MARTIN COUNTY
FAIRMONT, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

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INTRODUCTORY SECTION

MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
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ORGANIZATION

Office	Name	Term Expires
Commissioners		
1st District	Elliot Belgard	January 2021
2nd District	Tom Mahoney**	January 2019
3rd District	Kathy Smith	January 2021
4th District	Dan Schmidtke*	January 2019
5th District	Steven Flohrs	January 2021
Officers		
Elected		
Attorney	Terry Viesselman	January 2019
Auditor/Treasurer	James Forshee	January 2019
Judge	Michael D. Trushenski	January 2019
County Recorder	Diane Sanders	January 2019
Sheriff	Jeff Markquart	January 2019
Surveyor	Ben Madsen	January 2019
Appointed		
Assessor	Danial Whitman	December 2020
Highway Engineer	Kevin Peyman	April 2018
Medical Examiner	Dr. Dennis Gremel	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Trushenski	Indefinite
County Coordinator	Scott Higgins	Indefinite

* Chair
**Co-Chair

FINANCIAL SECTION

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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525 PARK STREET
SAINT PAUL, MN 55103-2139

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Martin County
Fairmont, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Martin County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin County's basic financial statements. The supplementary information and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of Martin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Martin County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Martin County's internal control over financial reporting and compliance.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 18, 2018

REQUIRED SUPPLEMENTARY INFORMATION

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, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 15). Certain comparative information between the current year, 2017, and the prior year, 2016, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 include the following:

- Governmental activities' total net position is $91,197,529 of which $68,248,824 is the net investment in capital assets, and $10,924,971 is restricted for specific purposes.
- Martin County's net position increased by $6,903,605.
- The net cost of governmental activities was $10,022,146 for the current fiscal year. The net cost was funded by general revenues and other items totaling $16,925,751.
- Governmental funds' fund balances increased by $3,926,185.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

There are two government-wide statements. The Statement of Net Position and the Statement of Activities (pages 15-17) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 18. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Our analysis of the County as a whole begins on page 15. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

Our analysis of the County's major funds begins on page 18. The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and fiduciary--use different accounting methods.

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

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 86). We excluded these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was $91,197,529 on December 31, 2017 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		
	2017	2016	Change
Current and Other Assets	$ 47,595,145	$ 35,175,366	35.3 %
Capital Assets	69,713,772	69,123,258	0.9
Total Assets	117,308,917	104,298,624	12.5
Deferred Outflows of Resources	3,741,194	5,908,468	(36.7)
Current Liabilities	3,692,387	1,483,996	148.8
Long-Term Liabilities	22,691,870	23,289,643	(2.6)
Total Liabilities	26,384,257	24,773,639	6.5
Deferred Inflows of Resources	3,468,325	1,139,529	204.4
Net Position			
Net Investment in Capital Assets	68,248,824	67,429,986	1.2
Restricted	10,924,971	8,334,485	31.1
Unrestricted	12,023,734	8,529,453	41.0
Total Net Position	$ 91,197,529	$ 84,293,924	8.2

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

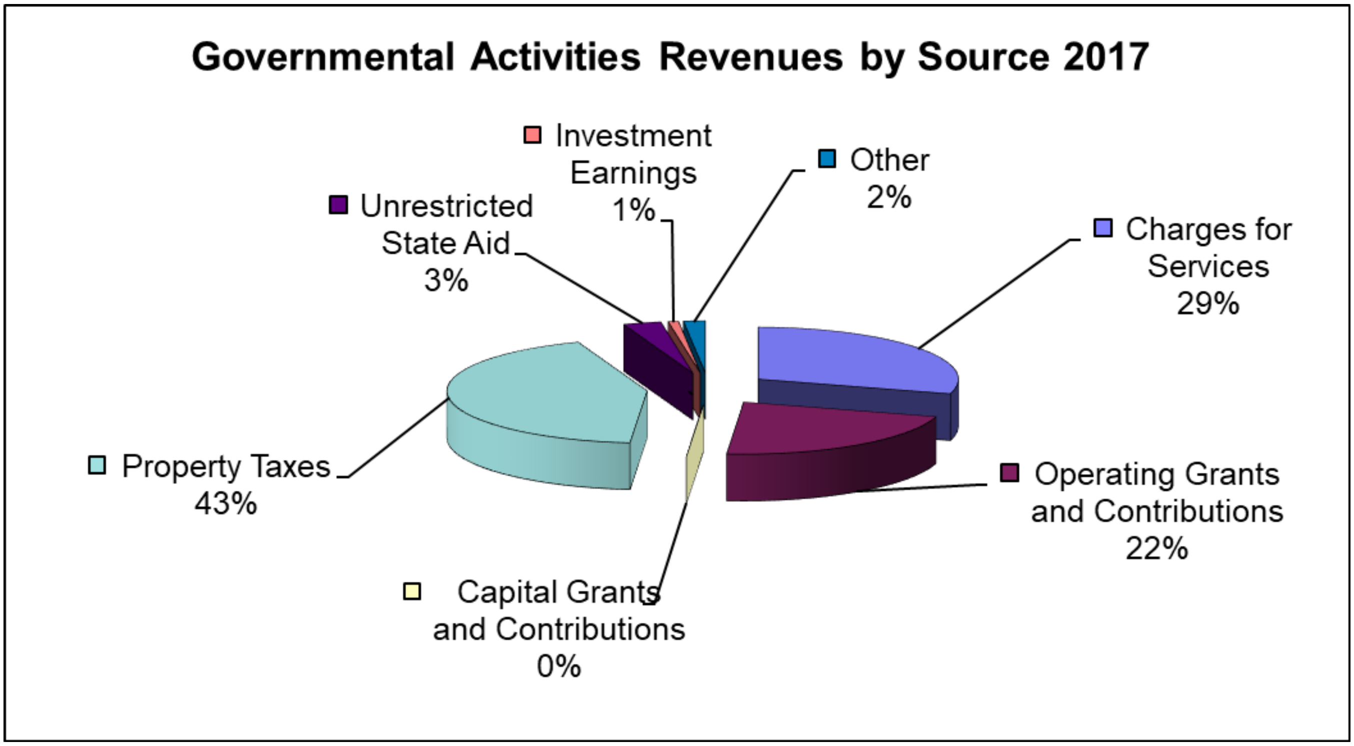
Changes in Net Position

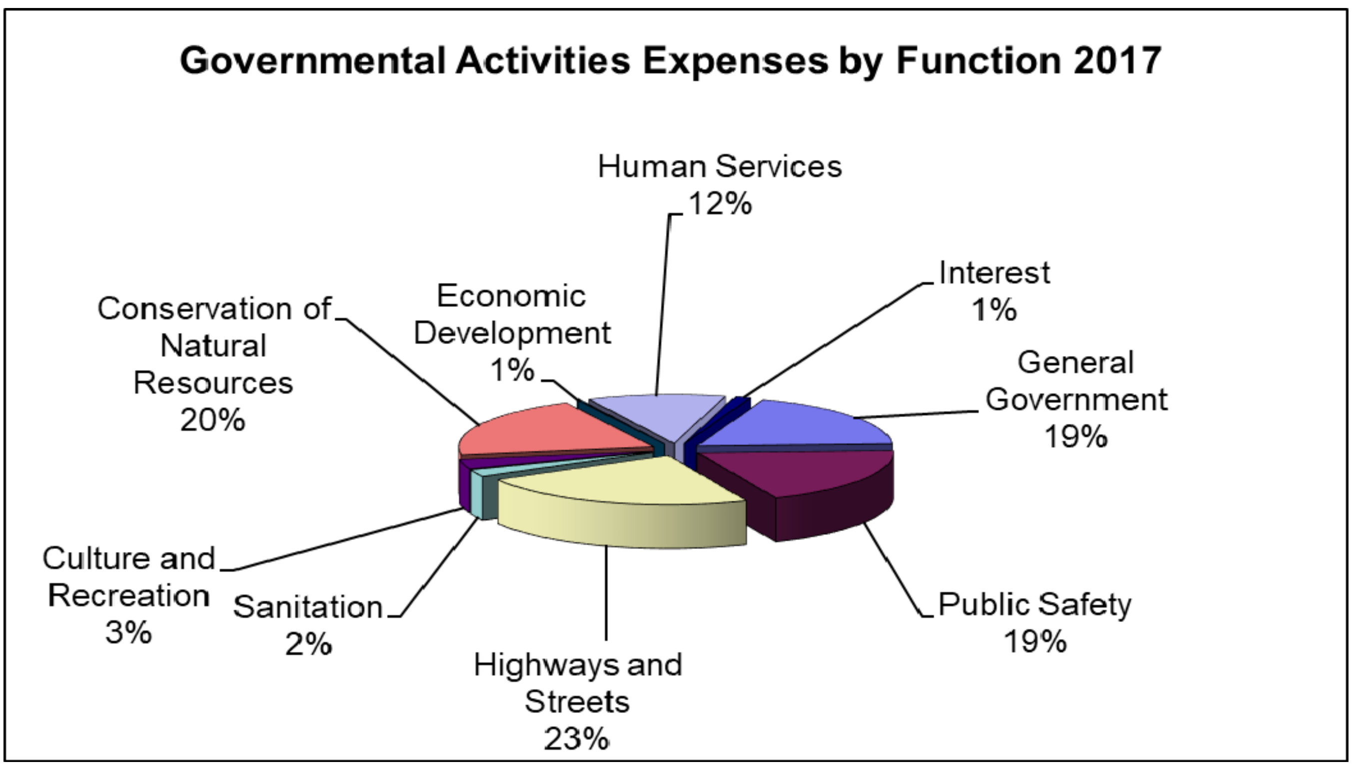
The County-wide total revenues were $34,790,758 for the year ended December 31, 2017. Property taxes, grants and contributions, and unrestricted state aid accounted for 68 percent of total revenues for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		
	2017	2016	Total % Change
REVENUES			
Program Revenues			
Fees, Charges, Fines, and Other	$ 10,279,039	$ 5,044,399	103.8 %
Operating Grants and Contributions	7,585,968	6,511,684	16.5
Capital Grants and Contributions	-	-	-
General Revenues			
Property Taxes	14,972,260	14,002,722	6.9
Unrestricted State Aid	1,059,905	935,700	13.3
Investment Earnings	287,571	279,127	3.0
Other	606,015	596,741	1.6
Total Revenues	34,790,758	27,370,373	27.1
EXPENSES			
General Government	5,222,354	4,997,174	4.5
Public Safety	5,351,758	5,860,203	(8.7)
Highways and Streets	6,509,890	6,656,888	(2.2)
Sanitation	634,115	477,974	32.7
Culture and Recreation	895,480	663,160	35.0
Conservation of Natural Resources	5,666,380	3,471,307	63.2
Economic Development	52,742	80,261	(34.3)
Human Services	3,195,472	2,645,045	20.8
Interest	358,962	354,879	1.2
Total Expenses	27,887,153	25,206,891	10.6
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	6,903,605	2,163,482	219.1
SPECIAL ITEM - TRANSFER OF OPERATIONS	-	(444,094)	(100.0)
CHANGE IN NET POSITION	6,903,605	1,719,388	301.5
Net Position - Beginning of Year	84,293,924	82,574,536	2.1
NET POSITION - END OF YEAR	$ 91,197,529	$ 84,293,924	8.2

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)





FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was $27,887,153.

- Some of the cost was paid by the users of the County's Programs ($10,279,039).
- The Federal and state governments subsidized certain programs with grants and contributions ($7,585,968).
- The remainder of the County's costs ($10,022,146), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the $14,972,260 in property taxes, $1,059,905 of state aid, and $287,571 with investment earnings and other general revenues of $606,015.

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	Net Revenue (Cost) of Services		Percentage
	2017	2016	Change	2017	2016*	Change
GOVERNMENTAL ACTIVITIES						
General Government	$ 5,222,354	$ 4,997,174	4.5 %	$ (3,030,148)	$ (3,449,195)	(12.1)%
Public Safety	5,351,758	5,860,203	(8.7)	(4,580,458)	(5,155,022)	(11.1)
Highways and Streets	6,509,890	6,656,888	(2.2)	(43,951)	(506,386)	(91.3)
Sanitation	634,115	477,974	32.7	118,460	248,041	(52.2)
Culture and Recreation	895,480	663,160	35.0	(757,265)	(512,194)	47.8
Conservation of Natural Resources	5,666,380	3,471,307	63.2	1,869,606	(1,204,922)	(255.2)
Economic Development	52,742	80,261	(34.3)	(52,232)	(79,298)	(34.1)
Human Services	3,195,472	2,645,045	20.8	(3,187,196)	(2,636,953)	20.9
Interest	358,962	354,879	1.2	(358,962)	(354,879)	1.2
Total	$ 27,887,153	$ 25,206,891	10.6	$ (10,022,146)	$ (13,650,808)	(26.6)

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 $28,933,996. Revenues for the County's governmental funds were $27,330,276, while total expenditures were $28,319,862. During 2017, the County also sold capital assets for $25,727 which is included in other financing sources and uses. The County issued additional general obligation drainage ditch bonds in 2017, of $4,755,000, which included a premium of $118,977 that are also 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 $1,565,665 during 2017. This was primarily due to unspent restricted State Riparian and Aquatic Invasive Species Aid, and increases in charges for services being more than expected.

The Road and Bridge Fund's fund balance increased by $735,893 in 2017. This was primarily due to a timing difference in construction costs and construction aid.

The Human Services Fund's fund balance increase of $272,541 is primarily due to an increase in tax revenue as a result of an increase in tax levy, and expenses being less than budgeted.

The Ditch Fund's fund balance increased by $1,047,036, this is primarily due to ditch construction and repair costs associated with bonds issued in 2016 and 2017, which special assessments will be collected in future years to recover these costs.

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

	Year Ended		Change	
Fund	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	$ 9,044,681	$ 8,444,537	$ 600,144	7.1 %
Licenses and Permits	105,328	78,108	27,220	34.8
Intergovernmental	1,595,893	1,593,746	2,147	0.1
Charges for Services	414,958	423,900	(8,942)	(2.1)
Investment Earnings	206,274	183,379	22,895	12.5
Miscellaneous and Other	949,535	1,081,876	(132,341)	(12.2)
Total General Fund Revenues	$ 12,316,669	$ 11,805,546	$ 511,123	4.3

GENERAL FUND (CONTINUED)

The following Table A-5 presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	$ 4,893,500	$ 4,657,292	$ 236,208	5.1 %
Public Safety	4,829,831	5,009,992	(180,161)	(3.6)
Culture and Recreation	826,808	1,127,228	(300,420)	(26.7)
Conservation of Natural Resources	133,950	121,476	12,474	10.3
Economic Development	46,227	65,401	(19,174)	(29.3)
Principal	21,308	25,519	(4,211)	(16.5)
Interest and Fiscal Charges	975	1,465	(490)	(33.4)
Total Expenditures	$ 10,752,599	$ 11,008,373	$ (255,774)	(2.3)

For the year ended December 31, 2017, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were $875,171 more than expected. This is due primarily to taxes and special assessments collected, intergovernmental payments for a Broadband grant received that wasn't expected, and charges for services revenues being more than expected.
- The actual expenditures were $707,881 less than budgeted. This variance is due to costs being lower than expected.
- 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 2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2017, the County had invested $110,968,877 in a broad range of capital assets including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.) Total depreciation expense for the year was $2,383,069.

Table A-6
The County's Capital Assets

	Governmental Activities 2017	Governmental Activities 2016	Percent Change
Land and Right-of-Way	$ 1,190,311	$ 1,190,311	- %
Construction in Progress	410,173	224,497	82.7
Buildings and Improvements	9,125,789	9,042,015	0.9
Machinery, Equipment, and Vehicles	7,008,074	6,768,787	3.5
Infrastructure	93,234,530	90,960,952	2.5
Less: Accumulated Depreciation	(41,255,105)	(39,063,304)	5.6
Total	$69,713,772	$ 69,123,258	0.9

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term debt of $16,162,875 versus 11,811,278 in the previous year for a 36.8 percent increase as shown in Table A-7.

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

	2017	2016	Unavailable Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Discount and Premiums	$16,162,875	$11,811,278	36.8 %

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash and Pooled Investments	$ 30,150,647
Petty Cash and Change Funds	1,087
Taxes Receivable - Delinquent	151,449
Special Assessments Receivable - Delinquent	73,686
Special Assessments Receivable - Unavailable	10,063,704
Accounts Receivable	20,631
Accrued Interest Receivable	34,716
Due from Other Governments	5,840,273
Loans Receivable	281,553
Inventories	977,399
Capital Assets - Non Depreciable	
Land and Right of Way	1,190,311
Construction in Progress	410,173
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,825,525
Land Improvements	37,781
Machinery, Vehicles, Furniture and Equipment	2,058,810
Infrastructure	62,191,172
Total Assets	$ 117,308,917

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

	Governmental Activities
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	$ 3,741,194
LIABILITIES	
Accounts Payable	591,222
Salaries Payable	173,202
Contracts Payable	1,178,026
Due to Other Governments	230,448
Accrued Interest Payable	60,342
Unearned Revenue	64,059
Compensated Absences Payable - Due Within One Year	534,352
General Obligation Bonds Payable - Due Within One Year	839,000
Loans Payable - Due Within One Year	21,736
Compensated Absences Payable - Due in More Than One Year	96,857
General Obligation Bonds Payable - Due in More Than One Year	15,323,875
Loans Payable - Due in More Than One Year	11,030
Net Pension Liability	6,910,700
Net Other Postemployment Benefit Obligation	349,408
Total Liabilities	26,384,257
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Inflows	236,138
Deferred Pension Inflows	3,232,187
Total Deferred Inflows of Resources	3,468,325
NET POSITION	
Net Investment in Capital Assets	68,248,824
Restricted for	
General Government	483,698
Public Safety	643,138
Debt Service	635,053
Culture and Recreation	441,368
Economic Development	224,823
Highways and Streets	4,832,865
Conservation	1,857,620
Sanitation	1,806,406
Unrestricted	12,023,734
Total Net Position	$ 91,197,529

MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Government	$ 5,222,354	$ 1,221,789	$ 970,417	$ -	$ (3,030,148)
Public Safety	5,351,758	271,055	500,245	-	(4,580,458)
Highways and Streets	6,509,890	368,721	6,097,218	-	(43,951)
Sanitation	634,115	752,575	-	-	118,460
Culture and Recreation	895,480	128,403	9,812	-	(757,265)
Conservation of Natural Resources	5,666,380	7,535,986	-	-	1,869,606
Economic Development	52,742	510	-	-	(52,232)
Human Services	3,195,472	-	8,276	-	(3,187,196)
Interest	358,962	-	-	-	(358,962)
Total Governmental Activities	$ 27,887,153	$ 10,279,039	$ 7,585,968	$ -	(10,022,146)
GENERAL REVENUES					
Property Taxes					14,972,260
Mortgage Registry and Deed Tax					15,863
Wind Power Production Tax					344,453
Wheelage Tax					219,972
Grants and Contributions not Restricted for a Particular Purpose					1,059,905
Investment Earnings					287,571
Gain on Sale of Capital Assets					25,727
Total General Revenues					16,925,751
CHANGE IN NET POSITION					6,903,605
Net Position - Beginning of Year					84,293,924
NET POSITION - END OF YEAR					$ 91,197,529

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

MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	$ 10,324,877	$ 7,899,418	$ 953,048	$ 6,109,143
Petty Cash and Change Funds	1,037	50	-	-
Taxes Receivable - Delinquent	85,002	27,165	34,732	-
Special Assessments Receivable				
Delinquent	15,823	-	-	1,369
Unavailable	410,140	-	-	9,653,564
Accounts Receivable	20,631	-	-	-
Interest Receivable	34,716	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	2,096	4,035	-	-
Due from Other Governments	892,502	4,849,098	-	98,673
Inventories	-	977,399	-	-
Total Assets	$ 11,786,824	$ 13,757,165	$ 987,780	$ 15,862,749
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 262,291	$ 46,467	$ -	$ 263,122
Salaries Payable	135,680	37,522	-	-
Contracts Payable	-	108,892	-	1,069,134
Due to Other Funds	4,035	1,767	-	329
Due to Other Governments	37,693	3,025	-	189,730
Unearned Revenue	64,059	-	-	-
Total Liabilities	503,758	197,673	-	1,522,315
DEFERRED INFLOWS OF RESOURCES (NOTE 3.D)				
Unavailable Revenue	$ 1,295,761	$ 4,860,031	$ 34,732	$ 9,654,933
Deferred Property Tax Inflows	128,918	34,405	51,635	8,738
Total Deferred Inflows of Resources	1,424,679	4,894,436	86,367	9,663,671
FUND BALANCES (NOTE 3.E)				
Nonspendable	$ -	$ 977,399	$ -	$ -
Restricted	1,969,432	-	-	5,494,137
Committed	-	-	901,413	-
Assigned	137,824	7,687,657	-	-
Unassigned	7,751,131	-	-	(817,374)
Total Fund Balances	9,858,387	8,665,056	901,413	4,676,763
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,786,824	$ 13,757,165	$ 987,780	$ 15,862,749

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

Nonmajor Funds	Total Governmental Funds
$ 4,864,161	$ 30,150,647
-	1,087
4,550	151,449
56,494	73,686
-	10,063,704
-	20,631
-	34,716
281,553	281,553
-	6,131
-	5,840,273
-	977,399
$ 5,206,758	$ 47,601,276
$ 19,342	$ 591,222
-	173,202
-	1,178,026
-	6,131
-	230,448
-	64,059
19,342	2,243,088
$ 342,597	$ 16,188,054
12,442	$ 236,138
355,039	16,424,192
$ -	$ 977,399
2,613,968	10,077,537
-	901,413
2,218,409	10,043,890
-	6,933,757
4,832,377	28,933,996
$ 5,206,758	$ 47,601,276

MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 28,933,996
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		69,713,772
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,741,194
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		16,188,054
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	(16,162,875)	
Loans Payable	(32,766)	
Net Other Postemployment Benefit Obligation	(349,408)	
Compensated Absences	(631,209)	
Net Pension Liability	(6,910,700)	
Accrued Interest Payable	(60,342)	(24,147,300)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,232,187)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 91,197,529

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

MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	$ 9,044,681	$ 2,655,305	$ 3,384,394	$ -
Special Assessments	158,514	-	-	2,239,224
Licenses and Permits	105,328	-	-	-
Intergovernmental	1,595,893	4,753,376	83,619	-
Charges for Services	414,958	12,600	-	-
Fines and Forfeits	28,488	-	-	-
Investment Earnings	206,274	-	-	76,843
Miscellaneous	762,533	356,121	-	1,484
Total Revenues	12,316,669	7,777,402	3,468,013	2,317,551
EXPENDITURES				
CURRENT				
General Government	4,893,500	-	-	-
Public Safety	4,829,831	-	-	-
Highways and Streets	-	6,633,842	-	-
Sanitation	-	-	-	-
Culture and Recreation	826,808	-	-	-
Conservation of Natural Resources	133,950	-	-	5,408,308
Economic Development	46,227	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	3,195,472	-
Highways and Streets	-	431,799	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	21,308	-	-	285,655
Interest and Fiscal Charges	975	-	-	355,221
Bond Issue Costs	-	-	-	95,308
Total Expenditures	10,752,599	7,065,641	3,195,472	6,144,492
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,564,070	711,761	272,541	(3,826,941)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	1,595	24,132	-	-
Bonds Issued	-	-	-	4,755,000
Premium on Bonds Issued	-	-	-	118,977
Total Other Financing Sources (Uses)	1,595	24,132	-	4,873,977
NET CHANGE IN FUND BALANCES	1,565,665	735,893	272,541	1,047,036
Fund Balance - Beginning of Year	8,292,722	7,913,096	628,872	3,629,727
INCREASE (DECREASE) IN INVENTORIES	-	16,067	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	$ 9,858,387	$ 8,665,056	$ 901,413	$ 4,676,763

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

Nonmajor Funds	Total Governmental Funds
$ 492,791	$ 15,577,171
629,545	3,027,283
-	105,328
80,839	6,513,727
740	428,298
-	28,488
-	283,117
246,726	1,366,864
1,450,641	27,330,276
184,559	5,078,059
-	4,829,831
-	6,633,842
634,115	634,115
-	826,808
-	5,542,258
-	46,227
-	3,195,472
-	431,799
85,859	85,859
225,000	531,963
32,125	388,321
-	95,308
1,161,658	28,319,862
288,983	(989,586)
-	25,727
-	4,755,000
-	118,977
-	4,899,704
288,983	3,910,118
4,543,394	25,007,811
-	16,067
$ 4,832,377	$ 28,933,996

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, 2017

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 3,910,118
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	$ 2,973,583	
Current Year Depreciation	(2,383,069)	590,514
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes Receivable	(24,623)	
Special Assessments Receivable	5,286,263	
Grants Receivable	2,181,720	
Loans Receivable	(18,596)	
Interest Receivable	4,454	7,429,218
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.		
General Obligation Bond Proceeds	(4,755,000)	
General Obligation Bonds Payable	509,000	
Loans Payable	22,963	
Amortization of Premium on Bonds	(105,597)	(4,328,634)
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	14,935	
Change in Net Other Postemployment Benefit Obligation	52,639	
Change in Accrued Compensated Absences	(12,016)	
Change in net pension liability	3,490,696	
Change in deferred pension outflows	(2,167,274)	
Change in deferred pension inflows	(2,092,658)	
Change in Inventories	16,067	(697,611)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 6,903,605

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

MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017

ASSETS	
Cash and Pooled Investments	$ 649,782
LIABILITIES	
Due to Other Governments	$ 649,782

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Martin County's (the County) financial statements are prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

Other Organizations
The County participates in the joint ventures and jointly-governed organizations identified in Note 10.

Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County, and, therefore, are reported as if they were part of the County.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major funds:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

The 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, 2017. A market approach is used to value all investments. Pursuant to Minn. Stat. § 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. Pooled investment earnings for 2017 were $206,274.

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 and are therefore shown as unavailable at the fund level.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 unavailable 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.

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 acquisition value. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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. The current portion is 100 percent of the Paid Time Off, and Compensated Time Off accruals at the end of 2017.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, which qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, differences between projected and actual earnings on pension plan investments, and pension plan changes in proportionate share, and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue arises only under the modified accrual basis of accounting, and, accordingly, is reported only in the governmental funds balance sheet. The governmental funds also report deferred property tax inflows. These inflows are reported in both the statement of net position as well as the governmental funds balance sheet. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting, and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, differences between projected and actual earning on pension plan investments, and pension plan changes in proportionate share.

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Pensions (Continued)

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

The County's fund balance policy 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 the 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Classification of Fund Balances (Continued)

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

Assigned – the assigned fund balance classification includes amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

In the General Fund, assigned amounts represent intended uses established by the County Coordinator or the County Auditor/Treasurer who have been delegated that authority by Board resolution.

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.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, certain deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

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, 2017:

	Budget	Actual	Difference
General Fund			
General Government			
Courts	$ 55,500	$ 95,100	$ 39,600
County Administration	721,926	822,581	100,655
County Auditor/Treasurer	646,458	655,447	8,989
Drainage Administrator	201,151	221,513	20,362
Attorney	477,936	499,683	21,747
Buildings and Plant	420,796	423,058	2,262
Transit System	-	14,299	14,299
Public Safety			
Coroner	22,000	27,728	5,728
Civil Defense	100,170	100,375	205
Culture and Recreation			
Library	713,232	715,936	2,704
Road and Bridge Fund			
Highways and Streets			
Miscellaneous	-	7,442	7,442
Debt Service Fund - Nonmajor			
Debt Service			
Interest and Fiscal Charges	31,630	32,125	495
Nonmajor Building Fund			
Capital Outlay			
General Government	65,000	85,859	20,859

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of $4,676,763 as of December 31, 2017; however, 46 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems

129 ditches with positive fund balances	$ 5,494,137
46 ditches with deficit fund balances	(817,374)
Total	$ 4,676,763

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, County deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2017, Martin County had $153,703 of deposits that were exposed to custodial credit risk.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

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) Time deposits that are fully insured by the Federal Deposit Insurance Corporation or 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.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

As of December 31, 2017, the County had the following investments:

	Interest Rate Risk		Credit Risk		Concentration Risk
Investment Type	**Maturity Date**	**Fair Value**	**Credit Rating**	**Rating Agency**	**Over 5 Percent of Portfolio**
U.S. Government Agency Securities					
Federal Home Loan Mtg Corp	8/16/2021	$ 246,268	Aaa	Moody's	
Federal Home Loan Mtg Corp	4/27/2022	198,992	Aaa	Moody's	
Federal Home Loan Mtg Corp	5/24/2022	250,073	Aaa	Moody's	
Federal Home Loan Mtg Corp	7/29/2022	197,218	Aaa	Moody's	
Total Federal Home Loan Mtg Corp		$ 892,551			8.7%
Negotiable Certificates of Deposit					
Discover Bank	1/26/2018	$ 250,000	NR	NR	<5%
BankUnited Natl Assn	2/20/2018	200,006	NR	NR	<5%
Luther Burbank Savings & Loan Association	2/28/2018	244,941	NR	NR	<5%
BMO Harris Bank NA	3/2/2018	199,958	NR	NR	<5%
Wells Fargo Bank NA	3/9/2018	244,936	NR	NR	<5%
JP Morgan Chase Bk NA	3/22/2018	199,926	NR	NR	<5%
Bank Baroda	5/22/2018	249,825	NR	NR	<5%
Beal Bank	8/22/2018	199,720	NR	NR	<5%
Wells Fargo Bank	9/17/2018	115,848	NR	NR	<5%
Mercantil Commrcbk NA	9/21/2018	199,066	NR	NR	<5%
Direct Fed Cr Un Needham Mass Sh	9/24/2018	248,654	NR	NR	<5%
Wex Bank	10/18/2018	244,645	NR	NR	<5%
Peoples Bank	10/26/2018	244,512	NR	NR	<5%
Sallie Mae Bank	11/26/2018	200,438	NR	NR	<5%
American Exp Cent Bk	12/4/2018	247,551	NR	NR	<5%
Compass Bank	12/28/2018	245,037	NR	NR	<5%
Whitney Bank	1/25/2019	199,562	NR	NR	<5%
Peoples Bank	5/10/2019	247,211	NR	NR	<5%
Barclays Bk Delaware	7/16/2019	200,312	NR	NR	<5%
Merrick Bank	7/22/2019	199,410	NR	NR	<5%
Orrstown Bank	9/16/2019	247,598	NR	NR	<5%
BMW Bank of N America	9/26/2019	245,196	NR	NR	<5%
Discover Bank	9/30/2019	150,140	NR	NR	<5%
Morgan Stanley Bank	12/23/2019	245,434	NR	NR	<5%
World's Foremost Bank	4/15/2020	198,646	NR	NR	<5%
Comenity Bank	6/24/2020	199,756	NR	NR	<5%
Comenity Cap Bank	8/10/2020	199,142	NR	NR	<5%
Capital One Bk USA NA	8/12/2020	200,912	NR	NR	<5%
Capital One NA	9/16/2020	200,594	NR	NR	<5%
Webbank	9/28/2020	244,071	NR	NR	<5%
Ally Bank	10/26/2020	245,953	NR	NR	<5%
Third Federal Savings & Loan Association of Cleveland	10/27/2020	243,623	NR	NR	<5%

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

	Interest Rate Risk		Credit Risk		Concentration Risk
Investment Type	**Maturity Date**	**Fair Value**	**Credit Rating**	**Rating Agency**	**Over 5 Percent of Portfolio**
Goldman Sachs Bk USA	11/4/2020	200,496	NR	NR	<5%
HSBC Bank USA NA	10/7/2021	242,619	NR	NR	<5%
Texas Exchange Bank	1/24/2022	243,231	NR	NR	<5%
State Bank of India	2/24/2022	245,884	NR	NR	<5%
BankNewport	2/28/2022	241,979	NR	NR	<5%
Sawyer Savings Bank	4/27/2022	242,535	NR	NR	<5%
Celtic Bank	7/19/2022	197,820	NR	NR	<5%
Synchrony Bank	8/18/2022	199,348	NR	NR	<5%
International Bank Chicago	8/25/2022	197,118	NR	NR	<5%
RCB Bank	10/28/2022	197,520	NR	NR	<5%
Thomaston Savings Bank	12/13/2022	198,602	NR	NR	<5%
Total Negotiable Certificates of Deposit		$ 9,409,775			
Total Investments		$ 10,302,326			
Deposits		20,498,103			
Petty Cash & Change Funds		1,087			
Total Cash and Investments		$ 30,801,516			

NR - Not Rated
<5% - Concentration by individual issuer is less than 5% of investments

The County measures and records it investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

At December 31, 2017, the County had the following recurring fair value measurements.

	December 31, 2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S. Agencies	$ 892,551	$ -	$ 892,551	$ -
Negotiable certificates of deposit	9,409,775	-	9,409,775	-
Total debt securities	$ 10,302,326	$ -	$10,302,326	$ -
Total investments included in the Fair value hierarchy	$ 10,302,326	$ -	$10,302,326	$ -

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

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, 2017, the County minimizes exposure to interest rate risk by investing in negotiable certificates of deposit, and U.S. Government Agencies Securities.

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2017, the County's investments were rated Aaa by Moody's.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

<u>Concentration Credit Risk</u>
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.

<u>Custodial Credit Risk</u>
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, 2017, the County's investments were not exposed to custodial credit risk.

As of December 31, 2017, the County's investments consisted of $892,551 in government bonds and $9,409,775 in negotiable certificates of deposit.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 151,449	$ -
Special Assessments	10,137,390	8,875,043
Accounts Receivable	20,631	-
Loans Receivable	281,553	281,553
Interest	34,716	-
Due from Other Governments	5,840,273	-
Total	$ 16,466,012	$ 9,156,596

Loans Receivable arise from the Martin County Area Redevelopment Authority loans in 1989 and 1990. These loans are only collectible when the homeowner transfers ownership, or the property loses homestead status, therefore no loans are expected to be collected during the next subsequent year.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right of Way	$ 1,190,311	$ -	$ -	$ 1,190,311
Construction in Progress	224,497	2,543,028	2,357,352	410,173
Total Capital Assets, Not Being Depreciated	1,414,808	2,543,028	2,357,352	1,600,484
Capital Assets, Being Depreciated				
Buildings and Improvements	8,974,749	83,774	-	9,058,523
Land Improvements	67,266	-	-	67,266
Machinery, Furniture, and Equipment	4,952,473	352,801	185,268	5,120,006
Infrastructure	90,960,952	2,273,578	-	93,234,530
Vehicles	1,816,314	77,754	6,000	1,888,068
Total Capital Assets, Being Depreciated	106,771,754	2,787,907	191,268	109,368,393
Less Accumulated Depreciation for				
Buildings and Improvements	5,058,950	174,048	-	5,232,998
Land Improvements	26,274	3,211	-	29,485
Machinery, Furniture, and Equipment	3,834,919	218,929	185,268	3,868,580
Infrastructure	29,241,858	1,801,500	-	31,043,358
Vehicles	901,303	185,381	6,000	1,080,684
Total Accumulated Depreciation	39,063,304	2,383,069	191,268	41,255,105
Total Capital Assets, Being Depreciated, Net	67,708,450	404,838	-	68,113,288
Governmental Activities Capital Assets, Net	$ 69,123,258	$ 2,947,866	$ 2,357,352	$ 69,713,772

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Government-Type Activities

General Government	$	108,421
Public Safety		44,892
Highways and Streets, Including Depreciation of Infrastructure Assets		2,168,010
Culture and Recreation		36,317
Conservation of Natural Resources		25,429
Total Depreciation Expense - Governmental Activities	$	2,383,069

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2017, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	$ 1,767	Insurance, Postage
	Ditch	329	Postage
Total Due to General Fund		2,096	
Road and Bridge	General	4,035	Fuel
Total Due to Road and Bridge Fund		4,035	
Total To/From Other Funds		$ 6,131	

The interfund receivables and payables are expected to be repaid within one year of December 31, 2017.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

The County issued general obligation MPFA bonds during 2009 to fund ditch improvements within the County's drainage system. The County issued General Obligation Drainage Ditch Bonds during 2014 to fund ditch repairs and improvements within the County. The County issued General Obligation Crossover Refunding Bonds in 2014 to refund General Obligation Construction Bonds. The County issued General Obligation Drainage Ditch Bonds in 2016 to fund ditch repairs and improvements within the County. The County issued General Obligation Drainage Ditch Bonds during 2017 to fund ditch repairs and improvements within the County.

Loans Payable

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

Debt Summary

Types of Indebtedness	Maturity	Amounts	Rates (%)	Original Amount	Outstanding Balance 2017
General Obligation Bonds					
Drainage Ditch Bonds, 2014A	2035	$70,000 - $180,000	2.00 - 4.00	$ 2,515,000	$ 2,060,000
Crossover Refunding Bonds, 2014B	2023	$225,000 - $255,000	2.00 - 2.20	$ 1,670,000	$ 1,445,000
Drainage Ditch Bonds, 2016A	2037	$75,000 - $410,000	2.00 - 2.75	$ 7,270,000	$ 7,195,000
Drainage Ditch Bonds, 2017A	2038	$110,000 - $270,000	2.00 - 3.25	$ 4,755,000	$ 4,755,000
MPFA Obligations	2029	$29,000 - $33,000	1.00	$ 628,307	$ 373,000
			Subtotal		15,828,000
			Plus: Unamortized Premiums		334,875
			Total General Obligation Bonds		16,162,875
Loans Payable	2019	$10,814 - $11,031	2.00	$ 201,056	$ 32,766
			Total Long-Term Debt		$ 16,195,641

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending	General Obligation		Loans Payable		Total	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 839,000	$ 375,769	$ 21,736	$ 547	$ 860,736	$ 376,316
2019	1,010,000	353,389	11,030	110	1,021,030	353,499
2020	1,025,000	333,439	-	-	1,025,000	333,439
2021	1,045,000	313,089	-	-	1,045,000	313,089
2022	1,051,000	292,539	-	-	1,051,000	292,539
2023-2027	4,163,000	1,164,404	-	-	4,163,000	1,164,404
2028-2032	3,565,000	725,036	-	-	3,565,000	725,036
2033-2037	3,010,000	261,569	-	-	3,010,000	261,569
2038	120,000	3,900	-	-	120,000	3,900
Total	$ 15,828,000	$ 3,823,134	$ 32,766	$ 657	$ 15,860,766	$ 3,823,791

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, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Drainage Ditch	2,240,000	-	180,000	2,060,000	160,000
Plus: Premium	48,972	-	2,578	46,394	2,578
Crossover Refunding	1,670,000	-	225,000	1,445,000	225,000
Plus: Premium	23,272	-	3,324	19,948	3,324
Drainage Ditch	7,270,000	-	75,000	7,195,000	315,000
Plus: Premium	157,034	-	7,478	149,556	7,478
Drainage Ditch	-	4,755,000	-	4,755,000	110,000
Plus: Premium	-	118,977	-	118,977	5,666
MPFA Obligations	402,000	-	29,000	373,000	29,000
Total General Obligations	11,811,278	4,873,977	522,380	16,162,875	858,046
Loans Payable	55,729	-	22,963	32,766	21,736
Compensated Absences	619,193	605,373	593,357	631,209	534,352
Governmental Activity Long-Term Liabilities	$ 12,486,200	$ 5,479,350	$ 1,138,700	$ 16,826,850	$ 1,414,134

Compensated absences, other post-employment benefit obligation, and the net pension liability are generally liquidated by the General Fund and the Road and Bridge Special Revenue Fund.

D. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources as of December 31, 2017, for the County's governmental funds were as follows:

		Deferred Inflows of Resources	
	Unearned Revenue	Deferred Property Tax Inflows	Deferred Inflows of Resources - Unavailable
Taxes and special assessments, delinquent and unavailable	$ -	$ -	$ 10,288,839
Highway allotments that do not provide current financial resources	-	-	4,832,866
Loans receivable	-	-	281,553
Taxes prepaid before levied		236,138	-
Grants and interest receivable	64,059	-	784,796
Total Governmental Funds	$ 64,059	$ 236,138	$ 16,188,054

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance

The detail of Martin County's fund balance classifications are as follows:

	General	Road and Bridge	Human Services	Ditch
FUND BALANCES				
Nonspendable				
Inventories	$ -	$ 977,399	$ -	$ -
Total Nonspendable	-	977,399	-	-
Restricted				
Law Library	$ 53,012	$ -	$ -	$ -
Sheriff's Contingency	5,000	-	-	-
E-911 System	432,779	-	-	-
Recorder's Equipment Purchases	382,335	-	-	-
Debt Service	-	-	-	109,900
Endowments	3,721	-	-	-
Victim Assistance	31,940	-	-	-
Supervision Fees	13,320	-	-	-
Veteran's Van	6,163	-	-	-
Inmate Commissary	5,977	-	-	-
Conceal and Carry	154,122	-	-	-
Attorney Forfeiture	9,672	-	-	-
DEA Forfeiture Funds	32,516	-	-	-
Aquatic Invasive Species Aid	265,659	-	-	-
Riparian Aid	135,572	-	-	-
Library Capital Improvement	27,098	-	-	-
Library	410,546	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance and Repair	-	-	-	3,280,856
Ditch Projects	-	-	-	2,103,381
Total Restricted	1,969,432	-	-	5,494,137
Committed to				
Human Services	$ -	$ -	$ 901,413	$ -
Total Committed	-	-	901,413	-
Assigned to				
Building Projects	$ -	$ -	$ -	$ -
Forfeited Land	137,824	-	-	-
Road and Bridge	-	7,687,657	-	-
Total Assigned	137,824	7,687,657	-	-
Unassigned	7,751,131	$ -	$ -	$ (817,374)
Total Fund Balances	$ 9,858,387	$ 8,665,056	$ 901,413	$ 4,676,763

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance (Continued)

FUND BALANCES	Nonmajor Funds	Total Governmental Funds
Nonspendable		
Inventories	$ -	$ 977,399
Total Nonspendable	-	977,399
Restricted		
Law Library	$ -	$ 53,012
Sheriff's Contingency	-	5,000
E-911 System	-	432,779
Recorder's Equipment Purchases	-	382,335
Debt Service	582,739	692,639
Endowments	-	3,721
Victim Assistance	-	31,940
Supervision Fees	-	13,320
Veteran's Van	-	6,163
Inmate Commissary	-	5,977
Conceal and Carry	-	154,122
Attorney Forfeiture	-	9,672
DEA Forfeiture Funds	-	32,516
Aquatic Invasive Species Aid	-	265,659
Riparian Aid	-	135,572
Library Capital Improvement	-	27,098
Library	-	410,546
Economic Development	224,823	224,823
Solid Waste	1,806,406	1,806,406
Ditch Maintenance and Repair	-	3,280,856
Ditch Projects	-	2,103,381
Total Restricted	2,613,968	10,077,537
Committed to		
Human Services	$ -	$ 901,413
Total Committed	-	901,413
Assigned to		
Building Projects	$ 2,218,409	$ 2,218,409
Forfeited Land	-	137,824
Road and Bridge	-	7,687,657
Total Assigned	2,218,409	10,043,890
Unassigned	$ -	$ 6,933,757
Total Fund Balances	$ 4,832,377	$ 28,933,996

NOTE 4 OPERATING LEASE

At the end of 2017, the County maintained eleven operating leases for squad cars. In 2017, expenditures under these agreements totaled $44,188. Future minimum lease payments are as follows:

Year Ended	Amount
2018	$ 46,984
2019	39,422
2020	23,663
2021	7,357
Total	$ 117,426

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of Martin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified under Section 401(a) of the Internal Revenue Code.

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

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

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989 receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$ 342,029
Public Employees Police and Fire Plan	153,357
Public Employees Correctional Plan	60,968

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

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $4,615,584 for its proportionate share of the General Employee Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was .072 percent. It was .069 percent measured as of June 30, 2016. The County recognized pension expense of $618,222 for its proportionate share of the General Employees Retirement Plan's pension expense. The County also recognized $1,677 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

County's proportionate share of the net pension liability	$ 4,615,584
State of Minnesota's proportionate share of the net pension liability associated with the County	$ 58,061
Total	$ 4,673,645

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 152,116	$ 287,286
Difference between projected and actual investment earnings	3,558	-
Changes in actuarial assumptions	735,550	462,713
Changes in proportion	176,599	149,579
Contributions paid to PERA subsequent to the measurement date	171,606	-
Total	$ 1,239,429	$ 899,578

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

The $171,606 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended December 31	Pension Expense Amount
2018	$ 128,149
2019	273,064
2020	(37,045)
2021	(195,923)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $1,269,112 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for the employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was .094 percent. It was .086 percent measured as of June 30, 2016. The County recognized pension expense of $331,726 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $8,460 as revenue, which results in a reduction of the net pension liability, for it proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,212	$ 309,302
Difference between projected and actual investment earnings	-	19,316
Changes in actuarial assumptions	1,519,534	1,801,824
Changes in proportion	285,921	-
Contributions paid to PERA subsequent to the measurement date	77,685	-
Total	$ 1,912,352	$ 2,130,442

The $77,685 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	$ 40,351
2019	40,351
2020	(1,718)
2021	(73,745)
2022	(301,014)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $1,026,004 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for the employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

Public Employees Correctional Plan (Continued)

At June 30, 2017, the County's proportion was .36 percent. It was .36 percent measured as of June 30, 2016. The County recognized pension expense of $387,775 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 687	$ 16,991
Changes in actuarial assumptions	558,597	178,596
Difference between projected and actual investment earnings	-	5,034
Changes in proportion	-	1,546
Contributions paid to PERA subsequent to the measurement date	30,129	-
Total	$ 589,413	$ 202,167

The $30,129 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	$ 220,599
2019	228,096
2020	(63,016)
2021	(28,562)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $1,337,723.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for the retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent after.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

<u>General Employees Retirement Plan</u>

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for the disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husband assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
County's proportionate share of the General Employees Retirement Plan net pension liability	$ 7,159,114	$ 4,615,584	$ 2,533,243
County's proportionate share of the Public Employees Police and Fire Plan net pension liability	2,390,108	1,269,112	343,668
County's proportionate share of the Public Employees Correctional Plan net pension liability	1,690,726	1,026,004	507,179

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and .25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2017 were:

	Employee	Employer
Contribution amount	$ 4,382	$ 4,382
Percentage of covered payroll	5%	5%

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, 2017, five retirees were receiving the continued health insurance benefit. The County's contributions for the year were $43,227.

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, 2017, there were seven retirees receiving health benefits from the County's health plan, who are also entitled to full health insurance benefits for life due to not being eligible for Medicare.

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 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	$ 81,723
Interest on Net OPEB Obligation	16,082
Adjustment to ARC	(17,007)
Annual OPEB Cost	80,798
Contributions During the Year	(133,437)
Increase (Decrease) in Net OPEB Obligation	(52,639)
NET OPEB - Beginning of Year	402,047
NET OPEB - End of the Year	$ 349,408

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 2015, 2016 and 2017 were as follows:

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
2017	$ 80,798	$ 133,437	165.1 %	$ 349,408
2016	57,546	50,829	88.3 %	402,047
2015	56,799	45,759	80.6 %	395,330

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero. As of January 1, 2017, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial liability for benefits was $828,962 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $828,962. The covered payroll (annual payroll of active employees covered by the plan) was $6,245,000, and the ratio of the UAAL to the covered payroll was 13.3 percent.

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The UAAL is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2017 was 30 years.

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

In the January 1, 2017 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 4.0%. The annual healthcare cost trend rate is 8.5% initially, reduced incrementally to an ultimate rate of 5.0% over seven years.

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

NOTE 7 RISK MANAGEMENT

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 8 CONDUIT DEBT

On May 1, 2012, the County issued the $7,000,000 Housing Facilities Revenue Note (Goldfinch Estates-Vista Prairie Communities Project), Series 2012A. This note was issued to finance the cost of expansion to Goldfinch Estates in Fairmont, Minnesota. The note has an interest rate of 4.375 percent and matures in amounts of $17,539 to $5,607,576 in the years 2018 to 2022.

NOTE 8 CONDUIT DEBT (CONTINUED)

Martin County has no obligation for this debt, which was provided to Goldfinch Estates-Vista Prairie Communities for the capital improvement. Accordingly, the note will not be reported as a liability in the financial statements. The aggregate amount of all outstanding conduit debt obligations at December 31, 2017 was $6,637,770.

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

NOTE 10 OTHER ORGANIZATIONS

Joint Ventures

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

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

Minnesota River Valley Drug Task Force
The primary responsibility of the task force is to detect, investigate, gather evidence and apprehend drug traffickers, as well as assist in violent crimes and gang related investigation within the geographic boundaries of the communities that comprise the task force.

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Prairieland Solid Waste Board
Martin County entered into a joint powers agreement with Faribault County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans.

Fees not sent to Prairieland will be kept in the Solid Waste Fund of the County and are restricted for Solid Waste programs approved by the County Board.

Prairieland Solid Waste Board reported a change in net position of $287,368 in 2017. The full-faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each County's proportional share of the principal and interest when due. Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, P.O. Box 100, Truman, Minnesota 56088.

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

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

Rural Minnesota Energy Board
The Rural Minnesota Energy Board was established in 2005 under the authority of Minnesota Statutes §471.59. The Board includes Blue Earth, Cottonwood, Faribault, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Sibley, Watonwan, and Yellow Medicine Counties. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota.

The focus of the board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement.

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Rural Minnesota Energy Board (Continued)

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 2017, Martin County paid $1,000 to the Board.

South Central Minnesota Emergency Communications Board
The South Central Regional Emergency Communications Board was established pursuant to Minnesota Statutes §§471.59 and 403.39 and a joint powers agreement effective May 27, 2008.

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

South Central Workforce Council
The South Central Workforce Council Joint Powers Board is comprised of one representative from each of the participating County Boards. The Board is the local governmental body that appoints the Workforce Council members and is a full partner with them in overseeing area employment and training programs. The County did not provide any funding to the Council during 2017.

Jointly Governed Organizations

Intelligent Transit Consortium
The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include the counties of Meeker, Pipestone, Sherburne, Wright, Brown, and Martin. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and upgrade costs. It is expected that there will be upgrades every three years. During 2017, the County did not contribute any funding to the Transit Consortium.

Minnesota Counties Computer Cooperative (MCCC)
Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, the County expended $8,300.

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network
The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County expended $1,560 to the joint powers.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization
The Region Five – Southwest Minnesota Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocation emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Martin County's responsibility does not extend beyond making this appointment.

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

South Central Emergency Medical Services
The South Central Emergency Medical Services (SEMS) provides various emergency medical services to several counties. The County did not provide any funding to SEMS during 2017.

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

Greater Blue Earth River Basin Alliance
The Greater Blue Earth River Basin Alliance provides the preparation to comprehensive water plans for the participating counties. During 2017, the County paid $7,789 to the Alliance.

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

South Central Community Based Initiative
The purpose of the Joint Powers Board is to facilitate agreement between the Minnesota Department of Human Services (DHS) and county mental health authorities in 10 South Central Minnesota counties to redesign and implement new community-based mental health services for adults with serious and persistent mental illness. The County did not provide any funding to the organization during 2017.

South Central Services Cooperative
Based in North Mankato, MN the South Central Service Cooperative (SCSC) programs and services are member driven to utilize resources in the most efficient and effective manner possible. SCSC is one of nine regional agencies called service cooperatives, established in 1976 by Minnesota legislation (M.S. 123A.21). The Minnesota Service Cooperatives perform planning on a regional basis and assist in meeting specific needs of clients in participating governmental units which could be better provided by a Service Cooperative than by members themselves. SCSC specializes in providing insurance services. Health insurance pools are formed by groups who band together to leverage economies of scale to lower costs and achieve claim cost stability. The SCSC manages the pools, manages premium collection, conducts carrier proposal every four years and negotiates stop loss and administrative costs which are approximately 20% lower than the commercial market. These pools are governed by state law and an elected board of directors and consist of public employers who maintain a Joint Powers Agreement with the Service Cooperative. During 2017, the County did not provide any funding to the Cooperative.

NOTE 11 AGRICULTURAL BEST MANAGEMENT LOAN PROGRAM

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point sources water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. Management believes the County has met those responsibilities for 2017.

NOTE 12 SPECIAL BENEFIT TAX LEVY

In 1993, the South Central Minnesota Multi-County Housing Authority (the Authority) issued $20,315,000 of revenue bonds to construct housing units in Martin County and four surrounding counties. The Authority defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Martin County's proportionate share of the operating deficit for 2017 is $87,810.

The proportionate shares on the counties may change for the years 2018 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

NOTE 13 HUMAN SERVICES BOARD OPERATING LEASE

Martin County (lessor) has an operating lease with the Human Services Board of Faribault and Martin Counties (lessee) that runs from January 1 through December 31. This lease is automatically renewed on an annual basis unless either party decides to terminate the lease at least 90 days before the end of the term. The total annual rent is $183,650 payable in 12 monthly installments of $15,304 on the first day of each month.

NOTE 14 CONTRACT COMMITMENTS

The County has active projects as of December 31, 2017. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road Projects	$ 2,177,846	$ 114,895
Ditch Projects	2,238,061	2,334,374
	$ 4,415,907	$ 2,449,269

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A

MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	$ 8,747,150	$ 8,747,150	$ 9,044,681	$ 297,531
Special Assessments	124,956	124,956	158,514	33,558
Licenses and Permits	54,700	54,700	105,328	50,628
Intergovernmental	1,393,575	1,393,575	1,595,893	202,318
Charges for Services	374,750	374,750	414,958	40,208
Fines and Forfeits	18,800	18,800	28,488	9,688
Investment Earnings	150,000	150,000	206,274	56,274
Miscellaneous	577,567	577,567	762,533	184,966
Total Revenues	11,441,498	11,441,498	12,316,669	875,171
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	245,249	245,249	231,518	13,731
Courts	55,500	55,500	95,100	(39,600)
County Administration	721,926	721,926	822,581	(100,655)
Forfeited Land	8,000	8,000	4,383	3,617
County Coordinator	325,080	325,080	229,557	95,523
County Auditor/Treasurer	646,458	646,458	655,447	(8,989)
County Assessor	570,372	570,372	542,109	28,263
Drainage Administrator	201,151	201,151	221,513	(20,362)
Elections	22,500	22,500	13,524	8,976
Data Processing	350,260	350,260	266,835	83,425
Attorney	477,936	477,936	499,683	(21,747)
Recorder	401,200	401,200	286,003	115,197
Buildings and Plant	420,796	420,796	423,058	(2,262)
Transit System	-	-	14,299	(14,299)
Planning and Zoning	445,430	445,430	422,128	23,302
Veterans Service Officer	171,877	171,877	165,762	6,115
Total General Government	5,063,735	5,063,735	4,893,500	170,235
PUBLIC SAFETY				
Sheriff	4,949,322	4,949,322	4,525,481	423,841
Coroner	22,000	22,000	27,728	(5,728)
Civil Defense	100,170	100,170	100,375	(205)
Victim/Witness	206,442	206,442	176,247	30,195
Total Public Safety	5,277,934	5,277,934	4,829,831	448,103
CULTURE AND RECREATION				
Administration	39,300	39,300	14,573	24,727
Library	713,232	713,232	715,936	(2,704)
Parks	128,065	128,065	96,299	31,766
Total Culture and Recreation	880,597	880,597	826,808	53,789

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, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	$ 142,430	$ 142,430	$ 133,950	$ 8,480
ECONOMIC DEVELOPMENT				
Administration	5,337	5,337	5,208	129
Economic Development	68,164	68,164	41,019	27,145
Total Economic Development	73,501	73,501	46,227	27,274
DEBT SERVICE				
Principal	21,308	21,308	21,308	-
Interest and Fiscal Charges	975	975	975	-
Total Debt Service	22,283	22,283	22,283	-
Total Expenditures	11,460,480	11,460,480	10,752,599	707,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,982)	(18,982)	1,564,070	1,583,052
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	1,595	1,595
NET CHANGE IN FUND BALANCE	$ (18,982)	$ (18,982)	1,565,665	$ 1,584,647
Fund Balance - Beginning of Year			8,292,722	
FUND BALANCE - END OF YEAR			$ 9,858,387	

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, 2017

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
REVENUES				
Taxes	$ 2,644,812	$ 2,644,812	$ 2,655,305	$ 10,493
Intergovernmental	7,259,175	7,259,175	4,753,376	(2,505,799)
Charges for Services	10,000	10,000	12,600	2,600
Miscellaneous	210,590	210,590	356,121	145,531
Total Revenues	10,124,577	10,124,577	7,777,402	(2,347,175)
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	425,718	425,718	421,864	3,854
Engineering and Construction	5,296,832	5,296,832	2,557,099	2,739,733
Maintenance	2,439,020	2,439,020	2,313,870	125,150
Equipment and Maintenance Shops	1,538,007	1,538,007	1,333,567	204,440
Miscellaneous	-	-	7,442	(7,442)
Total Highways and Streets	9,699,577	9,699,577	6,633,842	3,065,735
INTERGOVERNMENTAL				
Highways and Streets	435,000	435,000	431,799	3,201
Total Expenditures	10,134,577	10,134,577	7,065,641	3,068,936
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	711,761	721,761
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	10,000	10,000	24,132	14,132
NET CHANGE IN FUND BALANCE	$ -	$ -	735,893	$ 735,893
Fund Balance - Beginning of Year			7,913,096	
Increase (Decrease) in Inventories			16,067	
FUND BALANCE - END OF YEAR			$ 8,665,056	

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, 2017

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 3,400,129	$ 3,400,129	$ 3,384,394	$ (15,735)
Intergovernmental	75,343	75,343	83,619	8,276
Total Revenues	3,475,472	3,475,472	3,468,013	(7,459)
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	3,395,472	3,395,472	3,195,472	200,000
NET CHANGE IN FUND BALANCE	$ 80,000	$ 80,000	272,541	$ 192,541
Fund Balance - Beginning of Year			628,872	
FUND BALANCE - END OF YEAR			$ 901,413	

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

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2011	$ -	$ 926,164	$ 926,164	- %	$ 5,338,136	17.3%
1/1/2014	-	554,442	554,442	-	6,004,677	9.2
1/1/2017	-	828,962	828,962	-	6,245,000	13.3

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

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

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated With Martin County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.072%	$ 4,615,584	$ 58,061	$ 4,673,645	$ 4,659,138	99.07%	75.90%
June 30, 2016	0.069	5,634,936	73,588	5,708,524	4,307,337	130.82	68.91
June 30, 2015	0.072	3,731,414	N/A	3,731,414	4,230,434	88.20	78.19

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

The measurement date for each year is June 30.

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2017	$ 342,029	$ 342,029	$ -	$ 4,560,387	7.50%
December 31, 2016	342,010	342,010	-	4,560,120	7.50
December 31, 2015	321,516	321,516	-	4,286,873	7.50

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

The County's year-end is December 31.

The notes to the required supplementary information are an integral part of these schedules.

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.094%	$ 1,269,112	$ 960,915	132.07%	85.43%
June 30, 2016	0.086	3,451,330	830,547	415.55	63.88
June 30, 2015	0.085	965,799	779,811	123.85	88.61

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

The measurement date for each year is June 30.

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2017	$ 153,357	$ 153,357	$ -	$ 946,648	16.20%
December 31, 2016	148,453	148,453	-	916,379	16.20
December 31, 2015	130,256	130,256	-	804,054	16.20

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

The County's year-end is December 31.

The notes to the required supplementary information are an integral part of these schedules.

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	0.360%	$ 1,026,004	$ 716,729	143.15%	67.89%
June 30, 2016	0.360	1,315,130	670,375	196.18	58.16
June 30, 2015	0.380	58,748	683,419	8.60	96.95

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

The measurement date for each year is June 30.

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2017	$ 60,968	$ 60,968	$ -	$ 696,773	8.75%
December 31, 2016	61,453	61,453	-	702,335	8.75
December 31, 2015	58,190	58,190	-	665,030	8.75

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

The County’s year-end is December 31.

The notes to the required supplementary information are an integral part of these schedules.

MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Ditch Fund. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the Board of Commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level. The Board of Commissioners did not make any budgetary adjustments during 2017.

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, 2017:

	Budget	Actual	Difference
General Fund			
General Government			
Courts	$ 55,500	$ 95,100	$ 39,600
County Administration	721,926	822,581	100,655
County Auditor/Treasurer	646,458	655,447	8,989
Drainage Administrator	201,151	221,513	20,362
Attorney	477,936	499,683	21,747
Buildings and Plant	420,796	423,058	2,262
Transit System	-	14,299	14,299
Public Safety			
Coroner	22,000	27,728	5,728
Civil Defense	100,170	100,375	205
Culture and Recreation			
Library	713,232	715,936	2,704
Road and Bridge Fund			
Highways and Streets			
Miscellaneous	-	7,442	7,442

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

III. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

III. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan (Continued)

2017 (Continued)

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

III. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The (CSA) load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

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, 2017

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	$ 1,812,120	$ 224,823	$ 2,036,943	$ 2,239,551
Taxes Receivable - Delinquent	-	-	-	1,794
Special Assessments Receivable				
Delinquent	56,494	-	56,494	-
Loans Receivable	-	281,553	281,553	-
Total Assets	$ 1,868,614	$ 506,376	$ 2,374,990	$ 2,241,345
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 4,028	$ -	$ 4,028	$ 15,314
DEFERRED INFLOWS OF RESOURCES (NOTE 3.D)				
Unavailable Revenue	56,494	281,553	338,047	1,794
Deferred Property Tax Inflows	1,686	-	1,686	5,828
Total Deferred Inflows of Resources	58,180	281,553	339,733	7,622
FUND BALANCES (NOTE 3.E)				
Restricted	1,806,406	224,823	2,031,229	-
Assigned	-	-	-	2,218,409
Total Fund Balances	1,806,406	224,823	2,031,229	2,218,409
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,868,614	$ 506,376	$ 2,374,990	$ 2,241,345

Debt Service Fund Debt Service	Total Nonmajor Funds
$ 587,667	$ 4,864,161
2,756	4,550
-	56,494
-	281,553
$ 590,423	$ 5,206,758
$ -	$ 19,342
2,756	342,597
4,928	12,442
7,684	355,039
582,739	2,613,968
-	2,218,409
582,739	4,832,377
$ 590,423	$ 5,206,758

MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
REVENUES				
Taxes	$ -	$ -	$ -	$ 242,809
Special Assessments	629,545	-	629,545	-
Intergovernmental	68,711	-	68,711	6,018
Charges for Services	740	-	740	-
Miscellaneous	51,634	12,081	63,715	183,011
Total Revenues	750,630	12,081	762,711	431,838
EXPENDITURES				
CURRENT				
General Government	-	-	-	184,559
Sanitation	634,115	-	634,115	-
CAPITAL OUTLAY				
General Government	-	-	-	85,859
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	634,115	-	634,115	270,418
NET CHANGE IN FUND BALANCES	116,515	12,081	128,596	161,420
Fund Balance - Beginning of Year	1,689,891	212,742	1,902,633	2,056,989
FUND BALANCE - END OF YEAR	$ 1,806,406	$ 224,823	$ 2,031,229	$ 2,218,409

Debt Service Fund Debt Service	Total Nonmajor Funds
$ 249,982	$ 492,791
-	629,545
6,110	80,839
-	740
-	246,726
256,092	1,450,641
-	184,559
-	634,115
-	85,859
225,000	225,000
32,125	32,125
257,125	1,161,658
(1,033)	288,983
583,772	4,543,394
$ 582,739	$ 4,832,377

MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Special Assessments	$ 645,000	$ 645,000	$ 629,545	$ (15,455)
Intergovernmental	67,730	67,730	68,711	981
Charges for Services	300	300	740	440
Miscellaneous	5,000	5,000	51,634	46,634
Total Revenues	718,030	718,030	750,630	32,600
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste Management	728,539	728,539	634,115	94,424
NET CHANGE IN FUND BALANCE	$ (10,509)	$ (10,509)	116,515	$ 127,024
Fund Balance - Beginning of Year			1,689,891	
FUND BALANCE - END OF YEAR			$ 1,806,406	

MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	$ 244,577	$ 244,577	$ 242,809	$ (1,768)
Intergovernmental	5,423	5,423	6,018	595
Miscellaneous	178,430	178,430	183,011	4,581
Total Revenues	428,430	428,430	431,838	3,408
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Building Operations	268,505	268,505	184,559	83,946
CAPITAL OUTLAY				
General Government	65,000	65,000	85,859	(20,859)
Total Expenditures	333,505	333,505	270,418	63,087
NET CHANGE IN FUND BALANCE	$ 94,925	$ 94,925	161,420	$ 66,495
Fund Balance - Beginning of Year			2,056,989	
FUND BALANCE - END OF YEAR			$ 2,218,409	

MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	$ 251,131	$ 251,131	$ 249,982	$ (1,149)
Intergovernmental	5,499	5,499	6,110	611
Total Revenues	256,630	256,630	256,092	(538)
EXPENDITURES				
CURRENT				
DEBT SERVICE				
Principal	225,000	225,000	225,000	-
Interest and Fiscal Charges	31,630	31,630	32,125	(495)
Total Expenditures	256,630	256,630	257,125	(495)
NET CHANGE IN FUND BALANCE	$ -	$ -	(1,033)	(1,033)
Fund Balance - Beginning of Year			583,772	
FUND BALANCE - END OF YEAR			$ 582,739	

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
STATE AGENCY				
ASSETS				
Cash and Pooled Investments	$ 12,367	$ 376,976	$ 384,140	$ 5,203
LIABILITIES				
Due to Other Governments	$ 12,367	$ 376,976	$ 384,140	$ 5,203
MORTGAGE REGISTRY TAX				
ASSETS				
Cash and Pooled Investments	$ 8,869	$ 198,906	$ 198,533	$ 9,242
LIABILITIES				
Due to Other Governments	$ 8,869	$ 198,906	$ 198,533	$ 9,242
DEED TAX				
ASSETS				
Cash and Pooled Investments	$ 39,524	$ 379,781	$ 381,826	$ 37,479
LIABILITIES				
Due to Other Governments	$ 39,524	$ 379,781	$ 381,826	$ 37,479
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	$ 387,647	$ 39,545,523	$ 39,335,312	$ 597,858
LIABILITIES				
Due to Other Governments	$ 387,647	$ 39,545,523	$ 39,335,312	$ 597,858
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	$ 448,407	$ 40,501,186	$ 40,299,811	$ 649,782
LIABILITIES				
Due to Other Governments	$ 448,407	$ 40,501,186	$ 40,299,811	$ 649,782

OTHER SUPPLEMENTARY INFORMATION

MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2017

	Total All Funds
APPROPRIATIONS AND SHARED REVENUE	
STATE	
Highway Users Tax	$ 4,686,883
County Program Aid	436,797
Aquatic Invasive Species Aid	95,251
Riparian Aid	138,171
Market Value Credit	324,931
Disparity Reduction Aid	35,698
PERA Rate Increase Aid	36,967
State Police Aid	105,666
Enhanced 911	95,164
SCORE	68,711
Total Appropriations and Shared Revenue	6,024,239
STATE GRANTS	
MINNESOTA DEPARTMENT OF	
Corrections	84,954
Natural Resources	72,106
Veteran's Affairs	10,000
Pollution Control Agency	66,322
Public Safety	32,624
State Court Administrator's Office	2,750
Water and Soil Resources	51,119
Total State Grants	319,875
FEDERAL GRANTS	
FEDERAL DEPARTMENT OF	
Commerce	442
Justice	126,723
Homeland Security	42,448
Total Federal Grants	169,613
Total State and Federal Grants	489,488
Total Intergovernmental Revenues	$ 6,513,727