

**MARTIN COUNTY
FAIRMONT, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**MARTIN COUNTY
FAIRMONT, MINNESOTA
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DECEMBER 31, 2018**

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FAIRMONT, MINNESOTA
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INTRODUCTORY SECTION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
ORGANIZATION
DECEMBER 31, 2018**

ORGANIZATION

Office	Name	Term Expires
Commissioners		
1st District	Elliot Belgard	January 2021
2nd District	Tom Mahoney*	January 2023
3rd District	Kathy Smith**	January 2021
4th District	Dan Schmidtke	January 2019
5th District	Steven Flohrs	January 2021
Officers		
Elected		
Attorney	Terry Viesselman	January 2023
Auditor/Treasurer	James Forshee	July 2019
Judge	Michael D. Trushenski	January 2023
County Recorder	Diane Sanders	January 2023
Sheriff	Jeff Markquart	January 2023
Surveyor	Ben Madsen	January 2023
Appointed		
Assessor	Danial Whitman	December 2018
Highway Engineer	Kevin Peyman	April 2022
Medical Examiner	Dr. Michael B McGee	Indefinite
Veterans Service Officer	Douglas Landsteiner	Indefinite
Librarian	Jennifer Trushenski	Indefinite
County Coordinator	Scott Higgins	Indefinite

* Chair

**Co-Chair

FINANCIAL SECTION



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE 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, 2018, 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Supplementary Information and Other Supplementary Information are 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 10, 2019, 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.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

December 10, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

REQUIRED SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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 16). Certain comparative information between the current year, 2018, and the prior year, 2017, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 include the following:

- Governmental activities' total net position is \$95,370,529 of which \$73,103,659 is the net investment in capital assets, and \$10,950,011 is restricted for specific purposes.
- Martin County's net position increased by \$5,347,871 after the restatement for Governmental Accounting Standards Board (GASB) Statement 75. Additional information about the implementation of GASB 75 can be found in Note 1.E.
- The net cost of governmental activities was \$12,923,843 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$18,271,714.
- Governmental funds' fund balances increased by \$1,049,734.

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 16-18) 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 19. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

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 16. 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 19. 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 a reconciliation following each governmental fund financial statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

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 96). 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$95,370,529 on December 31, 2018 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		Change
	2018	2017	
Current and Other Assets	\$ 46,384,173	\$ 47,595,145	(2.5)%
Capital Assets	74,340,283	69,713,772	6.6
Total Assets	120,724,456	117,308,917	2.9
Deferred Outflows of Resources	2,726,334	3,741,194	(27.1)
Current Liabilities	3,197,579	3,692,387	(13.4)
Long-Term Liabilities	21,031,892	22,691,870	(7.3)
Total Liabilities	24,229,471	26,384,257	(8.2)
Deferred Inflows of Resources	3,850,790	3,468,325	11.0
Net Position			
Net Investment in Capital			
Assets	73,103,659	68,248,824	7.1
Restricted	10,950,011	10,924,971	0.2
Unrestricted	11,316,859	12,023,734	(5.9)
Total Net Position, as reported	\$ 95,370,529	\$ 91,197,529	4.6
Change in accounting principles*		(1,174,871)	
Total Net Position, as restated		\$ 90,022,658	

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$31,643,431 for the year ended December 31, 2018. Property taxes, grants and contributions, and unrestricted state aid accounted for 85 percent of total revenues for the year (see Table A-2).

Table A-2
Change in Net Position

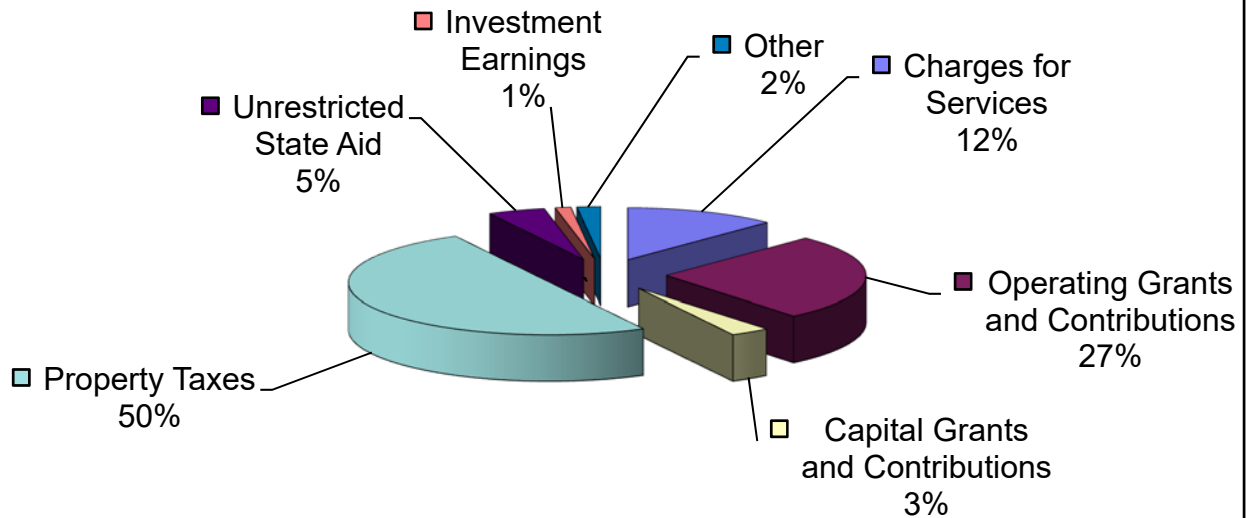
	Governmental Activities		Total % Change
	2018	2017	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 3,809,769	\$ 10,279,039	(62.9)%
Operating Grants and Contributions	8,497,728	7,585,968	12.0
Capital Grants and Contributions	1,064,220	-	100.0
<u>General Revenues</u>			
Property Taxes	15,821,285	14,972,260	5.7
Unrestricted State Aid	1,455,498	1,059,905	37.3
Investment Earnings	396,567	287,571	37.9
Other	598,364	606,015	(1.3)
Total Revenues	<u>31,643,431</u>	<u>34,790,758</u>	(9.0)
EXPENSES			
General Government	6,737,176	5,222,354	29.0
Public Safety	5,103,053	5,351,758	(4.6)
Highways and Streets	6,917,858	6,509,890	6.3
Sanitation	737,027	634,115	16.2
Culture and Recreation	896,571	895,480	0.1
Conservation of Natural Resources	2,346,235	5,666,380	(58.6)
Economic Development	73,856	52,742	40.0
Human Services	3,084,480	3,195,472	(3.5)
Interest	399,304	358,962	11.2
Total Expenses	<u>26,295,560</u>	<u>27,887,153</u>	(5.7)
CHANGE IN NET POSITION	5,347,871	6,903,605	(22.5)
Net Position - Beginning of Year; as restated	<u>90,022,658</u> *	<u>84,293,924</u>	6.8
NET POSITION - END OF YEAR; as reported	<u>\$ 95,370,529</u>	<u>\$ 91,197,529</u>	4.6

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

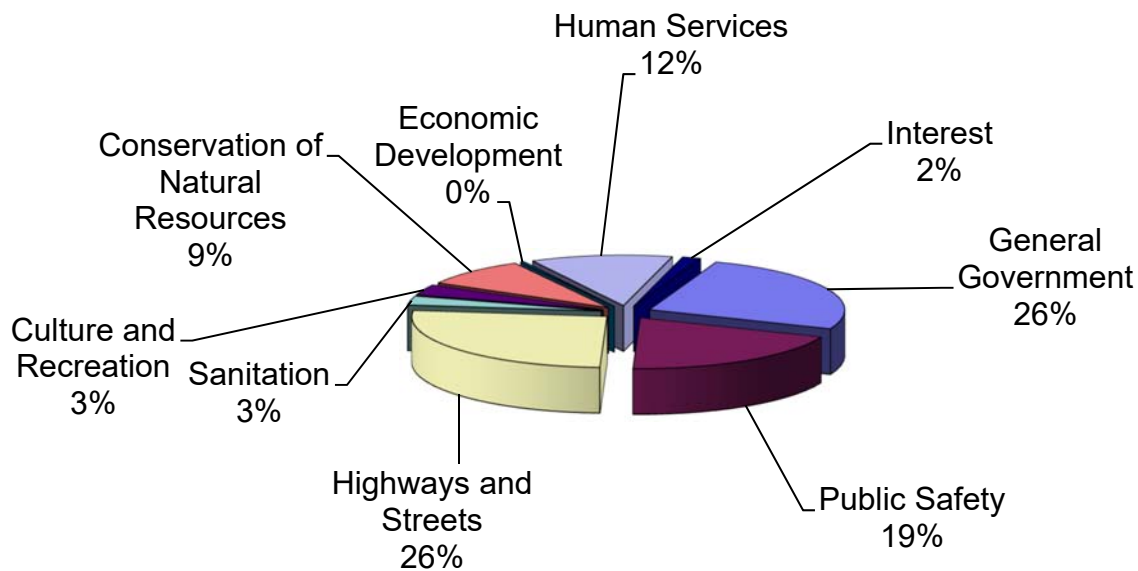
**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2018



Governmental Activities Expenses by Function 2018



**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The County-wide cost of all governmental activities this year was \$26,295,560.

- Some of the cost was paid by the users of the County's Programs (\$3,809,769).
- The Federal and state governments subsidized certain programs with grants and contributions (\$9,561,948).
- The remainder of the County's costs (\$12,923,843), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$15,821,285 in property taxes, \$1,455,498 of state aid, and \$396,567 with investment earnings and other general revenues of \$598,364.

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

	<u>Total Cost of Services</u>		Percentage Change	<u>Net Revenue (Cost) of Services</u>		Percentage Change
	2018	2017		2018	2017	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,737,176	\$ 5,222,354	29.0 %	\$ (4,935,443)	\$ (3,030,148)	62.9 %
Public Safety	5,103,053	5,351,758	(4.6)	(4,427,222)	(4,580,458)	(3.3)
Highways and Streets	6,917,858	6,509,890	6.3	1,781,663	(43,951)	(4153.7)
Sanitation	737,027	634,115	16.2	5,113	118,460	(95.7)
Culture and Recreation	896,571	895,480	0.1	(766,202)	(757,265)	1.2
Conservation of Natural Resources	2,346,235	5,666,380	(58.6)	(1,051,176)	1,869,606	(156.2)
Economic Development	73,856	52,742	40.0	(55,176)	(52,232)	5.6
Human Services	3,084,480	3,195,472	(3.5)	(3,076,096)	(3,187,196)	(3.5)
Interest	399,304	358,962	11.2	(399,304)	(358,962)	11.2
Total	<u>\$ 26,295,560</u>	<u>\$ 27,887,153</u>	(5.7)	<u>\$ (12,923,843)</u>	<u>\$ (10,022,146)</u>	29.0

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

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 \$29,983,730. Revenues for the County's governmental funds were \$33,001,893, while total expenditures were \$32,020,256. During 2018, the County also sold capital assets for \$24,807 which is included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$906,187 during 2018. This was primarily due to unspent restricted State Riparian and Aquatic Invasive Species Aid, and taxes collected being more than expected, and expenditures being less than anticipated, not taking into account the Broadband grant expenditures.

The Road and Bridge Fund's fund balance increased by \$195,891 in 2018. This was primarily due to a timing difference in construction costs and construction aid.

The Human Services Fund's fund balance increase of \$629,088 is primarily due to an increase in tax revenue as a result of an increase in tax levy, and expenditures being less than budgeted.

The Ditch Fund's fund balance decreased by \$1,216,634, 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.

Fund	Year Ended		Change	
	December 31, 2018	December 31, 2017	Increase (Decrease)	Percent
Taxes	\$ 9,081,156	\$ 9,044,681	\$ 36,475	0.4 %
Licenses and Permits	75,819	105,328	(29,509)	(28.0)
Intergovernmental	3,182,337	1,595,893	1,586,444	99.4
Charges for Services	347,715	414,958	(67,243)	(16.2)
Investment Earnings	257,743	206,274	51,469	25.0
Miscellaneous and Other	709,161	949,535	(240,374)	(25.3)
Total General Fund Revenues	<u>\$ 13,653,931</u>	<u>\$ 12,316,669</u>	<u>\$ 1,337,262</u>	10.9

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

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, 2018	December 31, 2017	Increase (Decrease)	Percent
General Government	\$ 6,417,285	\$ 4,893,500	\$ 1,523,785	31.1 %
Public Safety	5,262,453	4,829,831	432,622	9.0
Culture and Recreation	859,626	826,808	32,818	4.0
Conservation of Natural Resources	135,698	133,950	1,748	1.3
Economic Development	52,156	46,227	5,929	12.8
Principal	21,736	21,308	428	2.0
Interest and Fiscal Charges	547	975	(428)	(43.9)
Total Expenditures	<u>\$ 12,749,501</u>	<u>\$ 10,752,599</u>	<u>\$ 1,996,902</u>	18.6

For the year ended December 31, 2018, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$1,578,341 more than expected. This is due primarily to taxes collected and intergovernmental payments for a Broadband grant received that was not budgeted.
- The actual expenditures were \$896,219 more than budgeted. This variance is due to payments related to the Broadband grant payments and expenses being less than budgeted.
- The County does not typically amend its budget after it is approved by the County Board; likewise, they have not made any budget amendments during 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2018, the County had invested \$117,893,367 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 \$2,467,628.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2018	2017	
Land and Right-of-Way	\$ 1,190,311	\$ 1,190,311	-
Construction in Progress	549,510	410,173	34.0
Buildings and Improvements	9,344,536	9,125,789	2.4
Machinery, Equipment, and Vehicles	7,413,175	7,008,074	5.8
Infrastructure	99,395,835	93,234,530	6.6
Less: Accumulated Depreciation	<u>(43,553,084)</u>	<u>(41,255,105)</u>	5.6
Total	<u>\$74,340,283</u>	<u>\$ 69,713,772</u>	6.6

**MARTIN COUNTY
FAIRMONT, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding long-term debt of \$15,304,829 versus \$16,162,875 in the previous year for a 5.3 percent decrease as shown in Table A-7.

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

	2018	2017	Percent Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds, Net of Premiums	<u>\$15,304,829</u>	<u>\$16,162,875</u>	(5.3)%

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, Jessica Korte at (507) 238-3272.

BASIC FINANCIAL STATEMENTS

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 29,887,230
Petty Cash and Change Funds	1,087
Taxes Receivable - Delinquent	169,598
Special Assessments Receivable - Delinquent	61,151
Special Assessments Receivable - Unavailable	9,512,354
Accounts Receivable	2,076
Accrued Interest Receivable	70,976
Due from Other Governments	5,379,805
Loans Receivable	279,207
Inventories	1,020,689
Capital Assets - Non Depreciable	
Land and Right of Way	1,190,311
Construction in Progress	549,510
Depreciable Capital Assets - Net of Depreciation	
Buildings and Improvements	3,863,908
Land Improvements	34,569
Machinery, Vehicles, Furniture and Equipment	2,196,481
Infrastructure	66,505,504
Total Assets	\$ 120,724,456

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

	Governmental Activities
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	\$ 2,577,789
Deferred Other Postemployment Benefits Outflows	148,545
	<hr/>
Total Deferred Outflows of Resources	2,726,334
	<hr/>
LIABILITIES	
Accounts Payable	357,839
Salaries Payable	210,301
Contracts Payable	525,257
Due to Other Governments	325,617
Accrued Interest Payable	56,045
Unearned Revenue	125,056
Compensated Absences Payable - Due Within One Year	576,434
General Obligation Bonds Payable - Due Within One Year	1,010,000
Loans Payable - Due Within One Year	11,030
Compensated Absences Payable - Due in More Than One Year	91,297
General Obligation Bonds Payable - Due in More Than One Year	14,294,829
Net Pension Liability	4,987,513
Other Postemployment Benefits Liability	1,658,253
	<hr/>
Total Liabilities	24,229,471
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Inflows	71,270
Deferred Pension Inflows	3,779,520
	<hr/>
Total Deferred Inflows of Resources	3,850,790
	<hr/>
NET POSITION	
Net Investment in Capital Assets	73,103,659
Restricted for	
General Government	543,956
Public Safety	713,717
Debt Service	631,114
Culture and Recreation	476,840
Economic Development	223,819
Highways and Streets	4,579,358
Conservation	1,974,801
Sanitation	1,806,406
Unrestricted	11,316,859
	<hr/>
Total Net Position	\$ 95,370,529
	<hr/> <hr/>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions		
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Government	\$ 6,737,176	\$ 999,808	\$ 737,705	\$ 64,220	\$ (4,935,443)
Public Safety	5,103,053	180,835	494,996	-	(4,427,222)
Highways and Streets	6,917,858	544,830	7,154,691	1,000,000	1,781,663
Sanitation	737,027	742,140	-	-	5,113
Culture and Recreation	896,571	121,313	9,056	-	(766,202)
Conservation of Natural Resources	2,346,235	1,202,163	92,896	-	(1,051,176)
Economic Development	73,856	18,680	-	-	(55,176)
Human Services	3,084,480	-	8,384	-	(3,076,096)
Interest	399,304	-	-	-	(399,304)
Total Governmental Activities	<u>\$ 26,295,560</u>	<u>\$ 3,809,769</u>	<u>\$ 8,497,728</u>	<u>\$ 1,064,220</u>	<u>(12,923,843)</u>
GENERAL REVENUES					
Property Taxes					15,821,285
Mortgage Registry and Deed Tax					15,978
Wind Power Production Tax					331,147
Wheelage Tax					226,432
Grants and Contributions not Restricted for a Particular Purpose					1,455,498
Investment Earnings					396,567
Gain on Sale of Capital Assets					24,807
Total General Revenues					<u>18,271,714</u>
CHANGE IN NET POSITION					
Net Position - Beginning of Year, as restated (Note 1.E)					<u>90,022,658</u>
NET POSITION - END OF YEAR					<u>\$ 95,370,529</u>

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	\$ 11,475,490	\$ 7,919,123	\$ 1,549,501	\$ 3,610,349
Petty Cash and Change Funds	1,037	50	-	-
Taxes Receivable - Delinquent	95,091	27,644	39,557	-
Special Assessments Receivable				
Delinquent	8,252	-	-	2,265
Unavailable	408,166	-	-	9,104,188
Accounts Receivable	2,076	-	-	-
Interest Receivable	70,976	-	-	-
Loans Receivable	-	-	-	-
Due from Other Funds	462	3,960	-	-
Due from Other Governments	250,866	4,616,200	-	492,798
Inventories	-	1,020,689	-	-
Total Assets	\$ 12,312,416	\$ 13,587,666	\$ 1,589,058	\$ 13,209,600
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 255,460	\$ 24,020	\$ -	\$ 65,717
Salaries Payable	169,887	40,414	-	-
Contracts Payable	-	-	-	516,407
Due to Other Funds	3,960	215	-	247
Due to Other Governments	256,922	1,691	3,177	60,647
Unearned Revenue	125,056	-	-	-
Total Liabilities	811,285	66,340	3,177	643,018
DEFERRED INFLOWS OF RESOURCES (NOTE 3.D)				
Unavailable Revenue	\$ 694,942	\$ 4,607,004	\$ 39,557	\$ 9,106,453
Deferred Property Tax Inflows	41,615	10,085	15,823	-
Total Deferred Inflows of Resources	736,557	4,617,089	55,380	9,106,453
FUND BALANCES (NOTE 3.E)				
Nonspendable	\$ -	\$ 1,020,689	\$ -	\$ -
Restricted	2,300,789	-	-	4,780,535
Committed	-	-	1,530,501	-
Assigned	174,785	7,883,548	-	-
Unassigned	8,289,000	-	-	(1,320,406)
Total Fund Balances	10,764,574	8,904,237	1,530,501	3,460,129
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,312,416	\$ 13,587,666	\$ 1,589,058	\$ 13,209,600

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

Nonmajor Funds	Total Governmental Funds
\$ 5,332,767	\$ 29,887,230
-	1,087
7,306	169,598
50,634	61,151
-	9,512,354
-	2,076
-	70,976
279,207	279,207
-	4,422
19,941	5,379,805
-	1,020,689
<u>\$ 5,689,855</u>	<u>\$ 46,388,595</u>

\$ 12,642	\$ 357,839
-	210,301
8,850	525,257
-	4,422
3,180	325,617
-	125,056
<u>24,672</u>	<u>1,548,492</u>

\$ 337,147	\$ 14,785,103
3,747	71,270
<u>340,894</u>	<u>14,856,373</u>

\$ -	\$ 1,020,689
2,724,788	9,806,112
-	1,530,501
2,599,501	10,657,834
-	6,968,594
<u>5,324,289</u>	<u>29,983,730</u>

<u>\$ 5,689,855</u>	<u>\$ 46,388,595</u>
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**MARTIN COUNTY
FAIRMONT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 29,983,730

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. 74,340,283

Deferred outflows of resources resulting from pension obligations and OPEB obligations are not available resources and, therefore, are not reported in governmental funds. 2,726,334

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. 14,785,103

Property Taxes	\$	169,598	
Special Assessments		9,573,505	
Intergovernmental Revenues		4,735,025	
Loans Receivable		279,207	
Interest Receivable		27,768	
		27,768	

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		(15,304,829)	
Loans Payable		(11,030)	
Other Postemployment Benefits Liability		(1,658,253)	
Compensated Absences		(667,731)	
Net Pension Liability		(4,987,513)	
Accrued Interest Payable		(56,045)	(22,685,401)

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,779,520)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 95,370,529

**MARTIN COUNTY
FAIRMONT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	\$ 9,081,156	\$ 2,640,554	\$ 3,621,183	\$ -
Special Assessments	110,522	-	-	1,727,178
Licenses and Permits	75,819	-	-	-
Intergovernmental	3,182,337	8,471,884	92,385	92,896
Charges for Services	347,715	8,775	-	-
Fines and Forfeits	28,665	-	-	-
Investment Earnings	257,743	-	-	124,467
Miscellaneous	569,974	536,055	-	23,121
Total Revenues	13,653,931	11,657,268	3,713,568	1,967,662
EXPENDITURES				
CURRENT				
General Government	6,417,285	-	-	-
Public Safety	5,262,453	-	-	-
Highways and Streets	-	10,979,581	-	-
Sanitation	-	-	-	-
Culture and Recreation	859,626	-	-	-
Conservation of Natural Resources	135,698	-	-	2,185,048
Economic Development	52,156	-	-	-
INTERGOVERNMENTAL				
Human Services	-	-	3,084,480	-
Highways and Streets	-	504,846	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
DEBT SERVICE				
Principal	21,736	-	-	614,000
Interest and Fiscal Charges	547	-	-	385,248
Total Expenditures	12,749,501	11,484,427	3,084,480	3,184,296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	904,430	172,841	629,088	(1,216,634)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	1,757	23,050	-	-
NET CHANGE IN FUND BALANCES	906,187	195,891	629,088	(1,216,634)
Fund Balance - Beginning of Year	9,858,387	8,665,056	901,413	4,676,763
INCREASE (DECREASE) IN INVENTORIES	-	43,290	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 10,764,574</u>	<u>\$ 8,904,237</u>	<u>\$ 1,530,501</u>	<u>\$ 3,460,129</u>

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

Nonmajor Funds	Total Governmental Funds
\$ 1,033,770	\$ 16,376,663
641,383	2,479,083
-	75,819
85,567	11,925,069
760	357,250
-	28,665
-	382,210
247,984	1,377,134
<hr/>	<hr/>
2,009,464	33,001,893
111,094	6,528,379
-	5,262,453
-	10,979,581
737,027	737,027
-	859,626
-	2,320,746
21,700	73,856
-	3,084,480
-	504,846
395,106	395,106
225,000	860,736
27,625	413,420
<hr/>	<hr/>
1,517,552	32,020,256
491,912	981,637
-	24,807
<hr/>	<hr/>
491,912	1,006,444
4,832,377	28,933,996
-	43,290
<hr/>	<hr/>
\$ 5,324,289	\$ 29,983,730

**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, 2018**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,006,444

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 as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related		
Capital Assets Adjustments	\$ 7,094,139	
Current Year Depreciation	(2,467,628)	4,626,511

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

Taxes Receivable	18,149	
Special Assessments Receivable	(563,885)	
Grants Receivable	(869,226)	
Loans Receivable	(2,346)	
Interest Receivable	14,358	(1,402,950)

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.

Principal Repayments		
General Obligation Bonds Payable	839,000	
Loans Payable	21,736	
Amortization of Premium on Bonds	19,046	879,782

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	4,297	
Change in Other Postemployment Benefits Liability, as restated	(537)	
Change in Accrued Compensated Absences	(36,522)	
Change in Net Pension Liability	1,923,187	
Change in Deferred Pension Outflows	(1,163,405)	
Change in Deferred Pension Inflows	(547,333)	
Change in Deferred Other Postemployment Benefits Outflows, as restated	15,108	
Change in Inventories	43,290	238,085

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,347,872

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, 2018**

ASSETS

Cash and Pooled Investments	<u>\$ 401,995</u>
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LIABILITIES

Due to Other Governments	<u>\$ 401,995</u>
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The notes to the financial statements are an integral part of this statement.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018. 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 2018 were \$257,743.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018.

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 as well as bond issuance costs during the current period.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) 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 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. Deferred property tax inflows represent the County's share of tax collections collected prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These amounts arise under both the modified accrual and the full accrual basis of accounting and are reported in both the statement of net position and 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.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the Required Supplementary Information. Beginning net position has been restated to reflect this change.

	Governmental Activities
Net Position, January 1, 2018, as previously reported	\$ 91,197,529
Change in accounting principles	(1,174,871)
Net Position - January 1, 2018 as restated	\$ 90,022,658

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures in Excess of Budget

The following funds had expenditures in excess of budget at the department level for the year ended December 31, 2018:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
Current			
General Government			
Courts	\$ 71,500	\$ 77,241	\$ 5,741
County Administration	765,739	1,832,120	1,066,381
Forfeited Land	8,000	15,859	7,859
Drainage Administrator	183,210	198,442	15,232
Elections	98,000	155,044	57,044
Buildings and Plant	474,863	501,443	26,580
Transit System	-	9,615	9,615
Public Safety			
Sheriff	4,938,142	4,994,376	56,234
Road and Bridge Fund			
Current			
Highways and Streets			
Engineering and Construction	5,307,241	6,322,888	1,015,647
Maintenance	2,544,411	2,626,359	81,948
Equipment and Maintenance Shops	1,588,105	1,593,157	5,052
Miscellaneous	-	21,895	21,895
Intergovernmental			
Highways and Streets	435,000	504,846	69,846
Nonmajor Solid Waste Fund			
Current			
Sanitation			
Solid Waste Management	502,556	737,027	234,471

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of \$3,460,129 as of December 31, 2018; however, 55 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:

120 ditches with positive fund balances	\$ 4,780,535
55 ditches with deficit fund balances	<u>(1,320,406)</u>
Total	<u>\$ 3,460,129</u>

C. Tax Abatements

The County entered into property tax abatement agreements with various developers, under Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statute, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment in the County. The County does not have a minimum threshold for reporting tax abatements.

Trimont Town Center

The County entered into a property tax abatement agreement with Town Center, Inc. on May 20, 2014, for a period of twenty years effective in the years 2016 through 2036. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement property. Contractual stipulations require County payments to not exceed a total amount of \$4,160 per year, or \$83,200 total. The County provided a tax abatement in the form of a tax refund in the amount of \$4,160 for 2018. The developer agrees to secure the construction of the facility, and create at least 2 full-time equivalent jobs on the Property, and to maintain those positions through the period of the agreement.

Zierke Built Manufacturing, Inc

The County entered into a property tax abatement agreement with Zierke Built Manufacturing, Inc on September 1, 2016, for a period of ten years effective in the years 2017 through 2026. The abatement will equal a 100 percent share of ad valorem property taxes received by the County from the tax abatement properties. Contractual stipulations require County payments to not exceed a total amount of \$176,000. The County provided a tax abatement in the form of a tax refund in the amount of \$14,157 for 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Tax Abatements (Continued)

Zierke Built Manufacturing, Inc (Continued)

The developer agrees to renovate an existing building to accommodate the manufacturing of industrial custom fabricated products; to relocate and retain at least 35 employees currently employed by the developer upon completion of the project at an hourly wage, including benefits, of at least \$16 per hour within two years from the benefit date; it will create at least 15 full-time jobs in connection with the development of the Project which will pay hourly wages and benefits of at least \$16 per hour within two years from the benefit date; and it will create an additional fifteen full-time jobs within five years from the benefit date which will pay hourly wages and benefits of at least \$16 per hour.

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, 2018, Martin County's deposits were not exposed to custodial credit risk.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

As of December 31, 2018, the County had the following investments:

Investment Type	Interest Rate Risk		Credit Risk		Concentration Risk
	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	\$ 246,673	Aaa	Moody's	
Federal Home Loan Mtg Corp	4/27/2022	198,462	Aaa	Moody's	
Federal Home Loan Mtg Corp	5/24/2022	248,200	Aaa	Moody's	
Federal Home Loan Mtg Corp	7/29/2022	196,138	Aaa	Moody's	
Total Federal Home Loan Mtg Corp		\$ 889,473			5.2%
U.S. Treasury Bills					
Treasury Bill	4/25/2019	\$ 245,830	Aaa	Moody's	<5%
Treasury Bill	7/18/2019	245,629	Aaa	Moody's	<5%
Total U.S. Treasury Bills		\$ 491,459			
Negotiable Certificates of Deposit					
Israel Discount Bank	1/7/2019	\$ 244,995	NR	NR	<5%
Bank of China	1/15/2019	249,930	NR	NR	<5%
Whitney Bank	1/25/2019	199,904	NR	NR	<5%
T C T Federal Credit Union	2/28/2019	248,002	NR	NR	<5%
Bank Baroda	3/28/2019	115,900	NR	NR	<5%
Simmons Bank	4/17/2019	244,831	NR	NR	<5%
Peoples Bank	5/10/2019	247,194	NR	NR	<5%
Allegiance Bank	5/29/2019	199,678	NR	NR	<5%
Franklin Synergy Bank	5/30/2019	244,620	NR	NR	<5%
Banc of California NA	5/30/2019	244,919	NR	NR	<5%
S & T Bank	6/20/2019	244,679	NR	NR	<5%
Ameris Bank	6/27/2019	244,814	NR	NR	<5%
Barclays Bk Delaware	7/16/2019	199,380	NR	NR	<5%
Merrick Bank	7/22/2019	199,032	NR	NR	<5%
Evansville Teachers Federal Credit Union	7/26/2019	199,918	NR	NR	<5%
Customers Bank CD	8/21/2019	199,374	NR	NR	<5%
Cathay Bank	9/9/2019	199,380	NR	NR	<5%
Morgan Stanley Bank	9/9/2019	199,452	NR	NR	<5%
Wells Fargo Bank	9/16/2019	244,299	NR	NR	<5%
First Bank McComb	9/16/2019	244,214	NR	NR	<5%
Orrstown Bank	9/16/2019	247,237	NR	NR	<5%
BMW Bank of N America	9/26/2019	243,890	NR	NR	<5%
Discover Bank	9/30/2019	149,318	NR	NR	<5%
First National Bank	9/30/2019	199,530	NR	NR	<5%
Pinnacle Bank	10/21/2019	244,135	NR	NR	<5%
TCF National Bank	11/18/2019	244,199	NR	NR	<5%

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Investment Type	Interest Rate Risk		Credit Risk		Concentration Risk
	Maturity Date	Fair Value	Credit Rating	Rating Agency	Over 5 Percent of Portfolio
Sandhills Bank	12/2/2019	244,459	NR	NR	<5%
New York Community Bank	12/17/2019	244,515	NR	NR	<5%
Morgan Stanley Bank	12/23/2019	243,542	NR	NR	<5%
Brookline Bank	12/26/2019	249,465	NR	NR	<5%
Mountainone bank	1/21/2020	244,248	NR	NR	<5%
MUFG Union Bank	1/24/2020	244,363	NR	NR	<5%
Flagstar Bank FSB	1/27/2020	243,449	NR	NR	<5%
Bank of America	2/3/2020	244,189	NR	NR	<5%
World's Foremost Bank	4/15/2020	197,308	NR	NR	<5%
Comenity Bank	6/24/2020	197,656	NR	NR	<5%
First Internet Bank	6/30/2020	244,848	NR	NR	<5%
First Technology Federal Credit Union	7/16/2020	244,976	NR	NR	<5%
Bank Hope	7/28/2020	248,741	NR	NR	<5%
Iberiabank	7/31/2020	244,353	NR	NR	<5%
Comenity Cap Bank	8/10/2020	196,920	NR	NR	<5%
Capital One Bk USA NA	8/12/2020	198,014	NR	NR	<5%
Capital One NA	9/16/2020	197,634	NR	NR	<5%
Webbank	9/28/2020	240,945	NR	NR	<5%
Ally Bank	10/26/2020	242,648	NR	NR	<5%
Third Federal Savings & Loan Association of Cleveland	10/27/2020	240,458	NR	NR	<5%
Goldman Sachs Bk USA	11/4/2020	197,294	NR	NR	<5%
Enerbank	11/23/2020	245,110	NR	NR	<5%
First National Bank of America	12/14/2020	244,792	NR	NR	<5%
PCSB Bank	12/18/2020	244,775	NR	NR	<5%
Wex Bank	12/21/2020	244,993	NR	NR	<5%
Live Oak Banking Co	2/9/2021	244,618	NR	NR	<5%
Hawthorn Bank	8/13/2021	244,071	NR	NR	<5%
Peoples Security Bank	8/31/2021	244,008	NR	NR	<5%
Eaglebank	9/27/2021	243,915	NR	NR	<5%
UBS Bank USA	10/5/2021	244,517	NR	NR	<5%
HSBC Bank USA NA	10/7/2021	237,300	NR	NR	<5%

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

<u>Investment Type</u>	<u>Interest</u>	<u>Fair Value</u>	<u>Credit</u>		<u>Concentration</u>
	<u>Rate Risk</u>		<u>Risk</u>	<u>Rating</u>	<u>Risk</u>
	<u>Maturity Date</u>		<u>Rating</u>	<u>Agency</u>	<u>Over 5 Percent</u>
					<u>of Portfolio</u>
Citibank Natl Assn	10/26/2021	244,777	NR	NR	<5%
Texas Exchange Bank	1/24/2022	236,966	NR	NR	<5%
State Bank of India	2/24/2022	238,828	NR	NR	<5%
BankNewport	2/28/2022	235,820	NR	NR	<5%
Sawyer Savings Bank	4/27/2022	239,162	NR	NR	<5%
Calprivate Bk	5/7/2022	244,689	NR	NR	<5%
Celtic Bank	7/19/2022	192,040	NR	NR	<5%
Synchrony Bank	8/18/2022	193,128	NR	NR	<5%
International Bank Chicago	8/25/2022	191,322	NR	NR	<5%
RCB Bank	10/28/2022	191,342	NR	NR	<5%
Thomaston Savings Bank	12/13/2022	192,028	NR	NR	<5%
JP Morgan Chase Bk	3/29/2023	198,572	NR	NR	<5%
First Bk Highland Pk	9/7/2023	242,503	NR	NR	<5%
Total Negotiable Certificates of Deposit		\$ 15,872,125			
Total Investments		\$ 17,253,057			
Deposits		13,036,168			
Petty Cash & Change Funds		1,087			
Total Cash and Investments		\$ 30,290,312			

NR - Not Rated

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

The County measures and records its 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

At December 31, 2018, the County had the following recurring fair value measurements.

	December 31, 2018	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	\$ 889,473	\$ -	\$ 889,473	\$ -
U.S. Treasury Bills	491,459	-	491,459	-
Negotiable certificates of deposit	15,872,125	-	15,872,125	-
Total debt securities	\$ 17,253,057	\$ -	\$17,253,057	\$ -

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

- U.S. Agencies and U.S. Treasury Bills: 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, 2018, the County minimizes exposure to interest rate risk by investing in negotiable certificates of deposit, and U.S. Government Agencies Securities and U.S. Treasury Bills.

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, 2018, the County's investments were rated Aaa by Moody's.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration Credit Risk

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

Custodial Credit Risk

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, 2018, the County's investments were not exposed to custodial credit risk.

As of December 31, 2018, the County's investments consisted of \$491,459 in U.S. Treasury Bills, \$889,473 in government bonds, and \$15,872,125 in negotiable certificates of deposit.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County are as follows:

	County Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 169,598	\$ -
Special Assessments	9,573,505	8,596,579
Accounts Receivable	2,076	-
Loans Receivable	279,207	279,207
Interest	70,976	-
Due from Other Governments	5,379,805	-
Total	\$ 15,475,167	\$ 8,875,786

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, 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	410,173	6,331,694	6,192,357	549,510
Total Capital Assets, Not Being Depreciated	1,600,484	6,331,694	6,192,357	1,739,821
Capital Assets, Being Depreciated				
Buildings and Improvements	9,058,523	218,747	-	9,277,270
Land Improvements	67,266	-	-	67,266
Machinery, Furniture, and Equipment	5,120,006	516,058	153,968	5,482,096
Infrastructure	93,234,530	6,161,305	-	99,395,835
Vehicles	1,888,068	58,692	15,681	1,931,079
Total Capital Assets, Being Depreciated	109,368,393	6,954,802	169,649	116,153,546
Less Accumulated Depreciation for				
Buildings and Improvements	5,232,998	180,364	-	5,413,362
Land Improvements	29,485	3,212	-	32,697
Machinery, Furniture, and Equipment	3,868,580	244,889	153,968	3,959,501
Infrastructure	31,043,358	1,846,973	-	32,890,331
Vehicles	1,080,684	192,190	15,681	1,257,193
Total Accumulated Depreciation	41,255,105	2,467,628	169,649	43,553,084
Total Capital Assets, Being Depreciated, Net	68,113,288	4,487,174	-	72,600,462
Governmental Activities Capital Assets, Net	\$ 69,713,772	\$ 10,818,868	\$ 6,192,357	\$ 74,340,283

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$	116,475
Public Safety		50,708
Highways and Streets, Including Depreciation of Infrastructure Assets		2,235,371
Culture and Recreation		36,314
Conservation of Natural Resources		<u>28,760</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u><u>2,467,628</u></u>

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2018, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Road and Bridge	\$ 215	Postage
	Ditch	247	Postage
Total Due to General Fund		<u>462</u>	
 Road and Bridge	General	 <u>3,960</u>	 Fuel
Total Due to Road and Bridge Fund		3,960	
Total To/From Other Funds		<u><u>\$ 4,422</u></u>	

The interfund receivables and payables are expected to be repaid within one year of December 31, 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018
General Obligation Bonds					
Drainage Ditch Bonds, 2014A	2035	\$70,000 - \$165,000	2.00 - 4.00	\$ 2,515,000	\$ 1,900,000
Crossover Refunding Bonds, 2014B	2023	\$225,000 - \$255,000	2.00 - 2.20	\$ 1,670,000	\$ 1,220,000
Drainage Ditch Bonds, 2016A	2037	\$315,000 - \$410,000	2.00 - 2.75	\$ 7,270,000	\$ 6,880,000
Drainage Ditch Bonds, 2017A	2038	\$110,000 - \$270,000	2.00 - 3.25	\$ 4,755,000	\$ 4,645,000
MPFA Obligations	2029	\$29,000 - \$33,000	1.00	\$ 628,307	\$ 344,000
				Subtotal	14,989,000
				Plus: Unamortized Premiums	315,829
				Total General Obligation Bonds	15,304,829
Loans Payable	2019	\$11,030	2.00	\$ 201,056	\$ 11,030
				Total Long-Term Debt	<u>\$ 15,315,859</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,031,000	270,864	-	-	1,031,000	270,864
2024-2028	3,859,000	1,072,809	-	-	3,859,000	1,072,809
2029-2033	3,548,000	636,111	-	-	3,548,000	636,111
2034-2038	2,420,000	175,125	-	-	2,420,000	175,125
Total	<u>\$ 14,989,000</u>	<u>\$ 3,447,365</u>	<u>\$ 11,030</u>	<u>\$ 110</u>	<u>\$ 15,000,030</u>	<u>\$ 3,447,475</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation					
Drainage Ditch	2,060,000	-	160,000	1,900,000	160,000
Plus: Premium	46,394	-	2,578	43,816	2,578
Crossover Refunding	1,445,000	-	225,000	1,220,000	235,000
Plus: Premium	19,948	-	3,324	16,624	3,324
Drainage Ditch	7,195,000	-	315,000	6,880,000	320,000
Plus: Premium	149,556	-	7,478	142,078	7,478
Drainage Ditch	4,755,000	-	110,000	4,645,000	265,000
Plus: Premium	118,977	-	5,666	113,311	5,666
MPFA Obligations	373,000	-	29,000	344,000	30,000
Total General Obligations	16,162,875	-	858,046	15,304,829	1,029,046
Loans Payable	32,766	-	21,736	11,030	11,030
Compensated Absences	631,209	665,311	628,789	667,731	576,434
Governmental Activity Long-Term Liabilities	<u>\$ 16,826,850</u>	<u>\$ 665,311</u>	<u>\$ 1,508,571</u>	<u>\$ 15,983,590</u>	<u>\$ 1,616,510</u>

Compensated absences, the other postemployment benefits liability, 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, 2018, for the County's governmental funds were as follows:

	Unearned Revenue	Deferred Inflows of Resources	
		Deferred Property Tax Inflows	Unavailable Revenue
Taxes and special assessments, delinquent and unavailable	\$ -	\$ -	\$ 9,743,103
Highway allotments that do not provide current financial resources	-	-	4,579,360
Loans receivable	-	-	279,207
Taxes prepaid before levied	-	71,270	-
Grants and interest receivable	125,056	-	183,433
Total Governmental Funds	<u>\$ 125,056</u>	<u>\$ 71,270</u>	<u>\$ 14,785,103</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ -	\$ 1,020,689	\$ -	\$ -
Total Nonspendable	-	1,020,689	-	-
Restricted				
Law Library	\$ 64,065	\$ -	\$ -	\$ -
Sheriff's Contingency	5,000	-	-	-
E-911 System	467,442	-	-	-
Recorder's Equipment Purchases	418,478	-	-	-
Debt Service	-	-	-	-
Endowments	1,556	-	-	-
Victim Assistance	33,884	-	-	-
Supervision Fees	11,266	-	-	-
Veteran's Van	7,863	-	-	-
Inmate Commissary	9,637	-	-	-
Conceal & Carry	186,488	-	-	-
Attorney Forfeiture	21,034	-	-	-
DEA Forfeiture Funds	32,516	-	-	-
Aquatic Invasive Species Aid	336,950	-	-	-
Reparian Aid	208,326	-	-	-
Library Capital Improvement	41,699	-	-	-
Library	433,585	-	-	-
Economic Development	-	-	-	-
Solid Waste	-	-	-	-
Ditch Maintenance & Repair	-	-	-	3,511,153
Ditch Projects	-	-	-	1,269,382
Veteran's Memorial Perpetual Care	20,000	-	-	-
Steve Donnelly Award	1,000	-	-	-
Total Restricted	2,300,789	-	-	4,780,535
Committed				
Human Services	\$ -	\$ -	\$ 1,530,501	\$ -
Total Committed	-	-	1,530,501	-
Assigned to				
Building Projects	\$ -	\$ -	\$ -	\$ -
Forfeited Land	134,092	-	-	-
Road & Bridge	-	7,883,548	-	-
Ditch Camera Replacement	40,693	-	-	-
Total Assigned	174,785	7,883,548	-	-
Unassigned	\$ 8,289,000	\$ -	\$ -	\$ (1,320,406)
Total Fund Balances	\$ 10,764,574	\$ 8,904,237	\$ 1,530,501	\$ 3,460,129

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance (Continued)

	Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>
FUND BALANCES		
Nonspendable	\$ -	\$ 1,020,689
Inventories		
	<u>-</u>	<u>1,020,689</u>
Total Nonspendable		
Restricted	\$ -	\$ 64,065
Law Library	-	5,000
Sheriff's Contingency	-	467,442
E-911 System	-	418,478
Recorder's Equipment Purchases	683,590	683,590
Debt Service	-	1,556
Endowments	-	33,884
Victim Assistance	-	11,266
Supervision Fees	-	7,863
Veteran's Van	-	9,637
Inmate Commissary	-	186,488
Conceal & Carry	-	21,034
Attorney Forfeiture	-	32,516
DEA Forfeiture Funds	-	336,950
Aquatic Invasive Species Aid	-	208,326
Reparian Aid	-	41,699
Library Capital Improvement	-	433,585
Library	223,819	223,819
Economic Development	1,817,379	1,817,379
Solid Waste	-	3,511,153
Ditch Maintenance & Repair	-	1,269,382
Ditch Projects	-	20,000
Veteran's Memorial Perpetual Care	-	1,000
Steve Donnelly Award	-	-
	<u>2,724,788</u>	<u>9,806,112</u>
Total Restricted		
Committed	\$ -	\$ 1,530,501
Human Services		
	<u>-</u>	<u>1,530,501</u>
Total Committed		
Assigned to	\$ 2,599,501	\$ 2,599,501
Building Projects	-	134,092
Forfeited Land	-	7,883,548
Road & Bridge	-	40,693
Ditch Camera Replacement	-	-
	<u>2,599,501</u>	<u>10,657,834</u>
Total Assigned		
Unassigned	\$ -	\$ 6,968,594
Total Fund Balances	<u>\$ 5,324,289</u>	<u>\$ 29,983,730</u>

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 OPERATING LEASE

At the end of 2018, the County maintained eleven operating leases for squad cars. In 2018, expenditures under these agreements totaled \$46,984. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	39,422
2020	23,663
2021	7,357
Total	<u>\$ 70,442</u>

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 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. No Martin County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 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 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 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan - 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, 2018, to the pension plans were:

General Employees Retirement Plan	\$ 367,738
Public Employees Police and Fire Plan	163,771
Public Employees Correctional Plan	66,312

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2018, the County reported a liability of \$3,927,693 for its proportionate share of the General Employee Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was .071 percent. It was .072 percent measured as of June 30, 2017. The County recognized pension expense of \$640,517 for its proportionate share of the General Employees Retirement Plan's pension expense. The County also recognized \$20,872 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 \$16 million to the General Employees Retirement Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

County's proportionate share of the net pension liability	\$	3,927,693
State of Minnesota's proportionate share of the net pension liability associated with the County		89,505
Total	\$	4,017,198

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	\$ 106,064	\$ 112,288
Difference between projected and actual investment earnings	-	420,284
Changes in actuarial assumptions	367,775	447,718
Changes in proportion	117,733	105,506
Contributions paid to PERA subsequent to the measurement date	182,503	-
Total	\$ 774,075	\$ 1,085,796

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

4. Pension Costs (Continued)

General Employees Retirement Plan (Continued)

The \$182,503 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, 2019.

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

<u>Year ended December 31</u>	<u>Pension Expense Amount</u>
2019	\$ 106,561
2020	(203,548)
2021	(362,426)
2022	(34,811)

Public Employees Police and Fire Plan

At December 31, 2018, the County reported a liability of \$1,001,943 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, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was .094 percent. It was .094 percent measured as of June 30, 2017. The County recognized pension expense of \$131,148 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 its 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 40,384	\$ 224,145
Difference between projected and actual investment earnings	-	232,872
Changes in actuarial assumptions	1,139,650	1,474,992
Changes in proportion	226,918	-
Contributions paid to PERA subsequent to the measurement date	80,881	-
Total	\$ 1,487,833	\$ 1,932,009

The \$80,881 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, 2019. 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
2019	\$ 888
2020	(41,181)
2021	(113,208)
2022	(340,476)
2023	(31,079)

Public Employees Correctional Plan

At December 31, 2018, the County reported a liability of \$57,877 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, the County's proportion was .35 percent. It was .36 percent measured as of June 30, 2017. The County recognized pension expense of \$(68,735) 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	\$ 3,029	\$ 6,329
Changes in actuarial assumptions	279,298	671,874
Difference between projected and actual investment earnings	-	65,425
Changes in proportion	-	18,087
Contributions paid to PERA subsequent to the measurement date	33,554	-
Total	\$ 315,881	\$ 761,715

The \$33,554 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, 2019. 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
2019	\$ 68,861
2020	(222,250)
2021	(187,795)
2022	(138,204)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$702,930.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018 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. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, 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. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018, which remained consistent with 2017. 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 2018:

General Employees Retirement Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020 from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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	\$ 6,383,006	\$ 3,927,693	\$ 1,900,904
County's proportionate share of the Public Employees Police and Fire Plan net pension liability	2,148,229	1,001,943	54,012
County's proportionate share of the Public Employees Correctional Plan net pension liability (asset)	495,327	57,877	(292,070)

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018 were:

	Employee	Employer
Contribution amount	\$ 4,902	\$ 4,902
Percentage of covered payroll	5%	5%

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN

Plan Description

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.

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 Minn. Stat. 471.61, subd. 2b. 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.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Martin County Board of Commissioners. Pursuant to the provisions of the plan, retirees are required to pay varying amount of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active plan participants	106
	116
Total	116

Total OPEB Liability

The County's total OPEB liability of \$1,658,253 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age, level percentage of pay
Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.50% as of January 1, 2018, grading to 5.00% over six years

The current year discount rate is 3.30%, which is a change from the prior year rate of 4.00%. For the current valuation, the discount rate was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, as restated (Note 1.E.)	\$ 1,657,716
Changes for the year	
Service Cost	\$ 78,851
Interest	55,123
Benefit payments	(133,437)
Net change	\$ 537
Balance at December 31, 2018	\$ 1,658,253

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	1% Decrease (2.3%)	Discount Rate (3.3%)	1% Increase (4.3%)
OPEB Liability	\$ 1,776,559	\$ 1,658,253	\$ 1,548,637

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	1% Decrease (5.5% Decreasing to 4.0%)	Current Trend Rates (6.5%) Decreasing to 5.00%	1% Increase (7.5% Decreasing to 6.0%)
Medical Trend Rate			
OPEB Liability	\$ 1,521,021	\$ 1,658,253	\$ 1,818,488

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$133,974. Related to OPEB, the County had no deferred inflows of resources to report and reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Contributions made subsequent to the measurement date	\$ 148,545

The \$148,545 reported as deferred outflows of resources related to OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The mortality table was updated from RP-2000 White Collar Mortality Table to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for all employees were updated
- No disability rates were reflected.
- The salary increase rate was changed from 4.00 percent to 3.00 percent.
- The percentage of future spouses who are assumed to continue on one of the County's medical plans post-employment was changed from 50 percent if the retiree was eligible for a subsidy and 0 percent if the retiree was not eligible for a subsidy to 10 percent for all.
- The aging factors were updated.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018 and 2019. 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 \$18,371 to \$5,607,576 in the years 2019 to 2022.

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, 2018 was \$6,417,186.

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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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 \$433,502 in 2018. 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

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.

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 2018, Martin County paid \$2,500 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 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

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 2018, 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 \$7,700.

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 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

Jointly Governed Organizations (Continued)

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 2018, the County paid \$7,789 to the Alliance.

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 2018.

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 2018, 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 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018 is \$89,566.

The proportionate shares on the counties may change for the years 2019 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 \$189,160 payable in 12 monthly installments of \$15,763 on the first day of each month.

NOTE 14 CONTRACT COMMITMENTS

The County has active projects as of December 31, 2018. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Ditch Projects	\$ 2,659,920	\$ 1,655,140

NOTE 15 SUBSEQUENT EVENT

On November 19, 2019, Martin County awarded the sale of General Obligation Courthouse Bonds, Series 2019A, in the principal amount of \$1,875,000 to finance the replacement of the copper dome and the roofing on the Martin County Courthouse.

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,789,746	\$ 8,789,746	\$ 9,081,156	\$ 291,410
Special Assessments	112,076	112,076	110,522	(1,554)
Licenses and Permits	58,700	58,700	75,819	17,119
Intergovernmental	1,911,206	1,911,206	3,182,337	1,271,131
Charges for Services	412,750	412,750	347,715	(65,035)
Fines and Forfeits	26,800	26,800	28,665	1,865
Investment Earnings	200,000	200,000	257,743	57,743
Miscellaneous	564,312	564,312	569,974	5,662
Total Revenues	12,075,590	12,075,590	13,653,931	1,578,341
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	249,647	249,647	248,072	1,575
Courts	71,500	71,500	77,241	(5,741)
County Administration	765,739	765,739	1,832,120	(1,066,381)
Forfeited Land	8,000	8,000	15,859	(7,859)
County Coordinator	252,969	252,969	232,708	20,261
County Auditor/Treasurer	732,706	732,706	723,310	9,396
County Assessor	604,226	604,226	581,558	22,668
Drainage Administrator	183,210	183,210	198,442	(15,232)
Elections	98,000	98,000	155,044	(57,044)
Data Processing	361,703	361,703	351,302	10,401
Attorney	524,127	524,127	521,693	2,434
Recorder	367,283	367,283	275,191	92,092
Buildings and Plant	474,863	474,863	501,443	(26,580)
Transit System	-	-	9,615	(9,615)
Planning and Zoning	530,805	530,805	524,779	6,026
Veterans Service Officer	176,072	176,072	168,908	7,164
Total General Government	5,400,850	5,400,850	6,417,285	(1,016,435)
PUBLIC SAFETY				
Sheriff	4,938,142	4,938,142	4,994,376	(56,234)
Coroner	25,000	25,000	24,425	575
Civil Defense	103,319	103,319	73,331	29,988
Victim/Witness	224,130	224,130	170,321	53,809
Total Public Safety	5,290,591	5,290,591	5,262,453	28,138
CULTURE AND RECREATION				
Administration	39,200	39,200	14,908	24,292
Library	742,693	742,693	720,659	22,034
Parks	138,249	138,249	124,059	14,190
Total Culture and Recreation	920,142	920,142	859,626	60,516

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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 145,483	\$ 145,483	\$ 135,698	\$ 9,785
ECONOMIC DEVELOPMENT				
Administration	5,337	5,337	5,214	123
Economic Development	68,596	68,596	46,942	21,654
Total Economic Development	73,933	73,933	52,156	21,777
DEBT SERVICE				
Principal	21,736	21,736	21,736	-
Interest and Fiscal Charges	547	547	547	-
Total Debt Service	22,283	22,283	22,283	-
Total Expenditures	<u>11,853,282</u>	<u>11,853,282</u>	<u>12,749,501</u>	<u>(896,219)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	222,308	222,308	904,430	682,122
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	1,757	1,757
NET CHANGE IN FUND BALANCE	<u>\$ 222,308</u>	<u>\$ 222,308</u>	906,187	<u>\$ 683,879</u>
Fund Balance - Beginning of Year			<u>9,858,387</u>	
FUND BALANCE - END OF YEAR			<u>\$10,764,574</u>	

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, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,622,170	\$ 2,622,170	\$ 2,640,554	\$ 18,384
Intergovernmental	7,445,569	7,445,569	8,471,884	1,026,315
Charges for Services	15,000	15,000	8,775	(6,225)
Miscellaneous	223,590	223,590	536,055	312,465
Total Revenues	<u>10,306,329</u>	<u>10,306,329</u>	11,657,268	1,350,939
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	436,974	436,974	415,282	21,692
Engineering and Construction	5,307,241	5,307,241	6,322,888	(1,015,647)
Maintenance	2,544,411	2,544,411	2,626,359	(81,948)
Equipment and Maintenance Shops	1,588,105	1,588,105	1,593,157	(5,052)
Miscellaneous	-	-	21,895	(21,895)
Total Highways and Streets	<u>9,876,731</u>	<u>9,876,731</u>	<u>10,979,581</u>	<u>(1,102,850)</u>
INTERGOVERNMENTAL				
Highways and Streets	435,000	435,000	504,846	(69,846)
Total Expenditures	<u>10,311,731</u>	<u>10,311,731</u>	<u>11,484,427</u>	<u>(1,172,696)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(5,402)	(5,402)	172,841	178,243
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	20,000	20,000	23,050	3,050
NET CHANGE IN FUND BALANCE				
	<u>\$ 14,598</u>	<u>\$ 14,598</u>	195,891	<u>\$ 181,293</u>
Fund Balance - Beginning of Year			8,665,056	
Increase (Decrease) in Inventories			<u>43,290</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,904,237</u>	

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,635,216	\$ 3,635,216	\$ 3,621,183	\$ (14,033)
Intergovernmental	86,030	86,030	92,385	6,355
Total Revenues	3,721,246	3,721,246	3,713,568	(7,678)
EXPENDITURES				
INTERGOVERNMENTAL				
Human Services	3,621,246	3,621,246	3,084,480	536,766
NET CHANGE IN FUND BALANCE	<u>\$ 100,000</u>	<u>\$ 100,000</u>	629,088	<u>\$ 529,088</u>
Fund Balance - Beginning of Year			<u>901,413</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,530,501</u>	

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
YEAR ENDED DECEMBER 31, 2018**

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 78,851
Interest	55,123
Benefit Payments	<u>(133,437)</u>
Net Change in Total OPEB Liability	\$ 537
Total OPEB Liability - Beginning, as restated	<u>1,657,716</u>
Total OPEB Liability - Ending	<u><u>\$ 1,658,253</u></u>
Covered-Employee Payroll	\$ 6,227,673
County's OPEB Liability as a Percentage of Covered-Employee Payroll	27%

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

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, 2018**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>State's Proportionate Share of the Net Pension Liability Associated With Martin County (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</u>	<u>Covered Payroll (c)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2018	0.071%	\$ 3,927,693	\$ 89,505	\$ 4,017,198	\$ 4,757,883	82.55%	79.53%
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, 2018**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2018	\$ 367,738	\$ 367,738	\$ -	\$ 4,903,167	7.50%
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.

N/A - Not Applicable

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, 2018**

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, 2018	0.094%	\$ 1,001,943	\$ 991,202	101.08%	88.84%
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, 2018**

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, 2018	\$ 163,771	\$ 163,771	-	\$ 1,010,934	16.20%
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, 2018**

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, 2018	0.350%	\$ 57,877	\$ 718,706	8.05%	97.64%
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, 2018**

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, 2018	\$ 66,312	\$ 66,312	\$ -	\$ 757,856	8.75%
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, 2018**

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 2018.

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, 2018:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund			
Current			
General Government			
Courts	\$ 71,500	\$ 77,241	\$ 5,741
County Administration	765,739	1,832,120	1,066,381
Forfeited Land	8,000	15,859	7,859
Drainage Administrator	183,210	198,442	15,232
Elections	98,000	155,044	57,044
Buildings and Plant	474,863	501,443	26,580
Transit System	-	9,615	9,615
Public Safety			
Sheriff	4,938,142	4,994,376	56,234
Road and Bridge Fund			
Current			
Highways and Streets			
Engineering and Construction	5,307,241	6,322,888	1,015,647
Maintenance	2,544,411	2,626,359	81,948
Equipment and Maintenance Shops	1,588,105	1,593,157	5,052
Miscellaneous	-	21,895	21,895
Intergovernmental			
Highways and Streets	435,000	504,846	69,846

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

III. Other Postemployment Benefits Funded Status

In 2018, Martin County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 6 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

IV. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate used changed from 4.00 percent to 3.30 percent.
- The mortality table was updated from RP-2000 White Collar Mortality Table to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The mortality, retirement, and withdrawal rates for all employees were updated.
- No disability rates were reflected.
- The salary increase rate was changed from 4.00 percent to 3.00 percent.
- The percentage of future spouses who are assumed to continue on one of the County's medical plans post-employment was changed from 50 percent if the retiree was eligible for a subsidy and 0 percent if the retiree was not eligible for a subsidy to 10 percent for all.
- The aging factors were updated.

V. 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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 per year thereafter, to 1.25 percent per year.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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

General Employees Retirement Plan (Continued)

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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

Public Employees Police and Fire Plan (Continued)

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.
- 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.

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

V. 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 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.

Public Employees Correctional Plan

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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).

**MARTIN COUNTY
FAIRMONT, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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

Public Employees Correctional Plan (Continued)

2017 (Continued)

- 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 percent 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, 2018**

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, 2018**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid Waste	Area Development		Building
ASSETS				
Cash and Pooled Investments	\$ 1,814,053	\$ 223,819	\$ 2,037,872	\$ 2,609,730
Taxes Receivable - Delinquent	-	-	-	3,737
Special Assessments Receivable				
Delinquent	50,634	-	50,634	-
Loans Receivable	-	279,207	279,207	-
Due from Other Governments	4,178	-	4,178	15,763
Total Assets	<u>\$ 1,868,865</u>	<u>\$ 503,026</u>	<u>\$ 2,371,891</u>	<u>\$ 2,629,230</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 361	\$ -	\$ 361	\$ 12,281
Contracts Payable	-	-	-	8,850
Due to Other Governments	491	-	491	2,689
Total Liabilities	852	-	852	23,820
DEFERRED INFLOWS OF RESOURCES (NOTE 3.D)				
Unavailable Revenue	50,634	279,207	329,841	3,737
Deferred Property Tax Inflows	-	-	-	2,172
Total Deferred Inflows of Resources	<u>50,634</u>	<u>279,207</u>	<u>329,841</u>	<u>5,909</u>
FUND BALANCES (NOTE 3.E)				
Restricted	1,817,379	223,819	2,041,198	-
Assigned	-	-	-	2,599,501
Total Fund Balances	<u>1,817,379</u>	<u>223,819</u>	<u>2,041,198</u>	<u>2,599,501</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,868,865</u>	<u>\$ 503,026</u>	<u>\$ 2,371,891</u>	<u>\$ 2,629,230</u>

Debt Service Fund Debt Service	Total Nonmajor Funds
\$ 685,165	\$ 5,332,767
3,569	7,306
-	50,634
-	279,207
-	19,941
<u>\$ 688,734</u>	<u>\$ 5,689,855</u>

\$ -	\$ 12,642
-	8,850
-	3,180
-	24,672

3,569	337,147
1,575	3,747
<u>5,144</u>	<u>340,894</u>

683,590	2,724,788
-	2,599,501
<u>683,590</u>	<u>5,324,289</u>

<u>\$ 688,734</u>	<u>\$ 5,689,855</u>
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**MARTIN COUNTY
FAIRMONT, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

	Special Revenue Funds		Total Special Revenue Funds	Capital Projects Fund
	Solid	Area		Building
	Waste	Development		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 688,425
Special Assessments	641,383	-	641,383	-
Intergovernmental	67,729	-	67,729	9,707
Charges for Services	760	-	760	-
Miscellaneous	38,128	20,696	58,824	189,160
Total Revenues	748,000	20,696	768,696	887,292
EXPENDITURES				
CURRENT				
General Government	-	-	-	111,094
Sanitation	737,027	-	737,027	-
Economic Development	-	21,700	21,700	-
CAPITAL OUTLAY				
General Government	-	-	-	395,106
DEBT SERVICE				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	737,027	21,700	758,727	506,200
NET CHANGE IN FUND BALANCES	10,973	(1,004)	9,969	381,092
Fund Balance - Beginning of Year	1,806,406	224,823	2,031,229	2,218,409
FUND BALANCE - END OF YEAR	\$ 1,817,379	\$ 223,819	\$ 2,041,198	\$ 2,599,501

<u>Debt Service Fund</u> <u>Debt</u> <u>Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Funds</u>
\$ 345,345	\$ 1,033,770
-	641,383
8,131	85,567
-	760
-	247,984
353,476	2,009,464
-	111,094
-	737,027
-	21,700
-	395,106
225,000	225,000
27,625	27,625
252,625	1,517,552
100,851	491,912
582,739	4,832,377
\$ 683,590	\$ 5,324,289

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE NONMAJOR SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 648,233	\$ 648,233	\$ 641,383	\$ (6,850)
Intergovernmental	69,692	69,692	67,729	(1,963)
Charges for Services	500	500	760	260
Miscellaneous	20,000	20,000	38,128	18,128
Total Revenues	738,425	738,425	748,000	9,575
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste Management	502,556	502,556	737,027	(234,471)
NET CHANGE IN FUND BALANCE	<u>\$ 235,869</u>	<u>\$ 235,869</u>	10,973	<u>\$ (224,896)</u>
Fund Balance - Beginning of Year			<u>1,806,406</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,817,379</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
BUILDING NONMAJOR CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 725,293	\$ 725,293	\$ 688,425	\$ (36,868)
Intergovernmental	9,707	9,707	9,707	-
Miscellaneous	189,160	189,160	189,160	-
	<u>924,160</u>	<u>924,160</u>	<u>887,292</u>	<u>(36,868)</u>
Total Revenues	924,160	924,160	887,292	(36,868)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Building Operations	344,129	344,129	111,094	233,035
CAPITAL OUTLAY				
General Government	<u>1,335,000</u>	<u>1,335,000</u>	<u>395,106</u>	<u>939,894</u>
	<u>1,679,129</u>	<u>1,679,129</u>	<u>506,200</u>	<u>1,172,929</u>
Total Expenditures	1,679,129	1,679,129	506,200	1,172,929
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (754,969)</u>	<u>(754,969)</u>	381,092	<u>\$ (1,136,061)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	750,000	750,000	0	(750,000)
NET CHANGE IN FUND BALANCE	<u>\$ (4,969)</u>	<u>\$ (4,969)</u>	381,092	<u>\$ (386,061)</u>
Fund Balance - Beginning of Year			<u>2,218,409</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,599,501</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 347,066	\$ 347,066	\$ 345,345	\$ (1,721)
Intergovernmental	8,131	8,131	8,131	-
Total Revenues	355,197	355,197	353,476	(1,721)
EXPENDITURES				
DEBT SERVICE				
Principal	306,633	306,633	225,000	81,633
Interest and Fiscal Charges	48,564	48,564	27,625	20,939
Total Expenditures	355,197	355,197	252,625	102,572
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	100,851	<u>100,851</u>
Fund Balance - Beginning of Year			<u>582,739</u>	
FUND BALANCE - END OF YEAR			<u>\$ 683,590</u>	

**MARTIN COUNTY
FAIRMONT, MINNESOTA
AGENCY FUNDS**

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

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

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

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

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

**MARTIN COUNTY
FAIRMONT, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE AGENCY</u>				
ASSETS				
Cash and Pooled Investments	\$ 5,203	\$ 385,906	\$ 381,523	\$ 9,586
LIABILITIES				
Due to Other Governments	\$ 5,203	\$ 385,906	\$ 381,523	\$ 9,586
<u>MORTGAGE REGISTRY TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 9,242	\$ 284,479	\$ 279,884	\$ 13,837
LIABILITIES				
Due to Other Governments	\$ 9,242	\$ 284,479	\$ 279,884	\$ 13,837
<u>DEED TAX</u>				
ASSETS				
Cash and Pooled Investments	\$ 37,479	\$ 381,634	\$ 395,016	\$ 24,097
LIABILITIES				
Due to Other Governments	\$ 37,479	\$ 381,634	\$ 395,016	\$ 24,097
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 597,858	\$ 40,794,925	\$ 41,038,308	\$ 354,475
LIABILITIES				
Due to Other Governments	\$ 597,858	\$ 40,794,925	\$ 41,038,308	\$ 354,475
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 649,782	\$ 41,846,944	\$ 42,094,731	\$ 401,995
LIABILITIES				
Due to Other Governments	\$ 649,782	\$ 41,846,944	\$ 42,094,731	\$ 401,995

OTHER SUPPLEMENTARY INFORMATION

**MARTIN COUNTY
FAIRMONT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2018**

	<u>Total All Funds</u>
APPROPRIATIONS AND SHARED REVENUE	
STATE	
Highway Users Tax	\$ 7,394,060
County Program Aid	790,159
Aquatic Invasive Species Aid	94,431
Riparian Aid	172,714
Market Value Credit	330,529
Disparity Reduction Aid	35,698
PERA Rate Increase Aid	36,967
State Police Aid	106,576
Enhanced 911	95,164
SCORE	67,729
Out of Home Placement Aid	6,355
Total Appropriations and Shared Revenue	<u>9,130,382</u>
STATE GRANTS	
MINNESOTA DEPARTMENT OF	
Corrections	90,201
Employment and Economic Development	1,174,901
Natural Resources	41,279
Transportation	1,000,000
Veteran's Affairs	10,000
Pollution Control Agency	57,039
Public Safety	83,490
Water and Soil Resources	150,938
Secretary of State	64,220
Total State Grants	<u>2,672,068</u>
FEDERAL GRANTS	
FEDERAL DEPARTMENT OF	
Justice	80,399
Environmental Protection Agency	6,998
Homeland Security	27,960
Institute of Museum & Library Services	7,262
Total Federal Grants	<u>122,619</u>
Total State and Federal Grants	<u>2,794,687</u>
Total Intergovernmental Revenues	<u><u>\$11,925,069</u></u>