$ 95,112,322</b>	<b>\$ 334,852</b>
		<b>\$ 97,478,096</b>	<b>\$ 332,683</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 5,022,563	\$ 4,710,628
Taxes receivable		
Delinquent	56,695	13,340
Special assessments receivable		
Delinquent	20,000	-
Current	113,914	-
Noncurrent	253,689	-
Accounts receivable	126,196	-
Accrued interest receivable	41,957	-
Due from other funds	6,738	6,555
Due from other governments	856,594	510,256
Inventories	-	236,341
	<b>\$ 6,498,346</b>	<b>\$ 5,477,120</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 152,830	\$ 21,105
Salaries payable	148,683	26,879
Contracts payable	36,346	35,434
Due to other funds	2,679	-
Due to other governments	94,484	927
Unearned revenue	101,689	8,846
	<b>\$ 536,711</b>	<b>\$ 93,191</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	\$ 513,025	\$ 499,967
<b>Fund Balances</b>		
Nonspendable	\$ -	\$ 236,341
Restricted	1,090,255	626,461
Assigned	528,677	4,021,160
Unassigned	3,829,678	-
	<b>\$ 5,448,610</b>	<b>\$ 4,883,962</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,498,346</b>	<b>\$ 5,477,120</b>

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

**EXHIBIT 3**

<u>Family Services</u>	<u>Landfill</u>	<u>County Ditch</u>	<u>Nonmajor Building and Capital Improvements</u>	<u>Total Governmental Funds</u>
\$ 5,062,616	\$ 5,527,749	\$ 779,321	\$ 391,340	\$ 21,494,217
18,267	-	-	228	88,530
-	15,349	2,318	-	37,667
-	-	426,311	-	540,225
-	-	27,751	-	281,440
770,468	52,303	-	-	948,967
-	-	-	-	41,957
-	-	-	-	13,293
924,936	212	43,921	31,100	2,367,019
-	-	-	-	236,341
<b><u>\$ 6,776,287</u></b>	<b><u>\$ 5,595,613</u></b>	<b><u>\$ 1,279,622</u></b>	<b><u>\$ 422,668</u></b>	<b><u>\$ 26,049,656</u></b>
\$ 193,326	\$ 45,518	\$ 23,039	\$ 5,000	\$ 440,818
83,206	2,024	-	-	260,792
-	-	-	34,000	105,780
10,614	-	-	-	13,293
207,742	11,000	25,017	-	339,170
12,022	933	-	-	123,490
<b><u>\$ 506,910</u></b>	<b><u>\$ 59,475</u></b>	<b><u>\$ 48,056</u></b>	<b><u>\$ 39,000</u></b>	<b><u>\$ 1,283,343</u></b>
<b><u>\$ 813,803</u></b>	<b><u>\$ 11,880</u></b>	<b><u>\$ 497,717</u></b>	<b><u>\$ 29,840</u></b>	<b><u>\$ 2,366,232</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 236,341
15,673	2,772,250	904,201	-	5,408,840
5,439,901	2,752,008	-	353,828	13,095,574
-	-	(170,352)	-	3,659,326
<b><u>\$ 5,455,574</u></b>	<b><u>\$ 5,524,258</u></b>	<b><u>\$ 733,849</u></b>	<b><u>\$ 353,828</u></b>	<b><u>\$ 22,400,081</u></b>
<b><u>\$ 6,776,287</u></b>	<b><u>\$ 5,595,613</u></b>	<b><u>\$ 1,279,622</u></b>	<b><u>\$ 422,668</u></b>	<b><u>\$ 26,049,656</u></b>

This page was left blank intentionally.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>22,400,081</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Investments in joint ventures are recorded in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		3,112,575
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		82,508,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.		2,366,232
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 1,493,671	
Deferred inflows related to pensions	<u>(1,162,900)</u>	330,771
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(546)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	\$ (471,207)	
Compensated absences	(1,642,361)	
Estimated liability for landfill closure/postclosure	(1,166,145)	
Net pension liability	(9,366,356)	
Net OPEB liability	<u>(592,948)</u>	<u>(13,239,017)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>97,478,096</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 7,383,383	\$ 2,048,018
Special assessments	166,671	-
Licenses and permits	37,906	-
Intergovernmental	3,191,762	5,932,909
Charges for services	1,561,510	24,041
Fines and forfeits	13,492	-
Gifts and contributions	-	-
Investment earnings	372,719	-
Miscellaneous	403,222	131,109
	<b>\$ 13,130,665</b>	<b>\$ 8,136,077</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,473,041	\$ -
Public safety	5,731,321	-
Highways and streets	-	7,434,513
Sanitation	-	-
Human services	-	-
Health	1,617,075	-
Culture and recreation	369,058	-
Conservation of natural resources	500,074	-
Economic development	20,795	-
<b>Intergovernmental</b>	-	347,062
<b>Debt service</b>		
Principal	113,604	-
Interest	10,411	-
	<b>\$ 12,835,379</b>	<b>\$ 7,781,575</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 295,286</b>	<b>\$ 354,502</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 60,691
Transfers out	(200,946)	-
	<b>\$ (200,946)</b>	<b>\$ 60,691</b>
<b>Net Change in Fund Balance</b>	<b>\$ 94,340</b>	<b>\$ 415,193</b>
<b>Fund Balance - January 1</b>	<b>5,354,270</b>	<b>4,532,103</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(63,334)</b>
	<b>\$ 5,448,610</b>	<b>\$ 4,883,962</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,448,610</b>	<b>\$ 4,883,962</b>

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

**EXHIBIT 5**

<u>Family Services</u>	<u>Landfill</u>	<u>County Ditch</u>	<u>Nonmajor Building and Capital Improvements</u>	<u>Total Governmental Funds</u>
\$ 2,350,499	\$ -	\$ -	\$ 180	\$ 11,782,080
-	357,970	458,321	-	982,962
-	280	-	-	38,186
5,643,446	76,896	237,906	146,430	15,229,349
1,062,807	658,440	-	-	3,306,798
-	-	-	-	13,492
5,370	-	-	-	5,370
-	-	-	-	372,719
69,538	12,237	-	8,442	624,548
<b><u>\$ 9,131,660</u></b>	<b><u>\$ 1,105,823</u></b>	<b><u>\$ 696,227</u></b>	<b><u>\$ 155,052</u></b>	<b><u>\$ 32,355,504</u></b>
\$ -	\$ -	\$ -	\$ 30,991	\$ 4,504,032
-	-	-	2,671	5,733,992
-	-	-	-	7,434,513
-	1,040,218	-	-	1,040,218
8,897,418	-	-	-	8,897,418
-	-	-	-	1,617,075
-	-	-	191,030	560,088
-	-	407,754	-	907,828
-	-	-	-	20,795
-	-	-	-	347,062
-	-	-	-	113,604
-	-	-	-	10,411
<b><u>\$ 8,897,418</u></b>	<b><u>\$ 1,040,218</u></b>	<b><u>\$ 407,754</u></b>	<b><u>\$ 224,692</u></b>	<b><u>\$ 31,187,036</u></b>
<b><u>\$ 234,242</u></b>	<b><u>\$ 65,605</u></b>	<b><u>\$ 288,473</u></b>	<b><u>\$ (69,640)</u></b>	<b><u>\$ 1,168,468</u></b>
\$ 58,656	\$ 67,342	\$ 8,198	\$ 6,059	\$ 200,946
-	-	-	-	(200,946)
<b><u>\$ 58,656</u></b>	<b><u>\$ 67,342</u></b>	<b><u>\$ 8,198</u></b>	<b><u>\$ 6,059</u></b>	<b><u>\$ -</u></b>
\$ 292,898	\$ 132,947	\$ 296,671	\$ (63,581)	\$ 1,168,468
5,162,676	5,391,311	437,178	417,409	21,294,947
-	-	-	-	(63,334)
<b><u>\$ 5,455,574</u></b>	<b><u>\$ 5,524,258</u></b>	<b><u>\$ 733,849</u></b>	<b><u>\$ 353,828</u></b>	<b><u>\$ 22,400,081</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Change in fund balances - total governmental funds (Exhibit 5) \$ 1,168,468**

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

In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net position, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture. 336,222

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 3,867,061	
Depreciation expense	<u>(2,624,799)</u>	1,242,262

The net effect of various miscellaneous transactions involving capital assets (such as sales, trade-ins, and retirements) is to decrease net position.

Net book value of assets disposed of		(67,826)
--------------------------------------	--	----------

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

Decrease in deferred inflows of resources for unavailable revenues		(94,180)
--	--	----------

The repayment of principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.

Principal payments on debt		113,604
----------------------------	--	---------

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

Decrease in inventories	\$ (63,334)	
Increase in net deferred pension outflows, as restated	1,066,399	
Increase in accrued interest payable	(90)	
Decrease in compensated absences payable	712	
Increase in net pension liability, as restated	(101,167)	
Increase in net OPEB liability	(80,786)	
Decrease in landfill postclosure care costs	8,390	
Increase in net deferred pension inflows	<u>(1,162,900)</u>	<u>(332,776)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,365,774**

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 7*

**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>		
<b>Revenues</b>				
Taxes	\$ 7,334,891	\$ 7,334,891	\$ 7,383,383	\$ 48,492
Special assessments	290,528	290,528	166,671	(123,857)
Licenses and permits	38,040	38,040	37,906	(134)
Intergovernmental	2,468,123	2,468,123	3,191,762	723,639
Charges for services	1,702,480	1,702,480	1,561,510	(140,970)
Fines and forfeits	3,700	3,700	13,492	9,792
Investment earnings	71,400	71,400	372,719	301,319
Miscellaneous	370,267	370,267	403,222	32,955
<b>Total Revenues</b>	<b>\$ 12,279,429</b>	<b>\$ 12,279,429</b>	<b>\$ 13,130,665</b>	<b>\$ 851,236</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 242,510	\$ 242,510	\$ 244,186	\$ (1,676)
Courts	94,213	94,213	103,976	(9,763)
Law library	12,000	12,000	21,041	(9,041)
County auditor/treasurer	611,003	611,003	559,127	51,876
License bureau	185,432	185,432	193,070	(7,638)
County assessor	462,258	462,258	469,345	(7,087)
Elections	12,590	12,590	11,043	1,547
Accounting and auditing	50,000	50,000	60,946	(10,946)
Data processing	472,742	472,742	461,987	10,755
Central services	189,093	189,093	179,305	9,788
Personnel administration	191,673	191,673	210,940	(19,267)
Attorney	420,209	420,209	365,229	54,980
Recorder	530,553	530,553	563,989	(33,436)
Planning and zoning	148,503	148,503	136,684	11,819
Buildings and plant	578,211	578,211	595,016	(16,805)
Veterans service officer	123,245	123,245	132,991	(9,746)
Veterans shuttle	15,191	15,191	8,371	6,820
Other	62,015	62,015	155,795	(93,780)
<b>Total general government</b>	<b>\$ 4,401,441</b>	<b>\$ 4,401,441</b>	<b>\$ 4,473,041</b>	<b>\$ (71,600)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**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>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,036,212	\$ 2,036,212	\$ 2,064,346	\$ (28,134)
Regional radio board operations	1,035	1,035	-	1,035
Boat and water safety	33,989	33,989	4,790	29,199
Emergency services	45,079	45,079	631,400	(586,321)
Coroner	17,800	17,800	8,729	9,071
E-911 system	104,872	104,872	54,866	50,006
County jail	1,420,931	1,420,931	1,379,540	41,391
Probation and parole	1,618,014	1,618,014	1,585,137	32,877
Sheriff's contingency	1,000	1,000	-	1,000
Snowmobile safety	3,589	3,589	2,513	1,076
<b>Total public safety</b>	<b>\$ 5,282,521</b>	<b>\$ 5,282,521</b>	<b>\$ 5,731,321</b>	<b>\$ (448,800)</b>
<b>Health</b>				
Nursing service	\$ 1,679,398	\$ 1,679,398	\$ 1,617,075	\$ 62,323
<b>Culture and recreation</b>				
Historical society	\$ 84,902	\$ 84,902	\$ 84,902	\$ -
Parks	139,263	139,263	122,339	16,924
County/regional library	70,412	70,412	70,412	-
Snowmobile trails	-	-	70,191	(70,191)
Other	22,639	22,639	21,214	1,425
<b>Total culture and recreation</b>	<b>\$ 317,216</b>	<b>\$ 317,216</b>	<b>\$ 369,058</b>	<b>\$ (51,842)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 78,352	\$ 78,352	\$ 77,922	\$ 430
Soil and water conservation	106,421	106,421	106,421	-
Agricultural society/County fair	28,500	28,500	28,500	-
Water planning	92,513	92,513	92,764	(251)
Wetlands	26,928	26,928	27,732	(804)
Septic loan program	150,000	150,000	148,399	1,601
Other conservation	-	-	18,336	(18,336)
<b>Total conservation of natural resources</b>	<b>\$ 482,714</b>	<b>\$ 482,714</b>	<b>\$ 500,074</b>	<b>\$ (17,360)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 7  
(Continued)*

**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>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 10,795	\$ 10,795	\$ 20,795	\$ (10,000)
<b>Debt service</b>				
Principal	\$ 130,117	\$ 130,117	\$ 113,604	\$ 16,513
Interest	10,411	10,411	10,411	-
<b>Total debt service</b>	<u>\$ 140,528</u>	<u>\$ 140,528</u>	<u>\$ 124,015</u>	<u>\$ 16,513</u>
<b>Total Expenditures</b>	<u>\$ 12,314,613</u>	<u>\$ 12,314,613</u>	<u>\$ 12,835,379</u>	<u>\$ (520,766)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (35,184)	\$ (35,184)	\$ 295,286	\$ 330,470
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(200,946)	(200,946)
<b>Net Change in Fund Balance</b>	\$ (35,184)	\$ (35,184)	\$ 94,340	\$ 129,524
<b>Fund Balance - January 1</b>	<u>5,354,270</u>	<u>5,354,270</u>	<u>5,354,270</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 5,319,086</u></u>	<u><u>\$ 5,319,086</u></u>	<u><u>\$ 5,448,610</u></u>	<u><u>\$ 129,524</u></u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 8*

**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>		
<b>Revenues</b>				
Taxes	\$ 2,032,250	\$ 2,032,250	\$ 2,048,018	\$ 15,768
Intergovernmental	6,208,010	6,208,010	5,932,909	(275,101)
Charges for services	25,000	25,000	24,041	(959)
Miscellaneous	33,000	33,000	131,109	98,109
<b>Total Revenues</b>	<b>\$ 8,298,260</b>	<b>\$ 8,298,260</b>	<b>\$ 8,136,077</b>	<b>\$ (162,183)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 420,062	\$ 420,062	\$ 402,656	\$ 17,406
Maintenance	1,742,454	1,742,454	1,984,810	(242,356)
Construction	4,561,822	4,561,822	3,923,233	638,589
Equipment maintenance and shop	1,012,672	1,012,672	975,039	37,633
Materials and services for resale	295,000	295,000	148,775	146,225
<b>Total highways and streets</b>	<b>\$ 8,032,010</b>	<b>\$ 8,032,010</b>	<b>\$ 7,434,513</b>	<b>\$ 597,497</b>
<b>Intergovernmental</b>				
Highways and streets	328,000	328,000	347,062	(19,062)
<b>Total Expenditures</b>	<b>\$ 8,360,010</b>	<b>\$ 8,360,010</b>	<b>\$ 7,781,575</b>	<b>\$ 578,435</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (61,750)</b>	<b>\$ (61,750)</b>	<b>\$ 354,502</b>	<b>\$ 416,252</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	40,000	40,000	60,691	20,691
<b>Net Change in Fund Balance</b>	<b>\$ (21,750)</b>	<b>\$ (21,750)</b>	<b>\$ 415,193</b>	<b>\$ 436,943</b>
<b>Fund Balance - January 1</b>	<b>4,532,103</b>	<b>4,532,103</b>	<b>4,532,103</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(63,334)</b>	<b>(63,334)</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,510,353</b>	<b>\$ 4,510,353</b>	<b>\$ 4,883,962</b>	<b>\$ 373,609</b>



**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 9*

**BUDGETARY COMPARISON STATEMENT  
FAMILY 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>		
<b>Revenues</b>				
Taxes	\$ 2,344,788	\$ 2,344,788	\$ 2,350,499	\$ 5,711
Intergovernmental	5,057,231	5,057,231	5,643,446	586,215
Charges for services	1,106,474	1,106,474	1,062,807	(43,667)
Gifts and contributions	3,302	3,302	5,370	2,068
Miscellaneous	135,772	135,772	69,538	(66,234)
<b>Total Revenues</b>	<b>\$ 8,647,567</b>	<b>\$ 8,647,567</b>	<b>\$ 9,131,660</b>	<b>\$ 484,093</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,029,575	\$ 2,029,575	\$ 2,181,485	\$ (151,910)
Social services	5,930,990	5,930,990	5,990,903	(59,913)
Heartland express	725,599	725,599	725,030	569
<b>Total Expenditures</b>	<b>\$ 8,686,164</b>	<b>\$ 8,686,164</b>	<b>\$ 8,897,418</b>	<b>\$ (211,254)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (38,597)</b>	<b>\$ (38,597)</b>	<b>\$ 234,242</b>	<b>\$ 272,839</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	38,597	38,597	58,656	20,059
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 292,898</b>	<b>\$ 292,898</b>
<b>Fund Balance - January 1</b>	<b>5,162,676</b>	<b>5,162,676</b>	<b>5,162,676</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,162,676</b>	<b>\$ 5,162,676</b>	<b>\$ 5,455,574</b>	<b>\$ 292,898</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 10*

**BUDGETARY COMPARISON STATEMENT  
LANDFILL 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>		
<b>Revenues</b>				
Special assessments	\$ 350,455	\$ 350,455	\$ 357,970	\$ 7,515
Licenses and permits	350	350	280	(70)
Intergovernmental	62,909	62,909	76,896	13,987
Charges for services	536,500	536,500	658,440	121,940
Miscellaneous	2,000	2,000	12,237	10,237
<b>Total Revenues</b>	<b>\$ 952,214</b>	<b>\$ 952,214</b>	<b>\$ 1,105,823</b>	<b>\$ 153,609</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	1,821,787	1,821,787	1,040,218	781,569
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (869,573)</b>	<b>\$ (869,573)</b>	<b>\$ 65,605</b>	<b>\$ 935,178</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	81,000	81,000	67,342	(13,658)
<b>Net Change in Fund Balance</b>	<b>\$ (788,573)</b>	<b>\$ (788,573)</b>	<b>\$ 132,947</b>	<b>\$ 921,520</b>
<b>Fund Balance - January 1</b>	<b>5,391,311</b>	<b>5,391,311</b>	<b>5,391,311</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,602,738</b>	<b>\$ 4,602,738</b>	<b>\$ 5,524,258</b>	<b>\$ 921,520</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 11*

**BUDGETARY COMPARISON STATEMENT  
COUNTY DITCH 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>		
<b>Revenues</b>				
Special assessments	\$ 445,500	\$ 445,500	\$ 458,321	\$ 12,821
Intergovernmental	-	-	237,906	237,906
<b>Total Revenues</b>	<b>\$ 445,500</b>	<b>\$ 445,500</b>	<b>\$ 696,227</b>	<b>\$ 250,727</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	450,000	450,000	407,754	42,246
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (4,500)</b>	<b>\$ (4,500)</b>	<b>\$ 288,473</b>	<b>\$ 292,973</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,500	4,500	8,198	3,698
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 296,671</b>	<b>\$ 296,671</b>
<b>Fund Balance - January 1</b>	<b>437,178</b>	<b>437,178</b>	<b>437,178</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 437,178</b>	<b>\$ 437,178</b>	<b>\$ 733,849</b>	<b>\$ 296,671</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 12*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2015**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 889,179</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 889,179</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Brown County was established February 11, 1856, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Brown County (primary government) and its component unit for which the County is financially accountable. 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.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the county-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Brown County is discretely presented:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Economic Development Partners, Inc.	The County appoints its governing board, can impose its will on the entity, and the entity is fiscally dependent on the County.	Brown County Economic Development Partners, Inc. c/o Brown County Administrator’s Office 14 South State P. O. Box 248 New Ulm, Minnesota 56073-0248

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 6.C. The County also participates in the jointly-governed organizations described in Note 6.D.

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. 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 county-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund accounts 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 Family 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 Landfill Special Revenue Fund is used to account for restricted revenue sources from the federal and state government, as well as assigned special assessment and service revenues from the County to be used for the cost of County landfill and recycling operations.

The County 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following funds/fund types:

The Building and Capital Improvements Capital Projects Fund is used to account for assigned property tax revenues to be used to pay the cost of constructing and maintaining County buildings.

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

C. Measurement Focus and Basis of Accounting

The county-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. Brown County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, 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.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2015 were \$372,719.

Brown County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

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;

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

- (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.

2. Receivables and Payables

Activities between funds are reported as "due to/from other funds."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due 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 current/noncurrent special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the county-wide level are reported as expenses when consumed.

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

4. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the county-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 two 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

Property, plant, and equipment of the County, as well as its component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 150
Land improvements	3 - 150
Infrastructure	50 - 75
Intangibles	5 - 20
Machinery, furniture, and equipment	2 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the county-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is the greater of the prior year actual severance payout or the average of the previous five year severance payouts.

6. Long-Term Obligations

In the county-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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations (Continued)

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 an other financing source. 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.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County 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 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types, 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 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 the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

8. 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.

9. Unearned Revenue

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

10. Classification of Net Position

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

Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation.

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 investment in capital assets.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances

The County's fund balance policy established a minimum unrestricted fund balance within the range of 35 to 50 percent of fund operating revenues. In the event the unrestricted 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 for 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 (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts that 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Unassigned - the residual classification for the General Fund 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.

12. Use of Estimates

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

E. 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.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

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.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 103,950,239
Change in accounting principles	(8,837,917)
Net Position, January 1, 2015, as restated	\$ 95,112,322

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, special revenue funds, and the capital projects fund. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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.

B. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2015:

	Expenditures	Budget	Excess
General Fund	\$ 12,835,379	\$ 12,314,613	\$ 520,766
Special Revenue Funds			
Family Services	8,897,418	8,686,164	211,254
Capital Projects Fund			
Building and Capital Improvement	224,692	42,300	182,392

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity

On the full accrual basis of accounting, all of the drainage systems have positive fund equity at December 31, 2015.

Account balances	\$ 1,231,566
Account balance deficit	-
Fund Equity - Full Accrual Basis	\$ 1,231,566

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

2. Stewardship, Compliance, and Accountability

C. Deficit Fund Equity (Continued)

Using the modified accrual basis of accounting, noncurrent receivables do not affect fund balance. Noncurrent receivables are deferred inflows of resources. Using this basis of accounting, 14 ditches had fund deficits.

Account balances	\$ 904,201
Account balance deficit	<u>(170,352)</u>
 Fund Balance - Modified Accrual Basis	 <u>\$ 733,849</u>

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 21,494,217
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>889,179</u>
Total Cash and Investments	<u>\$ 22,383,396</u>

a. Deposits

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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. The County’s policy states all deposits should be fully collateralized. As of December 31, 2015, the County’s deposits were not 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 its exposure to interest rate risk by investing operating funds primarily in shorter-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity required for operations.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in the safest types of securities; pre-qualify the financial institutions, brokers/dealers, and advisors with which an entity will do business; and diversify the investment portfolio so that potential losses on individual securities are minimized.

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 that are in the possession of an outside party. The County's policy states the County will minimize investment custodial credit risk by permitting brokers that obtained investments to hold them only to the extent there is SIPC (Securities Investor Protection Corporation) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's 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 diversify its investment portfolio to avoid overconcentration of investments from a specific issuer excluding U.S. Treasury securities which may be held without limit.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2015, and information relating to potential investment risks:

	Credit Risk Credit Rating (2)	Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk			Carrying (Fair) Value
			Less Than 1 Year	1-5 Years	More Than 5 Years	
U.S. government securities/bonds						
Federal Home Loan Bank (1)	AA+	29.3%	\$ -	\$ -	\$ 3,428,740	\$ 3,428,740
Federal Home Loan Mortgage Corporation (1)	AA+	29.8%	-	1,499,700	1,988,000	3,487,700
Total U.S. government securities/bonds			\$ -	\$ 1,499,700	\$ 5,416,740	\$ 6,916,440
Investment pools - MAGIC Fund	N/R	N/A	127	-	-	127
Negotiable certificates of deposit	N/R	<5%	-	4,365,547	437,271	4,802,818
Total investments			\$ 127	\$ 5,865,247	\$ 5,854,011	\$ 11,719,385
Deposits						10,662,971
Change funds						1,040
Total Cash and Investments						\$ 22,383,396

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

(2) As rated by Standard and Poor's

N/R - Not Rated

N/A - Not Applicable

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 88,530	\$ -
Special assessments – delinquent	37,667	-
Special assessments	821,665	281,440
Accounts	948,967	-
Accrued interest	41,957	-
Due from other governments	2,367,019	-
Total Governmental Activities	\$ 4,305,805	\$ 281,440

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	\$ 1,038,712	\$ -	\$ -	\$ 1,038,712
Construction in progress	571,517	72,500	431,517	212,500
Total capital assets not depreciated	\$ 1,610,229	\$ 72,500	\$ 431,517	\$ 1,251,212
Capital assets depreciated				
Buildings and improvements	\$ 15,426,057	\$ 10,298	\$ -	\$ 15,436,355
Land improvements	3,367,649	-	-	3,367,649
Machinery, furniture, and equipment	7,870,342	873,913	510,888	8,233,367
Computer software - intangible	468,667	90,740	-	559,407
Infrastructure - highway	84,681,792	3,251,127	-	87,932,919
Infrastructure - dam	2,098,857	-	-	2,098,857
Total capital assets depreciated	\$ 113,913,364	\$ 4,226,078	\$ 510,888	\$ 117,628,554

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,468,946	\$ 212,885	\$ -	\$ 3,681,831
Land improvements	1,908,279	50,701	-	1,958,980
Machinery, furniture, and equipment	4,904,775	589,600	443,062	5,051,313
Computer software - intangible	78,372	41,952	-	120,324
Infrastructure - highway	23,517,603	1,715,495	-	25,233,098
Infrastructure - dam	312,054	14,166	-	326,220
	<u>\$ 34,190,029</u>	<u>\$ 2,624,799</u>	<u>\$ 443,062</u>	<u>\$ 36,371,766</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 79,723,335</u>	<u>\$ 1,601,279</u>	<u>\$ 67,826</u>	<u>\$ 81,256,788</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 81,333,564</u>	<u>\$ 1,673,779</u>	<u>\$ 499,343</u>	<u>\$ 82,508,000</u>

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

Governmental Activities	
General government	\$ 189,736
Public safety	269,576
Highways and streets, including depreciation of infrastructure assets	2,048,258
Sanitation	24,528
Human services	56,924
Health	5,003
Culture and recreation, including depreciation of infrastructure assets	26,207
Conservation of natural resources	4,567
	<u>                    </u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,624,799</u>



**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Family Services	\$ 6,738	Labor and internet
Road and Bridge	General	\$ 2,679	Fuel
	Family Services	3,876	Fuel and service work
Total due to Road and Bridge Fund		<u>\$ 6,555</u>	
Total Due To/From Other Funds		<u><u>\$ 13,293</u></u>	

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of transfers from the General Fund to allocate investment earnings:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General	Road and Bridge	\$ 60,691	Allocated interest
	Family Services	58,656	Allocated interest
	Landfill	67,342	Allocated interest
	County Ditch	8,198	Allocated interest
	Nonmajor Building and Capital Improvements	<u>6,059</u>	Allocated interest
Total Transfers In/Out		<u><u>\$ 200,946</u></u>	

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Contract Commitments

The County has active construction projects and other contract commitments as of December 31, 2015. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment	
Nonmajor Building and Capital Improvements			
Capital Projects Fund			
SPFD Radio Tower	\$ 2,500	\$ 99,831	

2. Long-Term Debt

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and a loan agreement with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
2001 Septic System Replacement Project	2021	\$ 2,665	-	\$ 53,300	\$ 31,980
2003 Cottonwood River Restoration CWP Project	2017	16,973	2.00	306,293	49,918
2004 Watonwan Watershed Continuation CWP Project	2016	1,448	2.00	26,145	2,855
2004 Little Cottonwood River Restoration Continuation CWP Project	2018	7,238	2.00	130,622	35,131
2007 Middle Minnesota Watershed CWP Project	2020	18,121	2.00	327,008	171,632

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
2007 Cottonwood River Watershed Pollution Reduction Project	2020	6,413	2.00	115,735	60,744
2009 Cottonwood River Watershed Phosphorus TMDL Continuation CWP Project	2022	9,147	2.00	165,066	118,947
Total Loans Payable					<u>\$ 471,207</u>

Debt Service Requirements

Year Ending December 31	Loans Payable	
	Principal	Interest
2016	\$ 115,780	\$ 8,235
2017	98,114	6,029
2018	75,598	4,334
2019	69,700	2,994
2020	70,993	1,700
2021 - 2025	41,022	897
Total	<u>\$ 471,207</u>	<u>\$ 24,189</u>

3. 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
Landfill closure/postclosure liability	\$ 1,174,535	\$ -	\$ 8,390	\$ 1,166,145	\$ -
Loans payable	584,811	-	113,604	471,207	115,780
Compensated absences	1,643,073	-	712	1,642,361	76,088
Long-Term Liabilities	<u>\$ 3,402,419</u>	<u>\$ -</u>	<u>\$ 122,706</u>	<u>\$ 3,279,713</u>	<u>\$ 191,868</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Changes in Long-Term Liabilities (Continued)

Compensated absences, other post-employment benefit liability, and pension liabilities are general liquidated by the General Fund, Road and Bridge, Family Services, and Landfill Special Revenue Funds.

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,166,145 landfill closure and postclosure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 54 percent of the ultimate capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,006,738 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The County expects to close the landfill in 2051. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2015, investments of \$2,772,250 are restricted for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Deferred Inflows of Resources and Unearned Revenue

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

	Taxes and Special Assessments	Grants and Allotments	Other	Total
Major governmental funds				
General	\$ 471,258	\$ 63,096	\$ 80,360	\$ 614,714
Road and Bridge	19,428	489,385	-	508,813
Family Services	26,551	148,533	650,741	825,825
Landfill	12,813	-	-	12,813
County Ditch	454,093	8,534	35,090	497,717
Nonmajor governmental fund				
Building and Capital Improvements	219	29,621	-	29,840
Total	\$ 984,362	\$ 739,169	\$ 766,191	\$ 2,489,722
Liability				
Unearned revenue	\$ 60,394	\$ 63,096	\$ -	\$ 123,490
Deferred inflow of resources				
Unavailable revenue	923,968	676,073	766,191	2,366,232
Total	\$ 984,362	\$ 739,169	\$ 766,191	\$ 2,489,722

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

	General	Road and Bridge	Family Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Inventories	\$ -	\$ 236,341	\$ -	\$ -	\$ -	\$ -	\$ 236,341
<b>Restricted</b>							
Law library	\$ 2,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,220
Recorder's equipment purchases	29,928	-	-	-	-	-	29,928
Enhanced 911	357,268	-	-	-	-	-	357,268
Land records	38,435	-	-	-	-	-	38,435
Landfill closure/postclosure	-	-	-	2,772,250	-	-	2,772,250
Sheriff's contingency	4,826	-	-	-	-	-	4,826
Septic/sewer loans	657,578	-	-	-	-	-	657,578
Conservation of natural resources	-	-	-	-	904,201	-	904,201
Donations	-	-	15,673	-	-	-	15,673
Highway construction	-	626,461	-	-	-	-	626,461
<b>Total restricted</b>	<b>\$ 1,090,255</b>	<b>\$ 626,461</b>	<b>\$ 15,673</b>	<b>\$ 2,772,250</b>	<b>\$ 904,201</b>	<b>\$ -</b>	<b>\$ 5,408,840</b>
<b>Assigned</b>							
Recycling	\$ -	\$ -	\$ -	\$ 126,832	\$ -	\$ -	\$ 126,832
Road and bridge	-	4,021,160	-	-	-	-	4,021,160
Human services	-	-	5,439,901	-	-	-	5,439,901
Capital improvements	-	-	-	-	-	353,828	353,828
Landfill	-	-	-	2,625,176	-	-	2,625,176
Jail commissions	64,939	-	-	-	-	-	64,939
County funded loan	164,616	-	-	-	-	-	164,616
Parks	176,716	-	-	-	-	-	176,716
Vets shuttle	88,621	-	-	-	-	-	88,621
Boat and water safety	33,785	-	-	-	-	-	33,785
<b>Total assigned</b>	<b>\$ 528,677</b>	<b>\$ 4,021,160</b>	<b>\$ 5,439,901</b>	<b>\$ 2,752,008</b>	<b>\$ -</b>	<b>\$ 353,828</b>	<b>\$ 13,095,574</b>
<b>Unassigned</b>	<b>\$ 3,829,678</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (170,352)</b>	<b>\$ -</b>	<b>\$ 3,659,326</b>
<b>Total Fund Balances</b>	<b>\$ 5,448,610</b>	<b>\$ 4,883,962</b>	<b>\$ 5,455,574</b>	<b>\$ 5,524,258</b>	<b>\$ 733,849</b>	<b>\$ 353,828</b>	<b>\$ 22,400,081</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

1. Plan Description

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

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.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

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	\$	761,372
Public Employees Police and Fire Fund		114,198
Public Employees Correctional Fund		71,867

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 \$8,504,514 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 0.1641 percent. It was 0.1795 percent measured as of June 30, 2014. The County recognized pension expense of \$952,777 for its proportionate share of the General Employees Retirement Fund's pension expense.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (OPEB)

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	\$ -	\$ 428,772
Difference between projected and actual investment earnings	805,083	-
Changes in proportion	-	542,561
Contributions paid to PERA subsequent to the measurement date	396,633	-
Total	\$ 1,201,716	\$ 971,333

A total of \$396,633 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	\$ (122,507)
2017	(122,507)
2018	(122,507)
2019	201,271

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

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 \$795,364 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 0.070 percent. It was 0.074 percent measured as of June 30, 2014. The County recognized pension expense of \$129,860 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$6,300 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 128,982
Difference between projected and actual investment earnings	138,579	-
Changes in proportion	-	36,001
Contributions paid to PERA subsequent to the measurement date	61,065	-
Total	\$ 199,644	\$ 164,983

A total of \$61,065 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	\$ 1,648
2017	1,648
2018	1,648
2019	1,648
2020	(32,996)

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$66,478 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 0.43 percent. It was 0.45 percent measured as of June 30, 2014. The County recognized pension expense of \$71,364 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 25,452
Difference between projected and actual investment earnings	55,414	-
Changes in proportion	-	1,132
Contributions paid to PERA subsequent to the measurement date	<u>36,897</u>	<u>-</u>
Total	<u>\$ 92,311</u>	<u>\$ 26,584</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$36,897 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	\$ 4,992
2017	4,992
2018	4,992
2019	13,854

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$1,154,001.

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

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

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



**BROWN COUNTY  
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

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

7. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 13,372,118	\$ 8,504,514	\$ 4,484,620
Public Employees Police and Fire Fund net pension liability	1,550,172	795,364	171,760
Public Employees Correctional Fund net pension liability	462,964	66,478	(250,871)

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

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

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

	Employee	Employer
Contribution amount	\$ 3,891	\$ 3,891
Percentage of covered payroll	5%	5%

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits (OPEB) (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Brown County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Brown County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retired population, the retirees are receiving an implicit rate subsidy. As of January 1, 2014, there was one retiree receiving health benefits from the County's health care plan. The implicit rate subsidy amount was determined by an actuarial study to be \$38,440 for 2015. A separate, audited GAAP-basis postemployment plan report is not issued.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	\$	130,250
Interest on net OPEB obligation		17,926
Adjustment to ARC		(28,950)
		_____
Annual OPEB cost (expense)	\$	119,226
Contributions made during the year		(38,440)
		_____
Increase in net OPEB obligation	\$	80,786
Net OPEB Obligation - Beginning of Year		512,162
		_____
Net OPEB Obligation - End of Year	\$	592,948

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	\$ 120,887	\$ 45,775	37.9%	\$ 415,122
December 31, 2014	121,504	24,464	20.1	512,162
December 31, 2015	119,226	38,440	32.2	592,948

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 \$889,615, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$889,615. The covered payroll (annual payroll of active employees covered by the plan) was \$10,039,487, and the ratio of the UAAL to the covered payroll was 8.9 percent.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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.

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Brown 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. These rates include an inflation assumption of 2.5 percent. The UAAL is being amortized over 30 years as a level dollar on a closed basis. The remaining amortization period at December 31, 2015, was 22 years.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

5. Conduit Debt

Martin Luther College Construction Project

In 2004, the County issued variable rate demand purchase revenue bonds in the amount of \$7,500,000 to finance the acquisition and construction of higher education facilities at Martin Luther College in New Ulm, Minnesota, as authorized by the Municipal Industrial Development Act, Minn. Stat. §§ 469.152 - 469.165. The bonds are secured by an irrevocable direct-pay letter of credit provided by Wells Fargo Bank, NA.

The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The outstanding balance at December 31, 2015, is \$4,265,000.

Oak Hills Living Center Project

On December 31, 2008, the County issued a variable rate Health Care Facilities Revenue Note, Series 2008, in the amount of \$6,000,000 to finance the cost of improvements to the Oak Hills Living Center in New Ulm, Minnesota. This note is secured by the fixtures, the equipment, and the revenues and income of Oak Hills Living Center.

The County is not obligated in any manner for repayment of the note. Accordingly, the note will not be reported as a liability in the financial statements. The outstanding balance at December 31, 2015, is \$5,396,411.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other 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.

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.

B. Contingent Liabilities

Amounts received or receivable from grantor 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

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

C. 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 net position of \$743,164. Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 622 South Front Street, St. Peter, Minnesota 56082.

Red Rock Rural Water System

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

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County Family Services, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; River Bend Education District; and Minnesota Valley Action Council. The mission of the Families First Collaborative is to provide leadership for the improvement of outcomes for children in Brown County through early intervention and prevention services. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is funded by Local Collaborative Time Study (LCTS) funds, fees, contributions, and Department of Human Services grant funds. Control of the Collaborative is vested in a Board of Directors consisting of ten members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2015, Brown County provided \$300 in funding to the Collaborative Integrated Fund (\$100 - Family Services, \$100 - Public Health, and \$100 - Probation).

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Families First Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for the disallowance, sanction, or audit exception attributable to the Families First Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown County Family Services, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Three Counties for Kids Collaborative

The Three Counties for Kids Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; and Sioux Trails Mental Health Center. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care of families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is financed by LCTS funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2015, Brown County did not provide funding to the Collaborative.

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the Joint Powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2015, was \$3,112,575. The equity interest is reported as an investment in joint venture on the county-wide statement of net position. Changes in equity are included in the county-wide statement of activities as Human Services program expenses or revenues.

Complete financial statements for SCHA can be obtained from Brian V. Hicks, SCHA Chief Fiscal Officer, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 comprises 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 of Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

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

Blue Earth County acts as the fiscal agent for the Radio Board. During 2015, the County did not make payments to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

Brown-Lyon-Redwood Drug Task Force

The Brown-Lyon-Redwood Drug Task Force was established between Brown, Lyon, and Redwood Counties and the Cities of New Ulm, Redwood Falls, and Marshall, pursuant to Minn. Stat. § 471.59. The Task Force was established to create a cooperative law enforcement effort that provides drug enforcement services for member organizations. The Task Force is governed by an Advisory Board consisting of one appointed member from each party. Fiscal agent responsibilities for the Task Force are with the City of New Ulm. During the year, the County paid \$81,045 to the Task Force.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Central Workforce Services Area Joint Powers Board

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

Brown County did not make any payments to this organization in 2015.

Separate financial information can be obtained from South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Watonwan, and Yellow Medicine Counties. The purpose of the Board is to provide guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is comprised of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During the year, Brown County contributed \$1,000 to the Board. Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

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

D. Jointly-Governed Organizations

Brown County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$12,971 to the Project.

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During the year, the County made payments of \$10,050 to the RCRCA.

The South Central Emergency Medical Service (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. The County did not contribute to SCEMS in 2015.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The South Central Regional ImmTrack (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$5,252 to ImmTrack.

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 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 is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. The County did not contribute to the Joint Powers Board in 2015.

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

The Fifth District Court and Brown County Probation Department agreement established a Juvenile Drug Court program that is designed to intervene in the chemically dependent lifestyles of juvenile drug offenders and to improve public safety.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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

The State of Minnesota Parks and Trails and Brown County Sentence-to-Serve (STS) joint powers agreement states that Brown County STS will provide all labor necessary to split wood at Fort Ridgely State Park.

The Trail Systems Coordination joint powers consists of Brown County and the Cities of New Ulm, Sleepy Eye, Springfield, Comfrey, and Hanska. These parties have joined together to coordinate, consider, review, study, and analyze trails and their use in and around Brown County. The County did not contribute to the Joint Powers during 2015.

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, the County did not make any payments to the Alliance.

The Region Five - Southwest Minnesota 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 within the region. Control is vested in the Board, which comprises representatives appointed by each Board of County Commissioners. Brown County's responsibility does not extend beyond making this appointment.

The Minnesota Counties Computer Cooperative (MCCC) was established under the Minnesota Joint Powers Law, Minn. Stat. § 471.59. Minnesota counties have created the MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Brown County expended \$146,126 to the MCCC.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Brown County Economic Development Partners, Inc., (EDP) was organized on October 3, 1990, under Minn. Stat. ch. 317A, as a nonprofit corporation. The purpose is to promote the development and expansion of existing businesses within Brown County and to assist in the development of new businesses in Brown County, which will increase opportunities for employment. The Board of Directors consists of nine directors: one appointed from each of the County Commissioner Districts, two appointed at-large, and two appointed from the Brown County Board of Commissioners. Brown County Economic Development Partners, Inc., is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The EDP's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Codification Section 958, *Not-for-Profit Entities*. Under Section 958, the EDP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

---

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Revenue

The EDP receives substantially all of its revenue from interest on loan payments, grants, and appropriations from Brown County.

Cash and Cash Equivalents

The EDP considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Loans Receivable

Loans receivable, totaling \$323,005 as of December 31, 2015, consist of 14 loans made for economic development.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-1*

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2010	\$ -	\$ 746,411	\$ 746,411	0.00%	\$ 9,357,001	7.98%
January 1, 2012	-	935,491	935,491	0.00%	9,546,132	9.80%
January 1, 2014	-	889,615	889,615	0.00%	10,039,487	8.86%

See Note 4.C., Other Postemployment Benefits, for more information.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-2*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.1641%	\$ 8,504,514	\$ 9,655,925	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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-3*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 761,372	\$ 761,372	\$ -	\$ 10,151,627	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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-4*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.070%	\$ 795,364	\$ 645,081	123.30%	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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-5*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 114,198	\$ 114,198	\$ -	\$ 704,925	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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-6*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.43%	\$ 66,478	\$ 781,204	8.51%	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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT A-7*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 71,867	\$ 71,867	\$ -	\$ 821,342	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**

This page was left blank intentionally.

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

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

NONMAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

Building and Capital Improvements - to account for funds used for capital outlay and maintenance.  
Financing is provided by a tax levy.

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING AND CAPITAL IMPROVEMENTS CAPITAL PROJECTS 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>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 180	\$ 180
Intergovernmental	11,000	11,000	146,430	135,430
Miscellaneous	8,442	8,442	8,442	-
<b>Total Revenues</b>	<b>\$ 19,442</b>	<b>\$ 19,442</b>	<b>\$ 155,052</b>	<b>\$ 135,610</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	\$ 31,300	\$ 31,300	\$ 12,891	\$ 18,409
Veterans service officer	11,000	11,000	18,100	(7,100)
<b>Total general government</b>	<b>\$ 42,300</b>	<b>\$ 42,300</b>	<b>\$ 30,991</b>	<b>\$ 11,309</b>
<b>Public safety</b>				
Sheriff	\$ -	\$ -	\$ 2,671	\$ (2,671)
<b>Culture and recreation</b>				
Historical society	\$ -	\$ -	\$ 191,030	\$ (191,030)
<b>Total Expenditures</b>	<b>\$ 42,300</b>	<b>\$ 42,300</b>	<b>\$ 224,692</b>	<b>\$ (182,392)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (22,858)</b>	<b>\$ (22,858)</b>	<b>\$ (69,640)</b>	<b>\$ (46,782)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,900	3,900	6,059	2,159
<b>Net Change in Fund Balance</b>	<b>\$ (18,958)</b>	<b>\$ (18,958)</b>	<b>\$ (63,581)</b>	<b>\$ (44,623)</b>
<b>Fund Balance - January 1</b>	<b>417,409</b>	<b>417,409</b>	<b>417,409</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 398,451</b>	<b>\$ 398,451</b>	<b>\$ 353,828</b>	<b>\$ (44,623)</b>

This page was left blank intentionally.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

**AGENCY FUNDS**

Assurance - to account for the collection and payment of assurance funds to the state.

Mortgage Registry Tax - to account for the collection and distribution of mortgage registry tax to the County and other governments.

Prepaid Tax - to account for taxes paid in advance.

Region Nine - to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts - to account for the school districts' share of taxes collected by the County.

Social Welfare - to account for the collection and distribution of social welfare accounts.

State Deed Tax - to account for the collection and distribution of deed tax to the County and other governments.

Three Counties for Kids Collaborative - to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative - to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties - to account for the collection and payment of taxes and penalties collected to the various taxing districts.

Towns and Cities - to account for the collection and payment of taxes due to towns and cities.

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT C-1*

**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>
<b><u>ASSURANCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 12,517	\$ 499	\$ 472	\$ 12,544
<b><u>Liabilities</u></b>				
Due to other governments	\$ 12,517	\$ 499	\$ 472	\$ 12,544
 <b><u>MORTGAGE REGISTRY TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 703	\$ 259,850	\$ 260,553	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 703	\$ 259,850	\$ 260,553	\$ -
 <b><u>PREPAID TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 23,013	\$ 138,249	\$ 132,140	\$ 29,122
<b><u>Liabilities</u></b>				
Due to other governments	\$ 23,013	\$ 138,249	\$ 132,140	\$ 29,122

**BROWN COUNTY  
NEW ULM, 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>
<b><u>REGION NINE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 654	\$ 52,489	\$ 52,543	\$ 600
<b><u>Liabilities</u></b>				
Due to other governments	\$ 654	\$ 52,489	\$ 52,543	\$ 600
 <b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 58,453	\$ 7,830,422	\$ 7,825,357	\$ 63,518
<b><u>Liabilities</u></b>				
Due to other governments	\$ 58,453	\$ 7,830,422	\$ 7,825,357	\$ 63,518
 <b><u>SOCIAL WELFARE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 119,800	\$ 1,026,943	\$ 1,012,115	\$ 134,628
<b><u>Liabilities</u></b>				
Due to other governments	\$ 119,800	\$ 1,026,943	\$ 1,012,115	\$ 134,628

**BROWN COUNTY  
NEW ULM, 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>
<b><u>STATE DEED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,340	\$ 252,934	\$ 254,274	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,340	\$ 252,934	\$ 254,274	\$ -
 <b><u>THREE COUNTIES FOR KIDS COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 258,417	\$ 64,324	\$ 75,363	\$ 247,378
<b><u>Liabilities</u></b>				
Due to other governments	\$ 258,417	\$ 64,324	\$ 75,363	\$ 247,378
 <b><u>FAMILIES FIRST FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 33,927	\$ 88,540	\$ 70,555	\$ 51,912
<b><u>Liabilities</u></b>				
Due to other governments	\$ 33,927	\$ 88,540	\$ 70,555	\$ 51,912

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 95,191	\$ 35,154,747	\$ 35,157,976	\$ 91,962
<b><u>Liabilities</u></b>				
Due to other governments	\$ 95,191	\$ 35,154,747	\$ 35,157,976	\$ 91,962
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 253,660	\$ 14,691,426	\$ 14,687,571	\$ 257,515
<b><u>Liabilities</u></b>				
Due to other governments	\$ 253,660	\$ 14,691,426	\$ 14,687,571	\$ 257,515
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 857,675	\$ 59,560,423	\$ 59,528,919	\$ 889,179
<b><u>Liabilities</u></b>				
Due to other governments	\$ 857,675	\$ 59,560,423	\$ 59,528,919	\$ 889,179

## **SCHEDULES**

This page was left blank intentionally.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2015**

	<u>Interest Rate</u>	<u>Amount</u>
<b>Deposits and Investments</b>		
Checking accounts	0.50%	\$ 9,172,788
Savings accounts	Varies	243,701
Certificates of deposit	Varies	1,246,482
Petty cash	None	1,040
MAGIC Fund	Varies	127
Government securities	Varies	6,916,440
Negotiable certificates of deposit	Varies	<u>4,802,818</u>
 <b>Total Deposits and Investments</b>		 <b><u>\$ 22,383,396</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Appropriations and shared revenue**

**State**

Highway users tax	\$ 4,916,013
County program aid	784,919
PERA rate reimbursement	39,317
Disparity reduction aid	27,012
Police aid	79,756
Aquatic invasive species aid	55,026
Enhanced 911	101,673
Market value credit	396,853
SCORE	76,021
	76,021

**Total appropriations and shared revenue** **\$ 6,476,590**

**Reimbursement for services**

**State**

Minnesota Department of Human Services	\$ 953,937
	953,937

**Payments**

**Local**

Local contributions	\$ 177,117
Payments in lieu of taxes	72,631
	72,631

**Total payments** **\$ 249,748**

**Grants**

**State**

Minnesota Department/Board of	
Agriculture	\$ 875
Corrections	337,622
Health	204,265
Human Services	1,925,396
Natural Resources	238,534
Public Safety	197,408
Transportation	350,328
Trial Courts	100,586
Veterans Affairs	10,000
Water and Soil Resources	95,900
Historical Society	118,480
	118,480

**Total state** **\$ 3,579,394**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Grants (Continued)**

**Federal**

Department of Agriculture	\$ 292,737
Transportation	699,559
Veterans Affairs	9,676
Health and Human Services	2,010,180
Homeland Security	957,528

**Total federal** \$ 3,969,680

**Total state and federal grants** \$ 7,549,074

**Total Intergovernmental Revenue** \$ 15,229,349

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT D-3**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00060	\$ 111,724
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>191,362</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 303,086</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00008	\$ 428,407
Formula Grants for Rural Areas	20.509	AGR#07175	<u>276,857</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 705,264</u></b>
<b>U.S. Department of Veterans Affairs</b>			
Direct Burial Expenses Allowance for Veterans	64.101	N/A	<b><u>\$ 9,676</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	U90TP000529	\$ 36,280
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$195,112)	93.558	1502MNTANF	32,890
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00060	45,905
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1501MNF PSS	64,043
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$195,112)	93.558	1502MNTANF	162,222
Child Support Enforcement	93.563	1604MNCEST	414,842
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNR CMA	318
Child Care and Development Block Grant	93.575	G1501MNC CDF	14,745
Community-Based Child Abuse Prevention Grants	93.590	1402MNF R PG	33,308
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNC WSS	6,441
Foster Care - Title IV-E	93.658	1501MNF OST	160,461
Social Services Block Grant	93.667	1501MNS OSR	166,433
Chafee Foster Care Independence Program	93.674	1501MNC ILP	1,785
Children's Health Insurance Program	93.767	1505MNS 021	82
Medical Assistance Program	93.778	1605MNS ADM	<u>892,541</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>\$ 2,032,296</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4182/P07204182PA	\$ 257,171
Hazard Mitigation Grant	97.039	F-HMGP-DR4182-BROWNCO-1252	442,893
Emergency Management Performance Grants	97.042	F-EMPG-2014-BROWNCO-0627	43,179
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 743,243</b>
<b>Total Federal Awards</b>			<b>\$ 3,793,565</b>

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

This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, 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 Brown 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 Brown 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 Brown County, it is not intended to and does not present the financial position or changes in net position of Brown 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. Brown 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	\$ 3,969,680
Grants received more than 60 days after year-end, unavailable in 2015	
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)	10,349
Formula Grants for Rural Areas (CFDA No. 20.509)	74,796
Temporary Assistance for Needy Families (CFDA No. 93.558)	1,116
Child Support Enforcement (CFDA No. 93.563)	21,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	6,400
Grants unavailable in 2014, recognized as revenue in 2015	
Formula Grants for Rural Areas (CFDA No. 20.509)	(69,091)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(220,685)
	(220,685)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,793,565

This page was left blank intentionally.





This page was left blank intentionally.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 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 GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

**Federal Awards**

Internal control over major programs:

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

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)? **Yes**

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-001

#### Audit Adjustments

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

**Condition:** During our audit, we proposed material adjustments which resulted in significant changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal controls.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were necessary to be recorded for December 31, 2015:

- An adjustment of \$97,331 was made in the Building and Capital Improvements Capital Projects Fund to eliminate contracts payable for work completed in 2016.
- An adjustment of \$86,059 was made in the Building and Capital Improvements Capital Projects Fund to reduce due from other governments and unearned revenue for a receipt pertaining to 2016 activity.

**Cause:** The balances were recorded by the County in error. The contracts payable balance was for a project that was approved in 2015; while the County has a commitment to this project, since the work was not completed until 2016, there is no obligation until the work is completed. The receivable and unearned revenue was for a state grant received in 2016 for a project that was approved in 2015. The work on this project was not completed until 2016, therefore, the reimbursement would be for 2016.

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

Client's Response:

*Brown County will continue to review its internal controls and design and implement procedures to improve internal controls over financial reporting, which will serve to better prevent, or detect and correct, misstatements in the financial statements.*

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding 2015-001

Reporting

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778); Award No. 1605MN5ADM, 2015

**Pass-Through Agency:** Minnesota Department of Human Services (DHS)

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303, states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** While supervisory reviews are performed to monitor compliance with grant requirements for reporting, errors were identified in our review of the Public Health Local Collaborative Time Study (LCTS) Cost Schedules (DHS-3220) submitted to the DHS.

The sample size was based on guidance from chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Questioned Costs:** None.

**Context:** The quarterly DHS-3220 reports are prepared by the LCTS Fiscal Site Contacts and reviewed by the LCTS Fiscal Reporting and Payment Agent. The DHS uses the submitted reports in conjunction with the LCTS to identify costs eligible for federal Medical Assistance funding. The errors identified on the County's reports included understatements of payroll costs and other direct costs, as well as understatements of offsetting federal grant revenues. Amended reports correcting for these errors have since been submitted to the DHS.

**Effect:** Errors on the DHS-3220 reports can result in the County receiving either more or less federal funding than can be justified based on actual underlying activity.

**Cause:** The review of the DHS-3220 reports was not sufficient to identify errors in the submitted reports. The LCTS Fiscal Reporting and Payment Agent indicated that she does not regularly work with the LCTS reporting agencies' revenues and expenditures and therefore would not be able to identify errors in the amounts on the reports submitted by the LCTS Fiscal Site Contacts.

**Recommendation:** We recommend the County develop and maintain internal controls over the DHS-3220 reports sufficient to provide reasonable assurance of their accuracy.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Actions:

*Rose Fischer, Fiscal Supervisor  
Brown County Family Services*

Corrective Action Planned:

*Participating Agencies fiscal report preparer (LCTS Fiscal Site Contact) have signed their LCTS cost reports. A request has been made to the DHS to add an additional signature line for the Fiscal Reporting and Payment Agent (FRAPA). The quarterly reports will be signed by both the LCTS Fiscal Site Contract and FRAPA.*

*Each participating agency will have random audits performed at their site.*

Anticipated Completion Date:

*September 30, 2016*

#### **IV. OTHER FINDINGS AND RECOMMENDATIONS**

##### MANAGEMENT PRACTICES

##### PREVIOUSLY REPORTED ITEM RESOLVED

###### **County Ditch Special Revenue Fund - Fund Deficits (1996-006)**

Individual ditch systems should maintain positive balances to meet their financial obligations. Five County ditches had fund deficits at December 31, 2014, totaling \$44,800.

###### **Resolution**

None of the individual ditch systems had deficit balances at December 31, 2015.

This page was left blank intentionally.





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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  
Brown County  
New Ulm, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown 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 September 8, 2016. Our report includes references to other auditors who audited the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit, and the South Country Health Alliance joint venture, as described in our report on Brown County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Brown County Economic Development Partners, Inc., and the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Brown 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 administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Brown County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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.

## **Brown County's Response to Finding**

Brown County's response to the internal control finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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

September 8, 2016

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

Board of County Commissioners  
Brown County  
New Ulm, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Brown 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. Brown 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 Brown 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 Brown 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, Brown 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 Brown 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

Brown County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Brown County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 8, 2016