

**MARTIN COUNTY
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2011

**MARTIN COUNTY
FAIRMONT, MINNESOTA
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DECEMBER 31, 2011**

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INTRODUCTORY SECTION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
DECEMBER 31, 2011**

ORGANIZATION

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Vacant	January 2013
2nd District	Steven Pierce *	January 2015
3rd District	Steven Donnelly **	January 2013
4th District	Dan Schmidtke	January 2015
5th District	Jack Potter	January 2013
Officers		
Elected		
Attorney	Terry Viesselman	January 2015
Auditor/Treasurer	James Forshee	January 2015
Judge	Robert D Walker	January 2016
County Recorder	Kay Wrucke	January 2015
Sheriff	Jeff Markquart	January 2015
Surveyor	John Madsen	January 2015
Appointed		
Assessor	Danial Whitman	December 2012
Highway Engineer	Kevin Peyman	April 2014
Medical Examiner	Dr. Dennis Gremel	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Jepsen	Indefinite
County Coordinator	Scott Higgins	Indefinite

* Chair

**Co-Chair

FINANCIAL SECTION



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
Martin County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Martin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.10. to the financial statements, for 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin County's basic financial statements as a whole. The supplementary information and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the other supplementary information are 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. This 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, on our consideration of Martin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

Martin County's (the County) Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the year ended December 31, 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 14). Certain comparative information between the current year, 2011, and the prior year, 2010, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 include the following:

- Governmental activities' total net assets are \$76,174,072 of which \$54,014,568 is invested in capital assets, net of related debt, and \$6,360,207 is restricted for specific purposes.
- Martin County's net assets increased by \$2,668,516 for the year ended December 31, 2011.
- The net cost of governmental activities was \$9,248,269 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$11,916,785.
- Governmental funds' fund balances increased by \$876,297.
- In 2011, the Parks, Library, and Economic Development Special Revenue Funds, and the Nonmajor Prairieland Debt Service Fund were reclassified to the General Fund in accordance with the implementation of GASB 54.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Martin County's basic financial statements consist of three parts: Government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two government-wide statements. The Statement of Net Assets and the Statement of Activities (pages 14-16) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 17. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 14. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two financial statements report the County's net assets and changes in them. You can think of the County's net assets—the difference between the assets and liabilities – as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities:

Governmental Activities—The County's basic services are reported here, including general government, highways and streets, human services, public safety, economic development, environmental services, culture and recreation, conservation of natural resources, and interest. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

Our analysis of the County's major funds begins on page 17. The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and fiduciary--use different accounting methods.

- Governmental Funds—The County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation in a statement following each governmental fund financial statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- **Fiduciary Funds**—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Combining Statement of Changes in Assets and Liabilities (page 69). We excluded these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$76,174,072 on December 31, 2011 (see Table A-1).

Table A-1
The County's Net Assets

	<u>Governmental Activities</u>		%
	<u>2011</u>	<u>2010</u>	
Current and Other Assets	\$ 24,880,510	\$ 24,497,767	1.6 %
Capital Assets	56,521,702	54,546,557	3.6
Total Assets	<u>81,402,212</u>	<u>79,044,324</u>	3.0
Current Liabilities	1,741,784	1,850,719	(5.9)
Long-Term Liabilities	3,486,356	3,688,049	(5.5)
Total Liabilities	<u>5,228,140</u>	<u>5,538,768</u>	(5.6)
Net Assets			
Invested in Capital Assets, Net of Related Debt	54,014,568	51,848,487	4.2
Restricted	6,360,207	4,682,209	35.8
Unrestricted	15,799,297	16,974,860	(6.9)
Total Net Assets	<u>\$ 76,174,072</u>	<u>\$ 73,505,556</u>	3.6

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$22,729,235 for the year ended December 31, 2011. Property taxes and intergovernmental revenues accounted for 82 percent of total revenues for the year (see Table A-2).

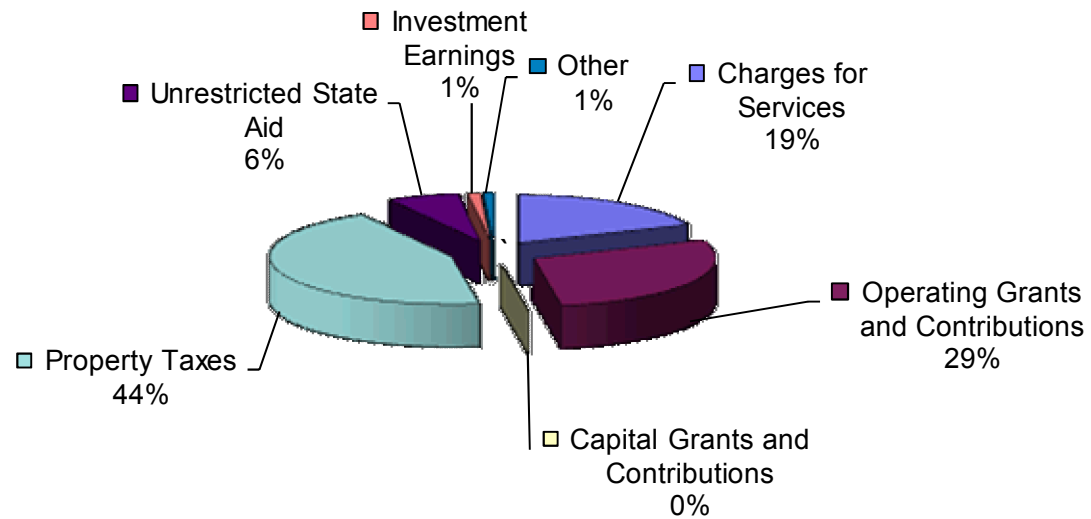
Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2011	2010	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 4,263,046	\$ 5,314,418	(19.8)%
Operating Grants and Contributions	6,548,065	5,578,907	17.4
Capital Grants and Contributions	1,339	85,028	(98.4)
<u>General Revenues</u>			
Property Taxes	10,052,042	9,673,641	3.9
Unrestricted State Aid	1,420,551	1,490,670	(4.7)
Investment Earnings	249,111	148,357	67.9
Other	195,081	356,268	(45.2)
Total Revenues	22,729,235	22,647,289	0.4
EXPENSES			
General Government	4,364,631	5,740,939	(24.0)
Public Safety	3,891,944	3,660,692	6.3
Highways and Streets	5,573,062	5,562,879	0.2
Environmental Services	1,016,797	591,562	71.9
Culture and Recreation	782,055	766,969	2.0
Conservation of Natural Resources	1,470,187	1,068,528	37.6
Economic Development	109,955	77,349	42.2
Human Services	2,719,853	2,261,327	20.3
Interest	132,235	145,923	(9.4)
Total Expenses	20,060,719	19,876,168	0.9
CHANGE IN NET ASSETS	2,668,516	2,771,121	(3.7)
Net Assets - Beginning of Year	73,505,556	70,734,435	3.9
NET ASSETS - END OF YEAR	\$ 76,174,072	\$ 73,505,556	3.6

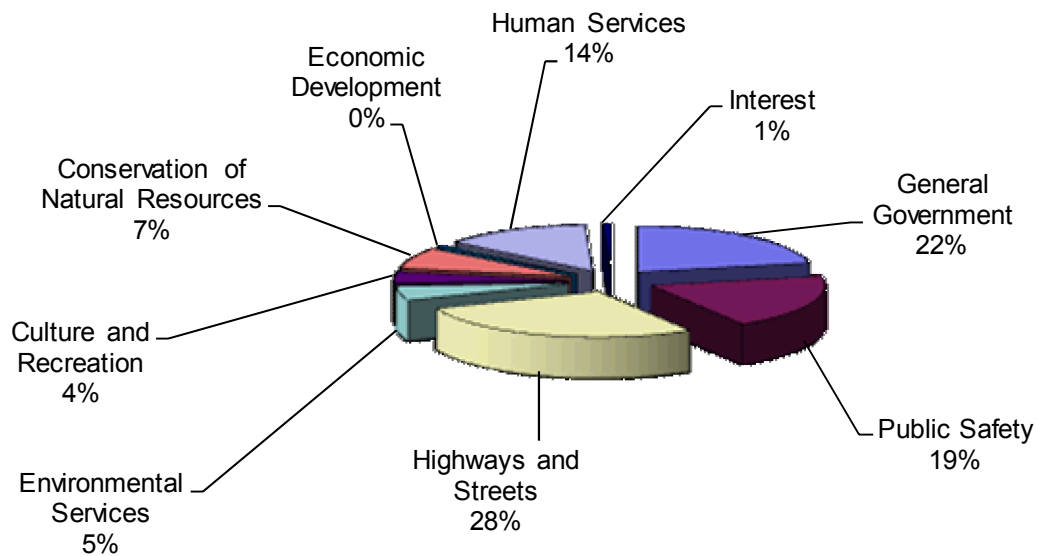
**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2011



Governmental Activities Expenses by Function 2011



**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was \$20,060,719.

- Some of the cost was paid by the users of the County's Programs (\$4,263,046).
- The Federal and state governments subsidized certain programs with grants and contributions (\$6,549,404).
- The remainder of the County's costs (\$9,248,269), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$10,052,042 in property taxes, \$1,420,551 of state aid, and \$444,192 with investment earnings and other general revenues.

Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table A-3
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2011	2010		2011	2010	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 4,364,631	\$ 5,740,939	(24.0)%	\$ (2,398,107)	\$ (2,848,443)	(15.8)%
Public Safety	3,891,944	3,660,692	6.3	(3,243,112)	(2,983,828)	8.7
Highways and Streets	5,573,062	5,562,879	0.2	48,728	(719,638)	(106.8)
Environmental Services	1,016,797	591,562	71.9	189,520	114,118	66.1
Culture and Recreation	782,055	766,969	2.0	(678,083)	(656,498)	3.3
Conservation of Natural Resources	1,470,187	1,068,528	37.6	(254,144)	610,748	(141.6)
Economic Development	109,955	77,349	42.2	(68,803)	(62,825)	9.5
Human Services	2,719,853	2,261,327	20.3	(2,712,033)	(2,205,526)	23.0
Interest	132,235	145,923	(9.4)	(132,235)	(145,923)	(9.4)
Total	\$ 20,060,719	\$ 19,876,168	0.9	\$ (9,248,269)	\$ (8,897,815)	3.9

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$17,951,118. Revenues for the County's governmental funds were \$23,065,001, while total expenditures were \$22,283,320. During 2011, the County also sold capital assets for \$2,732 which is included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$757,666 during 2011. This increase was primarily due to increasing tax and special assessment revenues.

The Road and Bridge Fund has a total fund balance of \$5,148,130.

The Human Services Fund's fund balance decreased by \$588,004, this is primarily due to an increase in payments to the Human Services of Faribault and Martin Counties Agency.

The Ditch Fund's fund balance decreased by \$123,178, this is primarily due to the County making ditch improvements during 2011.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

Table A-4 presents a summary of General Fund revenues.

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
Taxes	\$ 5,791,313	\$ 4,754,821	\$ 1,036,492	21.8 %
Licenses and Permits	48,780	33,503	15,277	45.6
Intergovernmental	2,508,113	2,413,527	94,586	3.9
Charges for Services	618,594	622,658	(4,064)	(0.7)
Investment Earnings	233,391	155,669	77,722	49.9
Miscellaneous and Other	928,799	1,887,589	(958,790)	(50.8)
Total General Fund Revenues	<u>\$ 10,128,990</u>	<u>\$ 9,867,767</u>	<u>\$ 261,223</u>	2.6

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
General Government	\$ 4,056,924	\$ 5,400,886	\$ (1,343,962)	(24.9)%
Public Safety	3,794,500	3,596,225	198,275	5.5
Environmental Services	479,249	339,731	139,518	41.1
Culture and Recreation	768,625	54,258	714,367	1316.6
Conservation of Natural Resources	114,469	112,800	1,669	1.5
Economic Development	109,955	10,068	99,887	992.1
Principal Retirement	44,728	43,846	882	2.0
Interest and Fiscal Charges	5,606	6,489	(883)	(13.6)
Total Expenditures	<u>\$ 9,374,056</u>	<u>\$ 9,564,303</u>	<u>\$ (190,247)</u>	(2.0)

For the year ended December 31, 2011, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$263,058 more than expected. This is due primarily to taxes and miscellaneous revenue being more than expected.
- The actual expenditures were \$486,667 less than budget. This is due primarily to a lower increase in expenses than what was budgeted.
- The County does not typically amend its budget after it is approved by the County Board; likewise, they have not made any budget amendments during 2011.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2011, the County had invested over \$86,140,000 in a broad range of capital assets, including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.) Total depreciation expense for the year was \$1,968,529.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2011	2010	
Land and Right-of-Way	\$ 931,721	\$ 931,721	-
Construction in Progress	289,346	1,999,613	(85.5)
Buildings and Improvements	7,617,308	7,594,857	0.3
Machinery, Equipment, and Vehicles	5,761,090	5,717,912	0.8
Infrastructure	71,548,865	66,375,447	7.8
Less: Accumulated Depreciation	<u>(29,626,628)</u>	<u>(28,072,993)</u>	5.5
Total	<u>\$56,521,702</u>	<u>\$ 54,546,557</u>	3.6

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term liabilities of \$4,165,482 versus \$4,319,020 in the previous year for a 3.6 percent decrease as shown in Table A-7. This decrease is due to payments made during the year.

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

	<u>2011</u>	<u>2010</u>	<u>Percent Change</u>
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Discount	\$ 3,044,141	\$ 3,228,876	(5.7)%
Loans Payable	256,929	303,406	(15.3)
Compensated Absences Payable	623,834	595,323	4.8
Other Postemployment Benefit Obligation	240,578	191,415	25.7
Total	<u>\$ 4,165,482</u>	<u>\$ 4,319,020</u>	(3.6)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor / Treasurer, James Forshee, at (507) 238-3266.

BASIC FINANCIAL STATEMENTS

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2011**

	<u>Primary Government</u>
ASSETS	
Cash and Pooled Investments	\$ 18,108,496
Petty Cash and Change Funds	1,455
Taxes Receivable - Delinquent	165,168
Special Assessments Receivable - Delinquent	112,632
Special Assessments Receivable - Deferred	2,120,867
Accounts Receivable - Net	30,402
Loans Receivable	365,337
Accrued Interest Receivable	4,497
Due from Other Governments	3,242,505
Inventories	709,284
Deferred Debt Issue Costs	19,867
Capital Assets - Non Depreciable	
Land and Right of Way	931,721
Construction in Progress	289,346
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,328,659
Land Improvements	50,184
Machinery, Vehicles, Furniture and Equipment	1,628,310
Infrastructure	<u>50,293,482</u>
Total Assets	<u><u>81,402,212</u></u>

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

	<u>Primary Government</u>
LIABILITIES	
Accounts Payable	\$ 517,231
Salaries Payable	225,934
Due to Other Governments	83,080
Accrued Interest Payable	33,883
Deferred Revenue - Unearned	202,530
Compensated Absences Payable - Due Within One Year	430,500
General Obligation Bonds Payable - Due Within One Year	203,000
Loans Payable - Due Within One Year	45,626
Compensated Absences Payable - Due in More Than One Year	193,334
General Obligation Bonds Payable - Due in More Than One Year	2,841,141
Loans Payable - Due in More Than One Year	211,303
Other Postemployment Benefit Obligation - Due in More Than One Year	<u>240,578</u>
Total Liabilities	<u>5,228,140</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	54,014,568
Restricted for	
General Government	239,498
Public Safety	518,394
Debt Service	556,914
Culture and Recreation	9,310
Economic Development	283,048
Highways and Streets	3,107,938
Conservation	871,536
Sanitation	773,569
Unrestricted	<u>15,799,297</u>
Total Net Assets	<u><u>\$ 76,174,072</u></u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Government	\$ 4,364,631	\$ 1,214,497	\$ 750,688	\$ 1,339	\$ (2,398,107)
Public Safety	3,891,944	244,450	404,382	-	(3,243,112)
Highways and Streets	5,573,062	622,974	4,998,816	-	48,728
Environmental Services	1,016,797	1,031,029	175,288	-	189,520
Culture and Recreation	782,055	88,402	15,570	-	(678,083)
Conservation of Natural Resources	1,470,187	1,060,567	155,476	-	(254,144)
Economic Development	109,955	1,127	40,025	-	(68,803)
Human Services	2,719,853	-	7,820	-	(2,712,033)
Interest	132,235	-	-	-	(132,235)
Total Governmental Activities	\$ 20,060,719	\$ 4,263,046	\$ 6,548,065	\$ 1,339	(9,248,269)
GENERAL REVENUES					
Property Taxes					10,052,042
Mortgage Registry and Deed Tax					11,819
Wind Power Production Tax					180,530
Grants and Contributions not Restricted for a Particular Purpose					1,420,551
Investment Earnings					249,111
Gain on Sale of Capital Assets					2,732
Total General Revenues					11,916,785
CHANGE IN NET ASSETS					
Net Assets - Beginning of Year					73,505,556
NET ASSETS - END OF YEAR					\$ 76,174,072

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	\$ 8,935,687	\$ 4,529,737	\$ 983,833	\$ -
Petty Cash and Change Funds	1,405	50	-	-
Taxes Receivable - Delinquent	88,079	35,519	34,823	-
Special Assessments Receivable				
Delinquent	30,110	-	-	1,089
Deferred	659,458	-	-	1,461,409
Accounts Receivable	30,402	-	-	-
Interest Receivable	4,497	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	7,527	37,851	-	-
Due from Other Governments	116,143	3,111,952	-	14,410
Inventories	-	709,284	-	-
Total Assets	\$ 9,873,308	\$ 8,424,393	\$ 1,018,656	\$ 1,476,908
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 153,489	\$ 75,560	\$ -	\$ 267,895
Salaries Payable	173,387	52,547	-	-
Due to Other Funds	37,567	90	-	7,595
Due to Other Governments	50,147	4,612	-	27,294
Deferred Revenue - Unavailable	786,458	3,143,454	34,823	1,462,498
Deferred Revenue - Unearned	202,530	-	-	-
Total Liabilities	1,403,578	3,276,263	34,823	1,765,282
FUND BALANCES				
Nonspendable				
Inventories	-	709,284	-	-
Restricted for				
Missing Heirs	4,088	-	-	-
Law Library	114,496	-	-	-
Sheriff's Contingency	5,000	-	-	-
E-911 System	513,394	-	-	-
Recorder's Equipment Purchases	120,914	-	-	-
Debt Service	-	-	-	-
Endowments	9,310	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance & Repair	-	-	-	391,783
Highway Projects	-	537,007	-	-
Committed to				
Human Services	-	-	983,833	-
Assigned to				
Building Projects	-	-	-	-
Road & Bridge	-	3,901,839	-	-
Unassigned	7,702,528	-	-	(680,157)
Total Fund Balances	8,469,730	5,148,130	983,833	(288,374)
Total Liabilities and Fund Balances	\$ 9,873,308	\$ 8,424,393	\$ 1,018,656	\$ 1,476,908

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Nonmajor Funds	Total Governmental Funds
\$ 3,659,239	\$ 18,108,496
-	1,455
6,747	165,168
81,433	112,632
-	2,120,867
-	30,402
-	4,497
365,337	365,337
-	45,378
-	3,242,505
-	709,284
<u>\$ 4,112,756</u>	<u>\$ 24,906,021</u>
\$ 20,287	\$ 517,231
-	225,934
126	45,378
1,027	83,080
453,517	5,880,750
-	202,530
<u>474,957</u>	<u>6,954,903</u>
-	709,284
-	4,088
-	114,496
-	5,000
-	513,394
-	120,914
584,633	584,633
-	9,310
283,048	283,048
773,569	773,569
-	391,783
-	537,007
-	983,833
1,996,549	1,996,549
-	3,901,839
-	7,022,371
<u>3,637,799</u>	<u>17,951,118</u>
<u>\$ 4,112,756</u>	<u>\$ 24,906,021</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 17,951,118

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 56,521,702

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property Taxes	\$ 165,168	
Special Assessments	2,233,499	
Intergovernmental Revenues	3,116,746	
Loans Receivable	365,337	5,880,750

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General Obligation Bonds	(3,044,141)	
Loans Payable	(256,929)	
Other Postemployment Benefit Obligation	(240,578)	
Compensated Absences	(623,834)	
Unamortized Bond Issue Costs	19,867	
Accrued Interest Payable	(33,883)	(4,179,498)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 76,174,072

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	\$ 5,791,313	\$ 2,106,108	\$ 1,962,864	\$ -
Special Assessments	208,557	-	-	964,617
Licenses and Permits	48,780	-	-	-
Intergovernmental	2,508,113	5,386,043	132,509	216,527
Charges for Services	618,594	9,225	-	-
Fines and Forfeits	25,533	-	-	-
Investment Earnings	233,391	6,201	-	9,108
Miscellaneous	694,709	623,299	-	87,529
Total Revenues	10,128,990	8,130,876	2,095,373	1,277,781
EXPENDITURES				
CURRENT				
General Government	4,056,924	-	-	-
Public Safety	3,794,500	-	-	-
Highways and Streets	-	7,819,710	-	-
Environmental Services	479,249	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	768,625	-	-	-
Conservation of Natural Resources	114,469	-	-	1,353,859
Economic Development	109,955	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	2,683,377	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	44,728	-	-	29,806
Interest and Fiscal Charges	5,606	-	-	17,294
Total Expenditures	9,374,056	7,819,710	2,683,377	1,400,959
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	754,934	311,166	(588,004)	(123,178)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	2,732	-	-	-
NET CHANGE IN FUND BALANCES	757,666	311,166	(588,004)	(123,178)
Fund Balance - Beginning of Year - as restated (Note 1.E.)	7,712,064	4,745,080	1,571,837	(165,196)
INCREASE (DECREASE) IN INVENTORIES	-	91,884	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 8,469,730</u>	<u>\$ 5,148,130</u>	<u>\$ 983,833</u>	<u>\$ (288,374)</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 382,179	\$ 10,242,464
789,108	1,962,282
-	48,780
80,789	8,323,981
560	628,379
-	25,533
-	248,700
179,345	1,584,882
<u>1,431,981</u>	<u>23,065,001</u>
124,798	4,181,722
-	3,794,500
-	7,819,710
-	479,249
536,377	536,377
-	768,625
-	1,468,328
-	109,955
-	2,683,377
79,760	79,760
160,000	234,534
104,283	127,183
<u>1,005,218</u>	<u>22,283,320</u>
426,763	781,681
-	2,732
426,763	784,413
3,211,036	17,074,821
-	91,884
<u>\$ 3,637,799</u>	<u>\$ 17,951,118</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 784,413

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

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

Expenditures for General Capital Assets, Infrastructure, and Other Related		
Capital Assets Adjustments	\$ 3,967,026	
Current Year Depreciation	(1,968,529)	
Net Book Value of Capital Asset Disposals	<u>(23,352)</u>	1,975,145

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

Taxes Receivable	1,927	
Special Assessments Receivable	(93,888)	
Grants Receivable	(247,333)	
Loans Receivable	(8,015)	
Accounts Receivable	8,400	
Interest Receivable	<u>411</u>	(338,498)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets.

Principal Repayments		
General Obligation Bonds Payable	188,057	
Loans Payable	<u>46,477</u>	234,534

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

Change in Accrued Interest Payable	3,690	
Change in Other Postemployment Benefit Obligation	(49,163)	
Amortization of Discounts and Deferred Issuance Charges	(4,978)	
Change in Accrued Compensated Absences	(28,511)	
Change in Inventories	<u>91,884</u>	<u>12,922</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,668,516

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2011**

ASSETS

Cash and Pooled Investments	<u>\$ 526,306</u>
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LIABILITIES

Due to Other Governments	<u>\$ 526,306</u>
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The notes to the financial statements are an integral part of this statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Martin County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Martin County was established May 23, 1857, and has the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. Martin County is governed by a five-member Board of Commissioners elected from districts within the County and administrative officers elected on a County-wide basis. The Board is organized with a chair and a vice chair elected at the annual meeting in January of each year. The County Coordinator serves as the Clerk of the Board of Commissioners, but does not vote in its decisions.

For financial reporting purposes, Martin County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Martin County's financial statements to be misleading or incomplete.

Other Organizations

The County participates in the joint ventures and jointly-governed organizations identified in Note 9.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the Primary Government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major funds:

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

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

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

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

Additionally, the County reports the following fund types:

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D.Assets, Liabilities, and Net Assets or Fund Balance

1. Deposits and Investments

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

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Significant portions of special assessments receivable are not expected to be collected within one year therefore are shown as deferred at the fund level.

3. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made by the County through its Area Development Fund. Principal and interest received by the County on these loans are recognized, at the fund level, in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in deferred revenue.

4. Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the County government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one accounting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for their initial reporting of these assets through backtrending (estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the costs to the acquisition year or estimated acquisition year).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	20-40
Land Improvements	20-30
Infrastructure	50-75
Machinery, Vehicles, Furniture, and Equipment	2-12

6. Compensated Absences

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

7. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

Invested in capital assets, net of related debt – the amounts of net assets representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net assets – the amount of net assets 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 assets – the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

10. Classification of Fund Balances

Beginning in 2011, Martin County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

The County's fund balance policy establishes a minimum unassigned fund balance equal to 50% of the total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

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

Nonspendable – the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

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

Assigned – the assigned fund balance classification includes amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Coordinator or the County Auditor/Treasurer who have been delegated that authority by Board resolution.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

10. Classification of Fund Balances (Continued)

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

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

11. 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. Restatement of Fund Balance

The implementation of GASB Statement No. 54 required the County to reclassify some special revenue funds to the General Fund. The Prairieland Debt Service Fund was closed to the Solid Waste Special Revenue Fund because the Debt was paid. The following table summarizes the restatement.

	<u>General Fund</u>	<u>Nonmajor - Solid Waste Special Revenue Fund</u>
Fund Balance - January 1, as previously reported	\$ 7,191,479	\$ 434,569
Reclassification of Special Revenue Funds		
Library	325,545	-
Park	41,532	-
Economic Development	153,508	-
Closure of Prairieland Debt Service Fund	<u>-</u>	<u>20,119</u>
Fund Balance - January 1, as restated	<u>\$ 7,712,064</u>	<u>\$ 454,688</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures in Excess of Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2011:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
County Administration	\$ 529,965	\$ 572,707	\$ 42,742
Elections	13,000	22,380	9,380
Attorney	351,983	355,951	3,968
Buildings and Plant	323,741	331,696	7,955
Public Safety			
Coroner	8,000	19,883	11,883
Environmental Services			
Planning and Zoning	430,960	479,249	48,289
Culture and Recreation			
Administration	31,173	40,561	9,388
Debt Service			
Interest and Fiscal Charges	-	5,606	5,606
Road and Bridge Fund			
Highways and Streets			
Administration	\$ 382,521	\$ 729,128	\$ 346,607
Engineering and Construction	2,797,666	3,501,352	703,686
Equipment and Maintenance Shops	1,463,481	1,590,013	126,532
Miscellaneous	12,750	15,397	2,647
Human Services			
Intergovernmental			
Human Services	2,132,040	2,683,377	551,337
Ditch Fund			
Conservation of Natural Resources			
Administration and Maintenance	-	1,353,859	1,353,859
Debt Service			
Principal	-	29,806	29,806
Interest and Fiscal Charges	-	17,294	17,294
Nonmajor Building Fund			
Building Improvements	124,150	124,798	648
Nonmajor Solid Waste Fund			
Sanitation			
Solid Waste Management	270,565	536,377	265,812

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Expenditures in Excess of Budget (Continued)

For all funds except the Ditch Fund, expenditures in excess of budget were funded by revenues in excess of budget and existing fund balance. Ditch Fund expenditures in excess of budget will be funded with future special assessment levies against benefited properties.

Deficit Fund Balance

For internal accounting purposes, individual ditch system records are maintained on a basis which shows long-term debt payable, recognized special assessments as revenues when levied, and does not eliminate interfund transactions. Using this basis of accounting, 27 of 177 drainage systems have deficit fund balances at December 31, 2011.

Although this method results in numbers not considered to be in conformity with GAAP for reporting, it provides necessary information by ditch for internal accounting purposes. The following is a summary of fund balances using the non-GAAP basis.

Account balances	\$ 871,536
Account balance deficits	(251,568)
	\$ 619,968
Total	\$ 619,968

The Ditch Special Revenue Fund's deficit will be eliminated with future special assessment levies against benefited properties. The Ditch Special Revenue Fund had a fund balance of \$(288,374) when reported on the modified accrual basis.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minnesota Statutes § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy does not limit deposits beyond what is required by Minnesota Statutes for deposits.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The County had deposits of \$18,492,992 in banks at December 31, 2011 of which the entire balance was covered by federal depository insurance or pledged collateral held by the bank's agent in the County's name.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) Bankers' acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2011, the County had the following investments:

Investment Type	Interest Rate Risk Maturity	Fair Value	Credit Risk Rating	Concentration Risk Concentration
Money Market				
Federated US Treasury INSTL SH	N/A	537,006	AAAm	N/A

Interest Rate Risk

The County's investment policy requires the County to structure its investment portfolio so that securities meet the cash requirements for ongoing operations. It also requires the County to invest their operation funds in primarily shorter-term securities, liquid asset funds, money market mutual funds, or other similar investment pools. At December 31, 2011, the County minimizes exposure to interest rate risk by investing in money market mutual funds.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2011, the County's investments were rated AAAM by Standard & Poor's.

Concentration Credit Risk

The County's investment policy places a limit of no more than 20% of their securities may be invested with any one issuer, with the exception of U.S. Government Securities and U.S. Government Agencies securities.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy further limits their investments by limiting the amount of investments to any one broker to the amount SIPC and excess SIPC coverage available.

As of December 31, 2011, the County's investments consisted of \$537,006 of funds in a money market mutual fund.

B. Receivables

Receivables as of December 31, 2011, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 165,168	\$ -
Special Assessments	2,233,499	1,581,114
Accounts	30,402	-
Loans Receivable	365,337	365,337
Interest	4,497	-
Due from Other Governments	3,242,505	-
Total	<u>\$ 6,041,408</u>	<u>\$ 1,946,451</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 931,721	\$ -	\$ -	\$ 931,721
Construction in Progress	1,999,613	3,463,151	5,173,418	289,346
Total Capital Assets, Not Being Depreciated	2,931,334	3,463,151	5,173,418	1,221,067
Capital Assets, Being Depreciated				
Buildings and Improvements	7,556,580	-	-	7,556,580
Land Improvements	38,277	22,451	-	60,728
Machinery, Furniture, and Equipment	4,568,335	143,408	320,905	4,390,838
Infrastructure	66,375,447	5,173,418	-	71,548,865
Vehicles	1,149,577	338,016	117,341	1,370,252
Total Capital Assets, Being Depreciated	79,688,216	5,677,293	438,246	84,927,263
Less Accumulated Depreciation for				
Buildings and Improvements	4,058,122	169,799	-	4,227,921
Land Improvements	8,444	2,100	-	10,544
Machinery, Furniture, and Equipment	3,388,341	313,046	301,315	3,400,072
Infrastructure	19,879,106	1,376,277	-	21,255,383
Vehicles	738,980	107,307	113,579	732,708
Total Accumulated Depreciation	28,072,993	1,968,529	414,894	29,626,628
Total Capital Assets, Being Depreciated, Net	51,615,223	3,708,764	23,352	55,300,635
Governmental Activities Capital Assets, Net	<u>\$ 54,546,557</u>	<u>\$ 7,171,915</u>	<u>\$ 5,196,770</u>	<u>\$ 56,521,702</u>

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

Government-Type Activities

General Government	\$ 160,573
Public Safety	97,804
Highways and Streets, Including Depreciation of Infrastructure Assets	1,652,226
Human Services	38,366
Culture and Recreation	17,338
Conservation of Natural Resources	2,222
Total Depreciation Expense - Governmental Activities	<u>\$ 1,968,529</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	\$ 90	Postage, Paper
	Ditch	7,311	Fund Negative Cash, Postage, & Copies
	Solid Waste (Nonmajor)	126	Postage
Total Due to General Fund		<u>7,527</u>	
Road and Bridge	General	37,567	Park Services and Fuel
	Ditch	284	Fuel
Total Due to Road and Bridge Fund		<u>37,851</u>	
Total To/From other Funds		<u><u>\$ 45,378</u></u>	

D. Liabilities

1. Long-Term Debt

General Obligation Bonds

The County issued General Obligation Construction Bonds during 2006 to fund road improvements within the County. The County issued general obligation MPFA bonds during 2009 to fund ditch improvements within the County's drainage system.

Loans Payable

The County has entered into several agreements with the State of Minnesota to provide revolving loans to County residents for improvements to failing septic system. These revolving loans are secured by special assessments placed on the individual parcels requesting the repair of a failing septic system.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

Debt Summary

Types of Indebtedness	Maturity	Amounts	Rates (%)	Original Amount	Outstanding Balance 2011
General Obligation Bonds					
Construction Bonds of 2006	2023	\$ 175,000 - \$ 250,000	3.70 - 4.20	\$ 3,000,000	\$ 2,540,000
MPFA Obligations	2029	28,000 - 33,000	1.00	628,307	544,000
				Subtotal	3,084,000
				Less: Unamortized Discounts	(39,859)
				Total General Obligation Bonds	3,044,141
Loans Payable	2019	1,701 - 21,736	2.00	454,161	256,929
				Total Long-Term Debt	<u>\$ 3,301,070</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	203,000	103,525	45,626	4,708	248,626	108,233
2013	203,000	96,726	46,544	3,791	249,544	100,517
2014	208,000	89,745	42,934	2,856	250,934	92,601
2015	219,000	82,388	32,076	2,038	251,076	84,426
2016	229,000	74,540	25,519	1,465	254,519	76,005
2017-2021	1,268,000	240,438	54,074	1,633	1,322,074	242,071
2022-2026	657,000	30,527	-	-	657,000	30,527
2027-2029	97,000	1,950	-	-	97,000	1,950
Total	<u>\$ 3,084,000</u>	<u>\$ 719,839</u>	<u>\$ 246,773</u>	<u>\$ 16,491</u>	<u>\$ 3,330,773</u>	<u>\$ 736,330</u>

Note: Excluded from the loans payable debt service requirements listed above is a loan to the Ditch Fund from Jackson County in the amount of \$10,156 that is repaid based on related special assessment collections.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Construction	2,700,000	-	160,000	2,540,000	175,000
Less: Discount	(43,181)	-	(3,322)	(39,859)	(3,321)
MPFA Obligations	572,057	-	28,057	544,000	28,000
Total General Obligations	3,228,876	-	184,735	3,044,141	199,679
Loans Payable	303,406	-	46,477	256,929	45,626
Compensated Absences	595,323	502,795	474,284	623,834	430,500
Other Postemployment Benefit Plan	191,415	84,105	34,942	240,578	-
Governmental Activity Long-Term Liabilities	<u>\$ 4,319,020</u>	<u>\$ 586,900</u>	<u>\$ 740,438</u>	<u>\$ 4,165,482</u>	<u>\$ 675,805</u>

NOTE 4 OPERATING LEASE

At the end of 2011, the County maintained seven operating leases for squad cars. Daily rentals under the agreements range from \$26 - \$37.91 per day plus \$.38 - \$.42 per mile for maintenance. In 2011, expenditures under these agreements totaled \$26,911. Future minimum lease payments are as follows:

Year Ended	Amount
2012	\$ 19,936
2013	11,907
2014	7,558
2015	2,719
Total	<u>\$ 42,120</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of the County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those eligible for membership after June 30, 2010). All police officers, fire-fighters, and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plans (Continued)

1. Plan Description (Continued)

Two methods are used to compute benefits for GERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive 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 PEPFF members, the annuity accrual rate is 3.0 percent of average salary for each year of service. The annuity accrual rate is 1.9 percent of average salary for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and either 65 or 66 (depending on date hired) for GERF members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. PECF members are required to contribute 5.83% of their annual covered salary. The County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, 14.40% for PEPFF members, and 8.75% for PECF members.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Defined Contribution Plan

Local government officials, except elected County Sheriffs are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

C. Contributions

The County's contributions to the General Employees Retirement Fund, Public Employees Police and Fire Fund, Public Employees Correctional Fund, and Defined Contribution Plan for the years ending December 31, 2011, 2010, and 2009 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2011	\$ 275,211	\$ 97,019	\$ 52,423	\$ 2,586
2010	262,985	94,206	52,352	2,428
2009	251,135	92,810	50,645	2,601

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN

The County provides postemployment health insurance for elected and non-elected employees, (except those employees whose positions are included in a collective bargaining unit) who retire with 20 or more years of County employment. The monthly payments are the single premium for the plan selected by the employee prior to retirement. Specifics of an employee's benefit vary with individual conditions and requirements such as hired date; full-time employment at date of retirement; years of continuous, uninterrupted service; age; and the Public Employees Retirement Association eligibility. All benefits cease at age 65. As of December 31, 2011, two retirees were receiving the continued health insurance benefit. The County's contributions for the year were \$17,331.

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by state statutes. Active employees, who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association of Minnesota (PERA) (or similar plan), and do not participate in any other coverage with respect to both themselves and their eligible dependent(s) are eligible under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2011, there were six retirees receiving health benefits from the County's health plan, one of which is entitled to full health insurance benefits for life due to not being eligible for Medicare. The implicit rate subsidy amount was determined by an actuarial study to be \$17,611 for 2011.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 83,322
Interest on Net OPEB Obligation	7,785
Adjustment to ARC	<u>(7,002)</u>
Annual OPEB Cost	84,105
Contributions During the Year	<u>(34,942)</u>
Increase in Net OPEB Obligation	49,163
NET OPEB - Beginning of Year	<u>191,415</u>
NET OPEB - End of the Year	<u>\$ 240,578</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009, 2010 and 2011 were as follows:

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 84,105	\$ 34,942	41.5 %	\$ 240,578
2010	105,308	47,322	44.9	191,415
2009	101,298	35,910	35.4	133,429

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2011 was 26 years.

D. Annual OPEB Cost and Net OPEB Obligation

In the January 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 4.0%. The annual healthcare cost trend rate is 10.0% initially, reduced incrementally to an ultimate rate of 5.5% over nine years.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 7 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks of loss, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 OTHER ORGANIZATIONS

Joint Ventures

Faribault – Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minnesota Statutes §471.59) to provide welfare and health services to county residents (Minnesota Statutes §§ 402.01-.10). The Faribault – Martin – Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has 12 members, six from each county. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility. Complete financial statements for the Human Services Board can be obtained at 115 West First Street, Fairmont, Minnesota 56031.

Prairieland Solid Waste Board

Martin County entered into a joint powers agreement with Faribault County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans. Fees not sent to Prairieland will be kept in the Solid Waste Fund of the County and are restricted for Solid Waste programs approved by the County Board.

Prairieland Solid Waste Board reported a net loss of \$494,480 in 2011. The full-faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each County's proportional share of the principal and interest when due. Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, P.O. Box 100, Truman, Minnesota 56088.

Red Rock Rural Water System

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

The Red Rock Rural Water System is governed by a nine-member board appointed for terms of three years by the District Court. Each County is responsible for levying and collecting the special assessments from the benefited properties within the County. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Complete financial statements of the Red Rock Rural Water System can be obtained from the main office in Jeffers, Minnesota 56145.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations

South Central Minnesota Regional Radio Board

The South Central Regional Radio Board was established pursuant to Minnesota Statutes §§471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

Minnesota River Basin Board

The Minnesota River Basin Joint Powers Board promotes orderly water quality improvement and management of the Minnesota River watersheds. During the year, the County paid \$1,738 to the Board.

South Central Emergency Medical Services

The South Central Emergency Medical Services (SEMS) provides various emergency medical services to several counties. The County did not provide any funding to SEMS during 2011.

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance provides the preparation to comprehensive water plans for the participating counties. During the year, the County paid \$7,400 to the Alliance.

Rural Minnesota Energy Board

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

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During 2011, Martin County paid \$2,500 to the Board.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

South Central Workforce Council

The South Central Workforce Council Joint Powers Board is comprised of one representative from each of the participating County Boards. The Board is the local governmental body that appoints the Workforce Council members and is a full partner with them in overseeing area employment and training programs. The County did not provide any funding to the Council during 2011.

NOTE 10 AGRICULTURAL BEST MANAGEMENT LOAN PROGRAM

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point sources water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. Management believes the County has met those responsibilities for 2011.

NOTE 11 SPECIAL BENEFIT TAX LEVY

In 1993, the South Central Minnesota Multi-County Housing Authority (the Authority) issued \$20,315,000 of revenue bonds to construct housing units in Martin County and four surrounding counties. The Authority defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Martin County's proportionate share of the operating deficit for 2011 is \$77,973. The proportionate shares on the counties may change for the years 2011 through 2024 if there are changes in the taxable market value over the 2010 taxable market value.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 12 HUMAN SERVICES BOARD OPERATING LEASE

Martin County (lessor) has an operating lease with the Human Services Board of Faribault and Martin Counties (lessee) that runs from January 1 through December 31. This lease is automatically renewed on an annual basis unless either party decides to terminate the lease at least 90 days before the end of the term. The total annual rent is \$158,628 payable in 12 monthly installments of \$13,219 on the first day of each month.

NOTE 13 CONSTRUCTION COMMITMENTS

The County has no active construction projects as of December 31, 2011.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,407,380	\$ 5,407,380	\$ 5,791,313	\$ 383,933
Special Assessments	130,000	130,000	208,557	78,557
Licenses and Permits	30,400	30,400	48,780	18,380
Intergovernmental	2,584,773	2,584,773	2,508,113	(76,660)
Charges for Services	618,615	618,615	618,594	(21)
Fines and Forfeits	25,000	25,000	25,533	533
Investment Earnings	400,000	400,000	233,391	(166,609)
Miscellaneous	669,764	669,764	694,709	24,945
Total Revenues	9,865,932	9,865,932	10,128,990	263,058
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	231,411	231,411	193,107	38,304
Courts	165,753	165,753	136,100	29,653
County Administration	529,965	529,965	572,707	(42,742)
County Coordinator	194,387	194,387	181,106	13,281
County Auditor/Treasurer	544,440	544,440	473,198	71,242
County Assessor	418,780	418,780	400,517	18,263
Drainage Administrator	127,414	127,414	124,177	3,237
Elections	13,000	13,000	22,380	(9,380)
Data Processing	235,099	235,099	213,799	21,300
Attorney	351,983	351,983	355,951	(3,968)
Recorder	341,041	341,041	305,474	35,567
Buildings and Plant	323,741	323,741	331,696	(7,955)
Transit System	637,272	637,272	596,914	40,358
Veterans Service Officer	154,887	154,887	149,798	5,089
Total General Government	4,269,173	4,269,173	4,056,924	212,249
PUBLIC SAFETY				
Sheriff	3,646,453	3,646,453	3,593,495	52,958
Coroner	8,000	8,000	19,883	(11,883)
Civil Defense	309,591	309,591	70,980	238,611
Victim/Witness	112,395	112,395	110,142	2,253
Total Public Safety	4,076,439	4,076,439	3,794,500	281,939

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
ENVIRONMENTAL SERVICES				
Planning and Zoning	\$ 430,960	\$ 430,960	\$ 479,249	\$ (48,289)
CULTURE AND RECREATION				
Administration	31,173	31,173	40,561	(9,388)
Library	642,417	642,417	624,327	18,090
Parks	104,050	104,050	103,737	313
Total Culture and Recreation	777,640	777,640	768,625	9,015
CONSERVATION OF NATURAL RESOURCES				
County Extension	115,013	115,013	114,469	544
ECONOMIC DEVELOPMENT				
Administration	8,568	8,568	6,318	2,250
Economic Development	131,130	131,130	103,637	27,493
Total Economic Development	139,698	139,698	109,955	29,743
DEBT SERVICE				
Principal	51,800	51,800	44,728	7,072
Interest and Fiscal Charges	-	-	5,606	(5,606)
Total Debt Service	51,800	51,800	50,334	1,466
Total Expenditures	9,860,723	9,860,723	9,374,056	486,667
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,209	5,209	754,934	749,725
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	2,732	2,732
NET CHANGE IN FUND BALANCE	\$ 5,209	\$ 5,209	757,666	\$ 752,457
Fund Balance - Beginning of Year - as restated (Note 1.E.)			7,712,064	
FUND BALANCE - END OF YEAR			\$ 8,469,730	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,148,828	\$ 2,148,828	\$ 2,106,108	\$ (42,720)
Intergovernmental	4,151,293	4,151,293	5,386,043	1,234,750
Charges for Services	-	-	9,225	9,225
Investment Earnings	-	-	6,201	6,201
Miscellaneous	375,950	375,950	623,299	247,349
Total Revenues	6,676,071	6,676,071	8,130,876	1,454,805
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	382,521	382,521	729,128	(346,607)
Engineering and Construction	2,797,666	2,797,666	3,501,352	(703,686)
Maintenance	2,039,653	2,039,653	1,983,820	55,833
Equipment and Maintenance Shops	1,463,481	1,463,481	1,590,013	(126,532)
Miscellaneous	12,750	12,750	15,397	(2,647)
Total Highways and Streets	6,696,071	6,696,071	7,819,710	(1,123,639)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(20,000)	311,166	331,166
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	20,000	20,000	-	(20,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>311,166</u>	<u>\$ 311,166</u>
Fund Balance - Beginning of Year			4,745,080	
Increase (Decrease) in Inventories			91,884	
FUND BALANCE - END OF YEAR			<u>\$ 5,148,130</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,999,531	\$ 1,999,531	\$ 1,962,864	\$ (36,667)
Intergovernmental	132,509	132,509	132,509	-
Total Revenues	2,132,040	2,132,040	2,095,373	(36,667)
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	2,132,040	2,132,040	2,683,377	(551,337)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	(588,004)	<u>\$ (588,004)</u>
Fund Balance - Beginning of Year			<u>1,571,837</u>	
FUND BALANCE - END OF YEAR			<u>\$ 983,833</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ -	\$ -	\$ 964,617	\$ 964,617
Intergovernmental	-	-	216,527	216,527
Investment Earnings	-	-	9,108	9,108
Miscellaneous	-	-	87,529	87,529
Total Revenues	-	-	1,277,781	1,277,781
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Administration and Maintenance	-	-	1,353,859	(1,353,859)
DEBT SERVICE				
Principal	-	-	29,806	(29,806)
Interest and Fiscal Charges	-	-	17,294	(17,294)
Total Debt Service	-	-	47,100	(47,100)
Total Expenditures	-	-	1,400,959	(1,400,959)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	(123,178)	<u>\$ (123,178)</u>
Fund Balance - Beginning of Year			(165,196)	
FUND BALANCE - END OF YEAR			<u>\$ (288,374)</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011**

I. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the board of commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level. The Board of Commissioners did not make any budgetary adjustments during 2011.

II. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2011:

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
General Government			
County Administration	\$ 529,965	\$ 572,707	\$ 42,742
Elections	13,000	22,380	9,380
Attorney	351,983	355,951	3,968
Buildings and Plant	323,741	331,696	7,955
Public Safety			
Coroner	8,000	19,883	11,883
Environmental Services			
Planning and Zoning	430,960	479,249	48,289
Culture and Recreation			
Administration	31,173	40,561	9,388
Debt Service			
Interest and Fiscal Charges	-	5,606	5,606
Road and Bridge Fund			
Highways and Streets			
Administration	\$ 382,521	\$ 729,128	\$ 346,607
Engineering and Construction	2,797,666	3,501,352	703,686
Equipment and Maintenance Shops	1,463,481	1,590,013	126,532
Miscellaneous	12,750	15,397	2,647
Human Services Fund			
Intergovernmental			
Human Services	2,132,040	2,683,377	551,337

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2011**

II. Excess of Expenditures Over Appropriations (Continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Ditch Fund			
Conservation of Natural Resources			
Administration and Maintenance	\$ -	\$ 1,353,859	\$ 1,353,859
Debt Service			
Principal	-	29,806	29,806
Interest and Fiscal Charges	-	17,294	17,294
Nonmajor - Solid Waste Fund			
Sanitation			
Solid Waste Management	270,565	536,377	265,812
Nonmajor - Building Fund			
General Government			
Building Operations	124,150	124,798	648

For all funds except the Ditch Fund, expenditures in excess of budget were funded by revenues in excess of budget and existing fund balance. The Ditch Fund expenditures in excess of budget will be funded with future special assessment levies against benefited properties.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 1,176,935	\$ 1,176,935	-	\$ 4,441,845	26.5%
1/1/2011	-	926,164	926,164	-	5,338,136	17.3

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

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented during 2008. Future notes will provide additional trend analysis to meet the three actuarial valuation requirement as it becomes available.

SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

Solid Waste Special Revenue Fund is used to account for revenues and expenditures of the recycling and solid waste program. Revenues are derived from fees collected, special assessments, and various intergovernmental revenues.

Area Development Special Revenue Fund is used to account for the revenues and expenditures of the Area Redevelopment Authority established by the Martin County Board of Commissioners to make loans for redevelopment within the county.

Building Capital Projects Fund is used to account for the maintenance and costs of running the County's buildings.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligations debt of the County.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	\$ 785,847	\$ 283,048	\$ 1,068,895	\$ 2,005,711
Taxes Receivable - Delinquent	-	-	-	2,849
Special Assessments Receivable				
Delinquent	81,433	-	81,433	-
Loans Receivable	-	365,337	365,337	-
Total Assets	<u>\$ 867,280</u>	<u>\$ 648,385</u>	<u>\$ 1,515,665</u>	<u>\$ 2,008,560</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,178	\$ -	\$ 11,178	\$ 9,109
Due to Other Funds	126	-	126	-
Due to Other Governments	974	-	974	53
Deferred Revenue - Unavailable	81,433	365,337	446,770	2,849
Total Liabilities	93,711	365,337	459,048	12,011
FUND BALANCES				
Restricted for				
Economic Development	-	283,048	283,048	-
Debt Service	-	-	-	-
Solid Waste	773,569	-	773,569	-
Assigned to				
Building Projects	-	-	-	1,996,549
Total Fund Balances	<u>773,569</u>	<u>283,048</u>	<u>1,056,617</u>	<u>1,996,549</u>
Total Liabilities and Fund Balances	<u>\$ 867,280</u>	<u>\$ 648,385</u>	<u>\$ 1,515,665</u>	<u>\$ 2,008,560</u>

<u>Debt Service Funds</u>	<u>Total</u>
Debt Service	Nonmajor Funds
\$ 584,633	\$ 3,659,239
3,898	6,747
-	-
-	81,433
-	365,337
<u>\$ 588,531</u>	<u>\$ 4,112,756</u>
\$ -	20,287
-	126
-	1,027
3,898	453,517
<u>3,898</u>	<u>474,957</u>
-	283,048
584,633	584,633
-	773,569
-	-
-	1,996,549
<u>584,633</u>	<u>3,637,799</u>
<u>\$ 588,531</u>	<u>\$ 4,112,756</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2011**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 138,350
Special Assessments	789,108	-	789,108	-
Intergovernmental	55,950	-	55,950	9,857
Charges for Services	560	-	560	-
Miscellaneous	9,640	8,015	17,655	161,690
Total Revenues	<u>855,258</u>	<u>8,015</u>	<u>863,273</u>	<u>309,897</u>
EXPENDITURES				
CURRENT				
General Government	-	-	-	124,798
Sanitation	536,377	-	536,377	-
CAPITAL OUTLAY				
General Government	-	-	-	79,760
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>536,377</u>	<u>-</u>	<u>536,377</u>	<u>204,558</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	318,881	8,015	326,896	105,339
Fund Balance - Beginning of Year - as restated (Note 1.E.)	<u>454,688</u>	<u>275,033</u>	<u>729,721</u>	<u>1,891,210</u>
FUND BALANCE - END OF YEAR	<u>\$ 773,569</u>	<u>\$ 283,048</u>	<u>\$ 1,056,617</u>	<u>\$ 1,996,549</u>

<u>Debt Service Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>
\$ 243,829	\$ 382,179
-	789,108
14,982	80,789
-	560
-	179,345
<u>258,811</u>	<u>1,431,981</u>
-	124,798
-	536,377
-	79,760
160,000	160,000
<u>104,283</u>	<u>104,283</u>
<u>264,283</u>	<u>1,005,218</u>
(5,472)	426,763
<u>590,105</u>	<u>3,211,036</u>
<u>\$ 584,633</u>	<u>\$ 3,637,799</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 803,361	\$ 803,361	\$ 789,108	\$ (14,253)
Intergovernmental	55,998	55,998	55,950	(48)
Charges for Services	150	150	560	410
Miscellaneous	4,000	4,000	9,640	5,640
Total Revenues	863,509	863,509	855,258	(8,251)
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste Management	270,565	270,565	536,377	(265,812)
NET CHANGE IN FUND BALANCE	<u>\$ 592,944</u>	<u>\$ 592,944</u>	318,881	<u>\$ (274,063)</u>
Fund Balance - Beginning of Year - as restated (Note 1.E.)			<u>454,688</u>	
FUND BALANCE - END OF YEAR			<u>\$ 773,569</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
AREA DEVELOPMENT NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 8,015	\$ 8,015
EXPENDITURES				
CURRENT				
ECONOMIC DEVELOPMENT	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	8,015	<u>\$ 8,015</u>
Fund Balance - Beginning of Year			<u>275,033</u>	
FUND BALANCE - END OF YEAR			<u>\$ 283,048</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 140,143	\$ 140,143	\$ 138,350	\$ (1,793)
Intergovernmental	9,857	9,857	9,857	-
Miscellaneous	159,032	159,032	161,690	2,658
Total Revenues	309,032	309,032	309,897	865
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Building Operations	124,150	124,150	124,798	(648)
CAPITAL OUTLAY -				
GENERAL GOVERNMENT	90,000	90,000	79,760	10,240
Total Expenditures	214,150	214,150	204,558	9,592
NET CHANGE IN FUND BALANCE	\$ 94,882	\$ 94,882	105,339	\$ 10,457
Fund Balance - Beginning of Year			1,891,210	
FUND BALANCE - END OF YEAR			\$ 1,996,549	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 249,301	\$ 249,301	\$ 243,829	\$ (5,472)
Intergovernmental	14,982	14,982	14,982	-
Total Revenues	264,283	264,283	258,811	(5,472)
EXPENDITURES				
CURRENT				
DEBT SERVICE				
Principal Payments	160,000	160,000	160,000	-
Interest	104,283	104,283	104,283	-
Total Debt Service	264,283	264,283	264,283	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(5,472)	<u>\$ (5,472)</u>
Fund Balance - Beginning of Year			<u>590,105</u>	
FUND BALANCE - END OF YEAR			<u>\$ 584,633</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
AGENCY FUNDS**

Agency funds account for assets held in a custodial capacity for others.

State Agency Fund – to account for the collection and distribution of funds for the State of Minnesota.

Mortgage Registry Tax Fund – to account for collection and payment of mortgage registry tax to the County and State of Minnesota.

Deed Tax Fund – to account for collection and payment of deed tax to the County and the State of Minnesota.

Taxes and Penalties Fund – to account for the collection of taxes and penalties and their payments to the various taxing districts.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
ASSETS				
Cash and Pooled Investments	\$ 84,414	\$ 394,550	\$ 401,731	77,233
LIABILITIES				
Due to Other Governments	\$ 84,414	\$ 394,550	\$ 401,731	\$ 77,233
<u>MORTGAGE REGISTRY TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 26,238	\$ 163,927	\$ 156,925	33,240
LIABILITIES				
Due to Other Governments	\$ 26,238	\$ 163,927	\$ 156,925	\$ 33,240
<u>DEED TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 54,610	\$ 232,671	\$ 246,027	41,254
LIABILITIES				
Due to Other Governments	\$ 54,610	\$ 232,671	\$ 246,027	\$ 41,254
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 331,038	\$ 29,363,965	\$ 29,320,424	374,579
LIABILITIES				
Due to Other Governments	\$ 331,038	\$ 29,363,965	\$ 29,320,424	\$ 374,579
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 496,300	\$ 30,155,113	\$ 30,125,107	\$ 526,306
LIABILITIES				
Due to Other Governments	\$ 496,300	\$ 30,155,113	\$ 30,125,107	\$ 526,306

OTHER SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2011**

SHARED REVENUES

STATE

Disaster Credit	\$ 7,583
Highway Users Tax	5,188,709
County Program Aid	729,739
Market Value Credit	620,481
Disparity Reduction Aid	35,543
PERA Rate Increase Aid	36,967
State Police Aid	73,173
Enhanced 911	<u>98,598</u>
Total Shared Revenues	<u>6,790,793</u>

STATE GRANTS

MINNESOTA DEPARTMENT OF

Corrections	77,865
Employment and Economic Development	40,025
Natural Resources	54,789
Pollution Control Agency	55,950
Transportation	399,108
Veteran's Affairs	2,800
Public Safety	185,286
Water and Soil Resources	<u>175,288</u>
Total State Grants	991,111

FEDERAL GRANTS

FEDERAL DEPARTMENT OF

Commerce	23,459
Justice	123,005
Transportation	143,502
Homeland Security	<u>252,111</u>
Total Federal Grants	<u>542,077</u>

 Total State and Federal Grants 1,533,188

Total Intergovernmental Revenues \$ 8,323,981

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COUNTY DITCH SPECIAL REVENUE FUND
BALANCE SHEET – BY DITCH
DECEMBER 31, 2011**

		Assets				
		Cash	Special Assessments Receivable	Due from Other Governments	Intrafund Loans	Total
Judicial Ditches						
1		\$ 4,295	\$ 38,945	\$ -	\$ (30,000)	\$ 13,240
2	M&F	(49,128)	1,540	-	-	(47,588)
2	Imp. #1 M&F Pipeline	4,535	-	-	-	4,535
2	M&W	(1,846)	4,610	-	-	2,764
3		(6,810)	29,303	-	-	22,493
4	F&M	1,031	5,519	-	-	6,550
6		(3,410)	6,057	-	-	2,647
7	M&F	(5,524)	48,601	-	-	43,077
8	M&F	(303)	469	-	-	166
8		(10,571)	16,145	-	-	5,574
9	Whitman	534	74	-	-	608
9	M&W	21,260	-	-	-	21,260
10	Original	(2,438)	29,485	-	-	27,047
11	M&J	4,478	-	-	-	4,478
12	M&F	(1,351)	5,656	-	-	4,305
13	Original	1,453	161	-	-	1,614
15	Original M&J	3,275	4,540	-	-	7,815
15		13,482	10,205	-	-	23,687
17		866	-	-	-	866
18		170	18,617	-	-	18,787
20		2,073	-	-	-	2,073
21	Original	(39,838)	-	-	-	(39,838)
22		2,048	2,398	-	-	4,446
24	Imp.	2,635	-	-	-	2,635
24	MBE&F	629	-	-	-	629
25		859	-	-	-	859
25	MBE&W	(12,020)	35,649	-	-	23,629
25	M&F	612	-	-	-	612
26		(652)	791	-	-	139
26	M&F	3,628	-	-	-	3,628
27		2,543	1,194	-	-	3,737
27	M&F	(14,617)	14,297	-	-	(320)
28	Imp.	1,744	14,207	-	-	15,951
29		5,450	-	-	-	5,450
30		1,528	-	-	-	1,528
31		189	-	-	-	189
31	M&W	1,656	-	-	-	1,656

Liabilities

Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Total Fund Balances	Total Liabilities and Fund Balances
\$ -	\$ -	\$ -	\$ 38,945	\$ 38,945	\$ (25,705)	\$ 13,240
10,321	-	1,533	1,540	13,394	(60,982)	(47,588)
-	-	-	-	-	4,535	4,535
120	58	196	4,610	4,984	(2,220)	2,764
-	-	-	29,303	29,303	(6,810)	22,493
964	-	5,905	5,519	12,388	(5,838)	6,550
-	-	-	6,057	6,057	(3,410)	2,647
12,519	-	2,353	48,601	63,473	(20,396)	43,077
-	-	-	469	469	(303)	166
828	-	-	16,145	16,973	(11,399)	5,574
-	-	-	74	74	534	608
-	-	403	-	403	20,857	21,260
-	-	-	29,485	29,485	(2,438)	27,047
-	-	349	-	349	4,129	4,478
-	7	4,790	5,656	10,453	(6,148)	4,305
-	-	-	161	161	1,453	1,614
-	-	695	4,540	5,235	2,580	7,815
-	-	2,534	10,205	12,739	10,948	23,687
-	-	-	-	-	866	866
40	-	-	18,617	18,657	130	18,787
20	-	-	-	20	2,053	2,073
108	45	-	-	153	(39,991)	(39,838)
-	-	-	2,398	2,398	2,048	4,446
-	-	-	-	-	2,635	2,635
-	-	58	-	58	571	629
-	-	-	-	-	859	859
702	283	-	35,649	36,634	(13,005)	23,629
-	-	38	-	38	574	612
-	-	224	791	1,015	(876)	139
20	-	-	-	20	3,608	3,628
-	-	-	1,194	1,194	2,543	3,737
-	-	-	14,297	14,297	(14,617)	(320)
3,946	-	-	14,207	18,153	(2,202)	15,951
-	-	-	-	-	5,450	5,450
-	-	-	-	-	1,528	1,528
-	-	12	-	12	177	189
-	-	-	-	-	1,656	1,656

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COUNTY DITCH SPECIAL REVENUE FUND
BALANCE SHEET – BY DITCH (CONTINUED)
DECEMBER 31, 2011**

	Assets				
	Cash	Special Assessments Receivable	Due from Other Governments	Intrafund Loans	Total
Judicial Ditches (continued)					
32	\$ 7,410	\$ 1,675	\$ -	\$ -	\$ 9,085
33	994	-	-	-	994
34	8,426	11,805	-	-	20,231
35	2,676	-	-	-	2,676
37	13,849	5,723	14,410	-	33,982
38	4,618	-	-	-	4,618
39	1,313	-	-	-	1,313
39 Branch R	(12,808)	-	-	-	(12,808)
39 Imp. of Main	5,179	-	-	-	5,179
39 Imp. of Main Tile	993	-	-	-	993
39 Imp.	(358)	-	-	-	(358)
40	740	-	-	-	740
41	7,994	3,370	-	(10,000)	1,364
42	1,430	-	-	-	1,430
43	(2,904)	5,827	-	-	2,923
44	(399)	9,662	-	-	9,263
46	(597)	-	-	-	(597)
47	26,778	524,802	-	-	551,580
48	527	-	-	-	527
48 M&J	(748)	4,478	-	-	3,730
49	(2,250)	6,553	-	-	4,303
50	4,726	22,975	-	-	27,701
51	572	-	-	-	572
52	1,709	-	-	-	1,709
56	1,522	1,365	-	-	2,887
57	1,308	-	-	-	1,308
59	10,766	4,331	-	-	15,097
60	7,172	-	-	-	7,172
64	1,605	-	-	-	1,605
65	1,079	9,445	-	-	10,524
66	1,922	-	-	-	1,922
67	(3,695)	6,614	-	-	2,919
68	(777)	1,490	-	-	713
70	914	-	-	-	914
71	(2,296)	-	-	-	(2,296)
72	2,854	-	-	-	2,854
73	2,849	-	-	-	2,849
74	(28,659)	80,850	-	-	52,191
75	2,380	-	-	-	2,380
76	(244)	1,538	-	-	1,294

Liabilities

Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Total Fund Balances	Total Liabilities and Fund Balances
\$ -	\$ -	\$ -	\$ 1,675	\$ 1,675	\$ 7,410	\$ 9,085
-	-	-	-	-	994	994
-	-	-	11,805	11,805	8,426	20,231
-	-	-	-	-	2,676	2,676
-	-	-	5,723	5,723	28,259	33,982
39	17	-	-	56	4,562	4,618
-	-	-	-	-	1,313	1,313
256	101	-	-	357	(13,165)	(12,808)
-	-	-	-	-	5,179	5,179
-	-	-	-	-	993	993
-	-	-	-	-	(358)	(358)
60	7	-	-	67	673	740
-	-	-	3,370	3,370	(2,006)	1,364
-	-	-	-	-	1,430	1,430
-	-	-	5,827	5,827	(2,904)	2,923
-	-	-	9,662	9,662	(399)	9,263
-	-	-	-	-	(597)	(597)
-	-	-	524,802	524,802	26,778	551,580
-	-	101	-	101	426	527
-	-	-	4,478	4,478	(748)	3,730
-	9	-	6,553	6,562	(2,259)	4,303
-	-	-	22,975	22,975	4,726	27,701
-	-	-	-	-	572	572
-	-	-	-	-	1,709	1,709
-	-	-	1,365	1,365	1,522	2,887
-	-	-	-	-	1,308	1,308
-	-	-	4,331	4,331	10,766	15,097
173	-	-	-	173	6,999	7,172
-	-	-	-	-	1,605	1,605
-	-	-	9,445	9,445	1,079	10,524
540	-	-	-	540	1,382	1,922
-	-	-	6,614	6,614	(3,695)	2,919
-	-	-	1,490	1,490	(777)	713
-	-	-	-	-	914	914
-	-	-	-	-	(2,296)	(2,296)
-	-	-	-	-	2,854	2,854
-	-	-	-	-	2,849	2,849
28,312	25	-	80,850	109,187	(56,996)	52,191
-	-	-	-	-	2,380	2,380
-	-	-	1,538	1,538	(244)	1,294

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COUNTY DITCH SPECIAL REVENUE FUND
BALANCE SHEET – BY DITCH (CONTINUED)
DECEMBER 31, 2011**

	Assets				
	Cash	Special Assessments Receivable	Due from Other Governments	Intrafund Loans	Total
Judicial Ditches (continued)					
77	\$ 2,497	\$ 5,384	\$ -	\$ -	\$ 7,881
78	787	1,853	-	-	2,640
79	8,912	1,229	-	-	10,141
80	3,548	-	-	-	3,548
81	4,136	-	-	-	4,136
82	(74,231)	84,154	-	-	9,923
85	(8,179)	3,294	-	-	(4,885)
86	818	-	-	-	818
88	3,190	2,284	-	-	5,474
89	4,813	-	-	-	4,813
90	2,682	-	-	-	2,682
91	(1,162)	-	-	-	(1,162)
92	2,533	-	-	-	2,533
93	1,560	-	-	-	1,560
95	497	330	-	-	827
96	1,788	-	-	-	1,788
97	240	3,439	-	-	3,679
98	219	-	-	-	219
99	1,261	-	-	-	1,261
100	2,197	-	-	-	2,197
101	4,336	3,085	-	-	7,421
102	1,699	-	-	-	1,699
103	1,462	1,716	-	-	3,178
104	(413)	3	-	-	(410)
105	3,914	-	-	-	3,914
108	355	927	-	-	1,282
109	(190)	-	-	-	(190)
110	2,104	-	-	-	2,104
111	967	-	-	-	967
115	1,221	-	-	-	1,221
116	(34,805)	37,212	-	-	2,407

Liabilities

Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Total Fund Balances	Total Liabilities and Fund Balances
\$ 337	\$ -	\$ -	\$ 5,384	\$ 5,721	\$ 2,160	\$ 7,881
-	-	-	1,853	1,853	787	2,640
-	-	-	1,229	1,229	8,912	10,141
108	19	-	-	127	3,421	3,548
-	-	-	-	-	4,136	4,136
-	-	276	84,154	84,430	(74,507)	9,923
-	-	269	3,294	3,563	(8,448)	(4,885)
-	-	-	-	-	818	818
-	5	178	2,284	2,467	3,007	5,474
1,194	-	-	-	1,194	3,619	4,813
-	-	-	-	-	2,682	2,682
-	-	-	-	-	(1,162)	(1,162)
-	-	-	-	-	2,533	2,533
-	-	-	-	-	1,560	1,560
811	-	-	330	1,141	(314)	827
-	-	-	-	-	1,788	1,788
-	5	-	3,439	3,444	235	3,679
1,802	-	-	-	1,802	(1,583)	219
485	-	-	-	485	776	1,261
-	-	-	-	-	2,197	2,197
-	-	-	3,085	3,085	4,336	7,421
-	-	-	-	-	1,699	1,699
-	-	-	1,716	1,716	1,462	3,178
-	-	-	3	3	(413)	(410)
-	-	18	-	18	3,896	3,914
-	-	-	927	927	355	1,282
113	22	-	-	135	(325)	(190)
-	-	-	-	-	2,104	2,104
-	-	-	-	-	967	967
20	-	-	-	20	1,201	1,221
-	-	729	37,212	37,941	(35,534)	2,407

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COUNTY DITCH SPECIAL REVENUE FUND
BALANCE SHEET – BY DITCH (CONTINUED)
DECEMBER 31, 2011**

	Assets				Total
	Cash	Special Assessments Receivable	Due from Other Governments	Intrafund Loans	
Joint County Ditches					
201	\$ 577	\$ -	\$ -	\$ -	\$ 577
202	(1,429)	4,104	-	-	2,675
204	-	-	-	-	-
204 Owens	-	-	-	-	-
204 Hugoson	-	-	-	-	-
204 Imp. Br. 38	-	-	-	-	-
204 Imp. Br. A-38	-	-	-	-	-
204 Imp. Br. N	-	-	-	-	-
204 BRT-29	-	-	-	-	-
301	(25,596)	2	-	-	(25,594)
350	(27,048)	0	0	-	(27,048)
367	45,721	87,643	-	-	133,364
214 North System	(35,488)	13,993	-	30,000	8,505
314 Middle System	(3,723)	11,708	-	-	7,985
414 South System	(1,947)	10,856	-	10,000	18,909
Total Judicial and Joint County Ditches	(109,142)	1,264,182	14,410	-	1,169,450
County Ditches					
1	6,309	2,178	-	-	8,487
2	(1,612)	4,425	-	-	2,813
3	1,063	14,763	-	-	15,826
6	1,587	-	-	-	1,587
8	1,471	-	-	-	1,471
9	936	-	-	-	936
11	25,533	115,160	-	(15,000)	125,693
11 Imp. C	(285)	-	-	-	(285)
13	812	-	-	-	812
14	4,255	-	-	-	4,255
15	302	887	-	-	1,189
19	568	-	-	-	568
20	2,062	-	-	-	2,062
22	524	912	-	-	1,436
23	2,237	-	-	-	2,237
24	(4,609)	-	-	-	(4,609)
25	1,958	-	-	-	1,958
26	5,329	-	-	-	5,329
27	(835)	1,816	-	-	981
28	6,202	-	-	-	6,202
29	4,969	-	-	-	4,969
30 Original	1,477	1	-	-	1,478
31	3,971	-	-	-	3,971
32	1,342	-	-	-	1,342
33	4,844	-	-	-	4,844
34	1,327	-	-	-	1,327
35	(1,087)	1,816	-	-	729
36	1,034	877	-	-	1,911
37	601	-	-	-	601

Liabilities

Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Total Fund Balances	Total Liabilities and Fund Balances
\$ -	\$ -	\$ 6	\$ -	\$ 6	\$ 571	\$ 577
-	6	-	4,104	4,110	(1,435)	2,675
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
120	99	198	2	419	(26,013)	(25,594)
2,367	0	-	0	2,367	(29,415)	(27,048)
141,191	-	1,550	87,643	230,384	(97,020)	133,364
-	-	-	13,993	13,993	(5,488)	8,505
-	14	7	11,708	11,729	(3,744)	7,985
-	-	4,872	10,856	15,728	3,181	18,909
207,516	722	27,294	1,264,182	1,499,714	(330,264)	1,169,450
9,011	-	-	2,178	11,189	(2,702)	8,487
1,225	-	-	4,425	5,650	(2,837)	2,813
-	-	-	14,763	14,763	1,063	15,826
-	-	-	-	-	1,587	1,587
-	-	-	-	-	1,471	1,471
-	-	-	-	-	936	936
2,598	-	-	115,160	117,758	7,935	125,693
-	-	-	-	-	(285)	(285)
-	-	-	-	-	812	812
-	-	-	-	-	4,255	4,255
-	-	-	887	887	302	1,189
546	-	-	-	546	22	568
-	-	-	-	-	2,062	2,062
-	-	-	912	912	524	1,436
-	-	-	-	-	2,237	2,237
331	-	-	-	331	(4,940)	(4,609)
3,955	-	-	-	3,955	(1,997)	1,958
-	-	-	-	-	5,329	5,329
-	-	-	1,816	1,816	(835)	981
-	-	-	-	-	6,202	6,202
-	-	-	-	-	4,969	4,969
6,053	-	-	1	6,054	(4,576)	1,478
-	-	-	-	-	3,971	3,971
-	-	-	-	-	1,342	1,342
-	-	-	-	-	4,844	4,844
-	-	-	-	-	1,327	1,327
108	26	-	1,816	1,950	(1,221)	729
-	-	-	877	877	1,034	1,911
-	-	-	-	-	601	601

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COUNTY DITCH SPECIAL REVENUE FUND
BALANCE SHEET – BY DITCH (CONTINUED)
DECEMBER 31, 2011**

	Assets				Total
	Cash	Special Assessments Receivable	Due from Other Governments	Intrafund Loans	
County Ditches (continued)					
38	\$ 2,724	\$ -	\$ -	\$ -	\$ 2,724
40	797	1,393	-	-	2,190
41	1,551	-	-	-	1,551
42	974	41	-	-	1,015
43	720	-	-	-	720
44	(571)	934	-	-	363
46	658	1,443	-	-	2,101
47	1,396	-	-	-	1,396
50	749	975	-	-	1,724
51	1,484	-	-	-	1,484
52	(28,837)	-	-	-	(28,837)
53	(2,806)	10,284	-	-	7,478
54	3,688	45	-	-	3,733
55	1,172	3,287	-	-	4,459
56	2,635	7,970	-	-	10,605
58	1,452	-	-	-	1,452
59	(1,666)	7,355	-	-	5,689
60	1,459	-	-	-	1,459
61	1,305	-	-	-	1,305
62	2,457	-	-	-	2,457
63	(2,102)	-	-	-	(2,102)
64	1,082	952	-	-	2,034
65	1,545	-	-	-	1,545
67	(1,441)	2,597	-	-	1,156
69	32	2,443	-	-	2,475
70	932	900	-	-	1,832
71	2,667	-	-	-	2,667
72	(975)	12,802	-	-	11,827
73	3,734	2,060	-	-	5,794
74	1,753	-	-	-	1,753
75	10,612	-	-	15,000	25,612
76	20,890	-	-	-	20,890
Total County Ditches	102,355	198,316	-	-	300,671
Unallocated Ditch	6,787	-	-	-	6,787
Total All Ditches	\$ -	\$ 1,462,498	\$ 14,410	\$ -	\$ 1,476,908

Liabilities

Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Total Fund Balances	Total Liabilities and Fund Balances
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,724	\$ 2,724
-	-	-	1,393	1,393	797	2,190
-	-	-	-	-	1,551	1,551
-	-	-	41	41	974	1,015
-	-	-	-	-	720	720
105	-	-	934	1,039	(676)	363
-	-	-	1,443	1,443	658	2,101
-	-	-	-	-	1,396	1,396
-	-	-	975	975	749	1,724
-	-	-	-	-	1,484	1,484
-	-	-	-	-	(28,837)	(28,837)
-	18	-	10,284	10,302	(2,824)	7,478
-	-	-	45	45	3,688	3,733
10,010	7	-	3,287	13,304	(8,845)	4,459
40	-	-	7,970	8,010	2,595	10,605
-	-	-	-	-	1,452	1,452
-	9	-	7,355	7,364	(1,675)	5,689
-	-	-	-	-	1,459	1,459
-	-	-	-	-	1,305	1,305
-	-	-	-	-	2,457	2,457
-	-	-	-	-	(2,102)	(2,102)
840	-	-	952	1,792	242	2,034
-	-	-	-	-	1,545	1,545
-	-	-	2,597	2,597	(1,441)	1,156
1,161	-	-	2,443	3,604	(1,129)	2,475
336	-	-	900	1,236	596	1,832
-	-	-	-	-	2,667	2,667
24,060	15	-	12,802	36,877	(25,050)	11,827
-	11	-	2,060	2,071	3,723	5,794
-	-	-	-	-	1,753	1,753
-	-	-	-	-	25,612	25,612
-	-	-	-	-	20,890	20,890
<u>60,379</u>	<u>86</u>	<u>-</u>	<u>198,316</u>	<u>258,781</u>	<u>41,890</u>	<u>300,671</u>
-	6,787	-	-	6,787	-	6,787
<u>\$ 267,895</u>	<u>\$ 7,595</u>	<u>\$ 27,294</u>	<u>\$ 1,462,498</u>	<u>\$ 1,765,282</u>	<u>\$ (288,374)</u>	<u>\$ 1,476,908</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Commerce Passed Through Blue Earth County, Minnesota Public Safety Interoperable Communications Grant Program	11.555	\$ 23,459
U.S. Department of Justice Direct Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	16.810	123,005
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Formula Grants for Other Than Urbanized Areas Cluster (Note 4) Formula Grants for Other Than Urbanized Areas	20.509	143,502
U.S. Department of Homeland Security Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	4,964
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	212,966
Passed Through Blue Earth County, Minnesota Interoperable Emergency Communications Homeland Security Grant Program	97.055 97.067	2,231 5,919
Passed Through Murray County, Minnesota Homeland Security Grant Program	97.067	<u>26,031</u>
Total Department of Homeland Security		<u>252,111</u>
Total Cash Federal Awards		\$ 542,077
Non-Cash Awards		
U.S. Department of Transportation Passed Through Meeker County Formula Grants for Other Than Urbanized Areas Cluster (Note 4) Formula Grants for Other Than Urbanized Areas -ARRA	20.509	<u>\$ 34,930</u>
Total Federal Awards		<u>\$ 577,007</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE SCHEDULE OF
EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Martin County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Because the schedule presents only a selected portion of the operations of Martin County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Martin County.

3. Summary of Significant Accounting Policies

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

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Formula Grants for Other Than Urbanized Areas Cluster	\$ 178,432
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5. Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 542,077
Non-Cash Awards	34,930
	\$ 577,007
Expenditures per Schedule of Expenditures of Federal Awards	\$ 577,007

6. Subrecipients

During 2011, Martin County did not pass any federal money to subrecipients.

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.