

**NOBLES COUNTY
WORTHINGTON, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2014

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
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DECEMBER 31, 2014**

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INTRODUCTORY SECTION

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 ORGANIZATION
 DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
1st District	Marvin Zylstra*	January 2016
2nd District	Gene Metz	January 2018
3rd District	Matt Widboom**	January 2016
4th District	Robert Demuth	January 2016
5th District	Donald Linssen	January 2018
Officers		
Elected		
Attorney	Kathleen Kusz	January 2018
Auditor-Treasurer	Beth Van Hove	January 2018
Recorder	Lynn Wilson	January 2018
Sheriff	Kent Wilkening	January 2018
Appointed		
County Administrator	Tom Johnson	Indefinite
Assessor	Vacant	Indefinite
Highway Engineer	Stephen Schnieder	Indefinite

* = Chair 2014

** = Vice-Chair 2014

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Nobles County
Worthington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nobles County, Minnesota (the County), as of and for the year ended December 31, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Rock-Nobles Community Corrections, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rock-Nobles Community Corrections is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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.



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Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nobles County, as of December 31, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

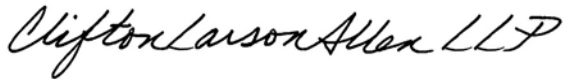
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress – Other Postemployment Health Care Benefits, as listed in the table of contents, be presented to supplement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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nobles County's basic financial statements. The supplementary information consisting of Combining and Individual Nonmajor Fund Financial Statements, the Combining Statement of Changes in Assets and Liabilities – All Agency Funds, and the Schedule of Intergovernmental Revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015, on our consideration of Nobles County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Our report does not include the results of the audit of Rock-Nobles Community Corrections Agency which was audited by other auditors.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

This section of the Nobles County's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2014. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2014, and the prior year, 2013, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net position (excluding Rock-Nobles Community Corrections component unit) increased \$5,480,934 (6.3 percent) in 2014 over the prior year. This is primarily due to the County's receipt of highways and streets funding in excess of expenses during 2014 and increased wind energy tax.
- Overall governmental fund-level revenues totaled \$31,923,704 and were \$158,033 less than expenditures in 2014.
- The General Fund's fund balance decreased \$368,558 from the prior year with revenues under budget by \$285,745 and expenditures under budget by \$314,685.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

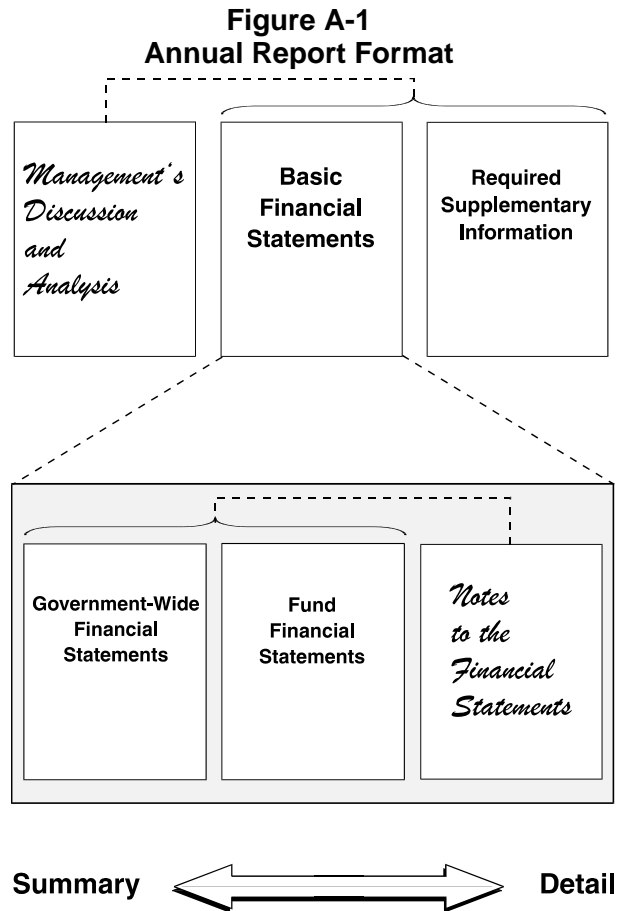
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
 - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
 Major Features of the County's Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balances.	Agency funds do not provide an operating statement.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year for trust funds, regardless of when cash is received or paid. Agency funds do not report revenues and expenditures.

County-Wide Statements

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

County-Wide Statements (Continued)

The two County-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets and liabilities and deferred inflows of resources – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

The County-wide financial statements have been divided into two kinds of activities:

- *Governmental Activities* – The County's basic services are included here. Property taxes and state aid finance most of these activities.
- *Component Unit* – The County includes one legally separate entity in its report, the Rock-Nobles Community Corrections. Although legally separate, the "component unit" is important because the County is financially accountable for it. In addition, the component unit has separately issued financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has two kinds of funds:

- *Governmental Funds* – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds* – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$92,782,669 on December 31, 2014 (see Table A-1).

Table A-1
 The County's Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 24,956,141	\$ 26,115,027
Capital Assets	81,567,952	77,464,423
Total Assets	<u>106,524,093</u>	<u>103,579,450</u>
Current Liabilities	3,735,781	6,014,952
Long-Term Liabilities	9,119,457	10,262,763
Total Liabilities	<u>12,855,238</u>	<u>16,277,715</u>
Deferred Inflows of Resources	886,186	-
Net Position		
Net Investment in Capital Assets	72,534,990	67,402,148
Restricted	6,669,816	7,246,556
Unrestricted	13,577,863	12,653,031
Total Net Position	<u>\$ 92,782,669</u>	<u>\$ 87,301,735</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION

The County-wide total revenues were \$31,897,904 for the year ended December 31, 2014 (an increase of \$5,391,836). This increase is primarily attributable to an increase in intergovernmental revenues (specifically capital grants and contributions) and wind energy taxes. Property taxes and operating and capital grants and contributions accounted for 78 percent of total revenue for the year (see Table A-2).

Table A-2

Change in Net Position

	Governmental		Total % Change
	Activities		
	2014	2013	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,089,466	\$ 3,030,147	2.0 %
Operating Grants and Contributions	5,958,678	5,410,604	10.1
Capital Grants and Contributions	7,578,591	3,682,085	105.8
<u>General Revenues</u>			
Property Taxes	11,294,583	11,249,709	0.4
Other	3,976,586	3,133,523	26.9
Total Revenues	<u>31,897,904</u>	<u>26,506,068</u>	20.3
EXPENSES			
General Government	6,856,962	6,214,581	10.3
Public Safety	4,024,839	4,226,149	(4.8)
Highways and Streets	6,909,323	7,440,736	(7.1)
Sanitation	711,924	509,246	39.8
Human Services	5,469,511	5,674,671	(3.6)
Health	822,921	731,600	12.5
Culture and Recreation	841,547	702,029	19.9
Conservation of Natural Resources	409,218	419,289	(2.4)
Economic Development	66,745	567,247	(88.2)
Interest	303,980	589,596	(48.4)
Total Expenses	<u>26,416,970</u>	<u>27,075,144</u>	(2.4)
CHANGE IN NET POSITION	5,480,934	(569,076)	(1063.1)
Net Position - Beginning of Year	<u>87,301,735</u>	<u>87,870,811</u>	(0.6)
NET POSITION - END OF YEAR	<u>\$ 92,782,669</u>	<u>\$ 87,301,735</u>	6.3

Total revenues surpassed expenses, increasing net position \$5,480,934 over last year.

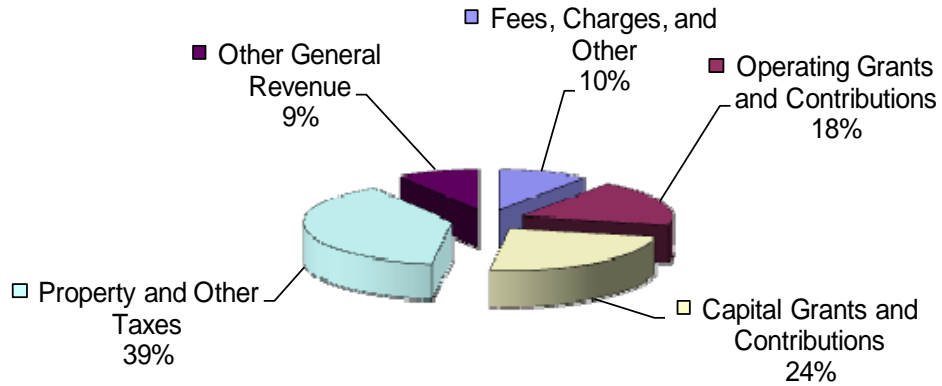
**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION (CONTINUED)

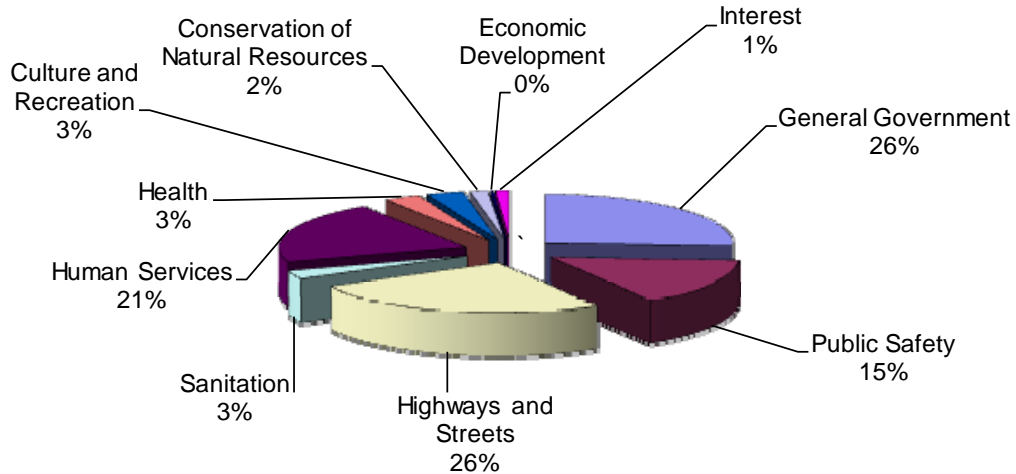
The County-wide cost of all governmental activities this year was \$26,416,970.

- Some of the cost was paid by the users of the County's programs (\$3,089,466).
- The federal and state governments subsidized certain programs with grants and contributions (\$13,537,269).
- The remainder of the County's governmental activities costs (\$9,790,235) was paid for by taxpayers. This portion of governmental activities was paid from the combination of \$12,460,613 in property and other taxes, \$770,504 of state aid, and \$47,337 in investment earnings and other general revenues.

Governmental Activities Revenues by Source 2014



Governmental Activities Expenses by Type 2014



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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION (CONTINUED)

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

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

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2014	2013		2014	2013	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,856,962	\$ 6,214,581	10.3 %	\$ 5,967,802	\$ 5,188,967	15.0 %
Public Safety	4,024,839	4,226,149	(4.8)	3,259,369	3,431,112	(5.0)
Highways and Streets	6,909,323	7,440,736	(7.1)	(3,295,293)	1,439,445	(328.9)
Sanitation	711,924	509,246	39.8	(27,511)	(85,609)	(67.9)
Human Services	5,469,511	5,674,671	(3.6)	2,539,534	2,753,065	(7.8)
Health	822,921	731,600	12.5	152,070	240,780	(36.8)
Culture and Recreation	841,547	702,029	19.9	740,349	615,315	20.3
Conservation of Natural Resources	409,218	419,289	(2.4)	83,190	212,390	(60.8)
Economic Development	66,745	567,247	(88.2)	66,745	567,247	(88.2)
Interest	303,980	589,596	(48.4)	303,980	589,596	(48.4)
Total	<u>\$ 26,416,970</u>	<u>\$ 27,075,144</u>	(2.4)	<u>\$ 9,790,235</u>	<u>\$ 14,952,308</u>	(34.5)

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 \$19,898,116. Revenues for the County's governmental funds were \$31,923,704, while total expenditures were \$32,081,737.

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund's fund balance decreased by \$368,558 during 2014 with revenues under budget by \$285,745 and expenditures under budget by \$314,685.

The Public Works Fund has a total fund balance of \$3,472,343. Of this total fund balance, 26 percent is set aside for resource conservation and development and county road improvements.

The Family Services Fund revenues were under budget during 2014 by \$193,059 and expenditures were under budget during 2014 by \$721,655 resulting in a fund balance increase of \$541,549 during 2014.

The Justice Center Debt Service Fund increased its fund balance by \$149,286 from 2013, which is primarily due to the premium received on the refunding bonds issued during the year.

The Building Fund increased its fund balance by \$69,349 over 2013, which is due to less capital project activity than budgeted during 2014.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

Table A-4
 General Fund Revenues

Fund	Year Ended		Change	Percent
	2014	2013	(Decrease)	
Taxes	\$ 5,793,785	\$ 5,620,796	\$ 172,989	3.1 %
Intergovernmental	821,282	799,472	21,810	2.7
Charges for Services	1,128,236	1,092,436	35,800	3.3
Gifts and Contributions	1,369	7,755	(6,386)	(82.3)
Interest	21,972	31,283	(9,311)	(29.8)
Miscellaneous and Other	1,290,151	906,076	384,075	42.4
Total General Fund Revenues	<u>\$ 9,056,795</u>	<u>\$ 8,457,818</u>	<u>\$ 598,977</u>	7.1

Total General Fund revenues increased by \$598,977, or 7.1 percent, from the previous year due primarily to increases in tax revenues and reimbursement for expenditures related to flood damage at the regional rail authority reported as miscellaneous revenues.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
 General Fund Expenditures

	Year Ended		Change	Percent
	December 31, 2014	December 31, 2013	Increase (Decrease)	
General Government	\$ 5,208,124	\$ 4,210,684	\$ 997,440	23.7 %
Public Safety	3,625,910	3,911,525	(285,615)	(7.3)
Conservation	105,031	109,640	(4,609)	(4.2)
Economic Development	66,745	567,247	(500,502)	(88.2)
Intergovernmental	154,572	114,394	40,178	35.1
Capital Outlay	263,098	225,348	37,750	16.8
Total Expenditures	<u>\$ 9,423,480</u>	<u>\$ 9,138,838</u>	<u>\$ 284,642</u>	3.1

Total General Fund expenditures increased by \$284,642 or 3.1 percent, from the previous year due primarily to expenditures related to the repair of flood damage for the regional rail authority during 2014 offset by an economic development loan issued during 2013.

General Fund Budgetary Highlights

The County made budget adjustments during 2014. Historically, the County tries to minimize the amount of changes.

- General Fund actual revenues were slightly less than expected (\$285,745).
- Actual expenditures were \$314,685 less than expected.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County did not have any construction projects in 2014 other than a number of road projects.

During 2014, the County issued \$5,695,000 of Series 2014A General Obligation Refunding Bonds to fully refund the 2004A and 2005A bonds.

An annual levy is made to fund the bond payments for all previous bond issues.

CAPITAL ASSETS

By the end of 2014, the County had invested just over \$124,000,000 in a broad range of capital assets including land, buildings, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 2A3 to the financial statements). Total depreciation expense for the year was \$3,088,703.

Table A-6
 The County's Capital Assets

	Governmental Activities		Percent Change
	2014	2013	
Land	\$ 1,346,300	\$ 1,335,574	0.8 %
Construction-in-Progress	2,043,091	718,341	184.4
Land Improvements	1,853,563	1,853,563	-
Buildings	23,335,852	23,335,852	-
Machinery and Equipment	7,876,914	7,465,753	5.5
Infrastructure	87,557,720	82,171,776	6.6
Less: Accumulated Depreciation	(42,445,488)	(39,416,436)	7.7
Total	<u>\$81,567,952</u>	<u>\$77,464,423</u>	5.3

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2014**

LONG-TERM LIABILITIES

At year-end, the County had \$10,522,232 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$963,624, due primarily to the continued payment of outstanding bonds.

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

	2014	2013	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Discounts	\$ 9,006,246	\$10,062,275	(10.5)%
Loans Payable	369,817	282,568	30.9
Capital Lease Payable	26,716	-	100.0
Compensated Absences Payable	1,071,440	1,107,373	(3.2)
Other Postemployment Benefits	48,013	33,640	42.7
Total	<u>\$10,522,232</u>	<u>\$11,485,856</u>	(8.4)

FACTORS BEARING ON THE COUNTY'S FUTURE

The County is dependent on the State of Minnesota for a significant portion of its revenue and for the costs of mandated services.

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 Jerry Vyskocil, Finance Director, P.O. Box 757, Worthington, Minnesota 56187.

BASIC FINANCIAL STATEMENTS

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government	Component Unit
	Governmental Activities	Rock-Nobles Community Corrections
ASSETS		
Cash and Investments	\$ 21,062,965	\$ 238,264
Taxes Receivable - Delinquent	97,759	-
Special Assessments Receivable	130,780	-
Accounts Receivable - Net	633,475	4,468
Loans Receivable	940,520	-
Accrued Interest Receivable	7,499	-
Due from Other Governments	1,504,045	32,102
Inventory	457,750	-
Prepaid Items	121,348	5,658
Non-Depreciable Capital Assets		
Land	1,346,300	-
Construction-in-Progress	2,043,091	-
Depreciable Capital Assets - Net of Accumulated Depreciation		
Building	12,185,074	-
Improvements Other than Buildings	979,319	-
Machinery, Vehicles, Furniture, and Equipment	2,334,810	22,217
Infrastructure	62,679,358	-
Total Assets	106,524,093	302,709
LIABILITIES		
Accounts Payable	441,873	4,771
Salaries Payable	258,690	30,311
Contracts Payable	1,184,808	-
Accrued Interest Payable	84,702	-
Due to Other Governments	208,658	-
Unearned Revenue	154,275	-
Compensated Absences Payable - Due Within One Year	95,407	5,937
General Obligation Refunding Bonds Payable - Due Within One Year	940,000	-
Revenue Lease Refunding Bonds Payable - Due Within One Year	350,000	-
ISTS Loans Payable - Due Within One Year	10,689	-
Capital Lease Payable - Due Within One Year	6,679	-
Compensated Absences Payable - Due in More Than One Year	976,033	40,610
Other Postemployment Benefits Payable - Due in More Than One Year	48,013	447
General Obligation Refunding Bonds Payable - Due in More Than One Year	4,755,000	-
Revenue Lease Refunding Bonds Payable - Due in More Than One Year	2,961,246	-
ISTS Loans Payable - Due in More Than One Year	359,128	-
Capital Lease Payable - Due in More Than One Year	20,037	-
Total Liabilities	12,855,238	82,076
DEFERRED INFLOWS OF RESOURCES		
Advanced Allotments	886,186	-
NET POSITION		
Net Investment in Capital Assets	72,534,990	22,217
Restricted For:		
General Government	1,654,157	-
Highways and Streets	424,007	-
Public Safety	367,698	-
Conservation	1,557,679	-
Economic Development	7,457	-
Debt Service	2,658,818	-
Unrestricted	13,577,863	198,416
Total Net Position	\$ 92,782,669	\$ 220,633

See accompanying Notes to the Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2014**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 6,856,962	\$ 804,979	\$ 84,181	\$ -
Public Safety	4,024,839	513,508	251,962	-
Highways and Streets	6,909,323	797,936	1,845,645	7,561,035
Sanitation	711,924	651,179	88,256	-
Human Services	5,469,511	31,573	2,898,404	-
Health	822,921	84,773	586,078	-
Culture and Recreation	841,547	59,366	41,832	-
Conservation of Natural Resources	409,218	146,152	162,320	17,556
Economic Development	66,745	-	-	-
Interest	303,980	-	-	-
Total Primary Government	\$ 26,416,970	\$ 3,089,466	\$ 5,958,678	\$ 7,578,591
COMPONENT UNIT				
Rock-Nobles Community Corrections	\$ 745,466	\$ 47,833	\$ 676,331	\$ -

GENERAL REVENUES

Property Taxes
Mortgage Registry and Deed Tax
Wheelage Tax
Wind Energy Tax
Payments in Lieu of Tax
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

Net (Expense) Revenue and Changes in Net Position

Primary Government	Discretely Presented Component Unit
Governmental Activities	Rock-Nobles Community Corrections
\$ (5,967,802)	\$ -
(3,259,369)	-
3,295,293	-
27,511	-
(2,539,534)	-
(152,070)	-
(740,349)	-
(83,190)	-
(66,745)	-
(303,980)	-
(9,790,235)	-
-	(21,302)
11,294,583	-
14,333	-
205,394	-
832,980	-
113,323	-
770,504	-
47,337	342
1,989,185	4,176
3,530	-
15,271,169	4,518
5,480,934	(16,784)
87,301,735	237,417
\$ 92,782,669	\$ 220,633

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

ASSETS	General	Public Works	Family Services
Cash and Pooled Investments	\$ 7,834,761	\$ 5,168,697	\$ 2,266,832
Undistributed Cash in Agency Funds	64,535	13,736	30,744
Petty Cash and Change Funds	2,175	150	-
Taxes Receivable - Delinquent	47,781	8,811	24,287
Special Assessments Receivable			
Delinquent	-	8,033	-
Noncurrent	-	-	-
Accounts Receivable	502,158	38,978	92,339
Loans Receivable	516,513	424,007	-
Accrued Interest Receivable	7,499	-	-
Due from Other Funds	61,123	9,089	-
Due from Other Governments	235,231	717,537	545,422
Inventories	-	457,750	-
Prepaid Items	118,638	2,461	-
Total Assets	<u>\$ 9,390,414</u>	<u>\$ 6,849,249</u>	<u>\$ 2,959,624</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 170,112	\$ 125,108	\$ 137,849
Salaries Payable	121,368	48,573	78,938
Contracts Payable	-	1,184,808	-
Due to Other Funds	8,897	-	61,315
Due to Other Governments	120,627	17,911	49,329
Unearned Revenue	-	-	154,275
Total Liabilities	421,004	1,376,400	481,706
DEFERRED INFLOWS OF RESOURCES			
Advanced Allotments	-	886,186	-
Unavailable Revenue - Tax Related	40,075	6,155	20,159
Unavailable Revenue - Special Assessment Related	-	8,033	-
Unavailable Revenue - Grant Related	22,285	-	303
Unavailable Revenue - Loans Receivable Related	516,513	424,007	-
Unavailable Revenue - State Aid Allotment Related	-	676,125	-
Unavailable Revenue - Charges for Services Related	72,006	-	-
Total Deferred Inflows of Resources	650,879	2,000,506	20,462

See accompanying Notes to Financial Statements.

Building	Justice Center Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 1,863,787	\$ 2,866,828	\$ 930,058	\$ 20,930,963
1	13,988	6,593	129,597
-	-	80	2,405
4	11,990	4,886	97,759
-	-	294	8,327
-	-	122,453	122,453
-	-	-	633,475
-	-	-	940,520
-	-	-	7,499
-	-	-	70,212
1,500	-	4,355	1,504,045
-	-	-	457,750
-	-	249	121,348
<u>\$ 1,865,292</u>	<u>\$ 2,892,806</u>	<u>\$ 1,068,968</u>	<u>\$ 25,026,353</u>

\$ 6,732	\$ -	\$ 2,072	\$ 441,873
-	-	9,811	258,690
-	-	-	1,184,808
-	-	-	70,212
-	-	20,791	208,658
-	-	-	154,275
6,732	-	32,674	2,318,516
-	-	-	886,186
4	11,018	4,105	81,516
-	-	122,747	130,780
-	-	-	22,588
-	-	-	940,520
-	-	-	676,125
-	-	-	72,006
4	11,018	126,852	2,809,721

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2014**

	<u>General</u>	<u>Public Works</u>	<u>Family Services</u>
FUND BALANCES			
Nonspendable			
Inventories	\$ -	\$ 457,750	\$ -
Prepaid Items	118,638	2,461	-
Restricted			
Missing Heirs	1,000	-	-
Law Library	44,339	-	-
Recorder's Compliance Fund	307,947	-	-
Recorder's Technology Fund	186,906	-	-
Attorney Forfeiture	63,160	-	-
Sheriff's Contingency	14,604	-	-
Handgun Permit	57,297	-	-
Future Revolving Loans	534,292	-	-
E-911	295,797	-	-
Debt Service	-	-	-
Resource Conservation and Development	-	906,500	-
Donations	-	-	-
Ditch	-	-	-
Assigned			
Capital Equipment	1,124,479	-	27,947
Out-of-Home Placements	-	-	1,051,814
Future Revolving Loans	118,542	-	-
Public Works	-	2,105,632	-
Family Services	-	-	1,377,695
Property Forfeiture	-	-	-
Library	-	-	-
Debt Service	-	-	-
Unassigned	5,451,530	-	-
Total Fund Balances	<u>8,318,531</u>	<u>3,472,343</u>	<u>2,457,456</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,390,414</u>	<u>\$ 6,849,249</u>	<u>\$ 2,959,624</u>

See accompanying Notes to Financial Statements.

Building	Justice Center Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 457,750
-	-	249	121,348
-	-	-	1,000
-	-	-	44,339
-	-	-	307,947
-	-	-	186,906
-	-	-	63,160
-	-	-	14,604
-	-	-	57,297
-	-	-	534,292
-	-	-	295,797
-	2,881,788	-	2,881,788
-	-	-	906,500
-	-	7,457	7,457
-	-	528,432	528,432
-	-	6,000	1,158,426
-	-	-	1,051,814
-	-	-	118,542
-	-	-	2,105,632
-	-	-	1,377,695
-	-	104,477	104,477
-	-	262,827	262,827
1,858,556	-	-	1,858,556
-	-	-	5,451,530
<u>1,858,556</u>	<u>2,881,788</u>	<u>909,442</u>	<u>19,898,116</u>
<u>\$ 1,865,292</u>	<u>\$ 2,892,806</u>	<u>\$ 1,068,968</u>	<u>\$ 25,026,353</u>

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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF POSITION
 GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2014**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 19,898,116
Total net position reported for governmental activities in the statement of net position is 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.		81,567,952
Other long-term assets (Deferred Inflows of Resources) are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		1,923,535
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Refunding Bonds	\$ (5,695,000)	
Capital Leases	(26,716)	
Lease Revenue Refunding Bond	(3,150,000)	
Loans Payable	(369,817)	
Compensated Absences	(1,071,440)	
Other Postemployment Benefits Payable	(48,013)	
Accrued Interest Payable	(84,702)	
Unamortized Premium on Bonds	(161,246)	
		(10,606,934)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ 92,782,669

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2014**

	General	Public Works	Family Services
REVENUES			
Taxes	\$ 5,793,785	\$ 1,300,976	\$ 2,869,742
Special Assessments	-	-	-
Licenses and Permits	13,043	124,089	3,840
Intergovernmental	821,282	10,267,031	3,374,150
Charges for Services	1,128,236	1,047,479	287,034
Fines and Forfeits	43,338	-	-
Gifts and Contributions	1,369	-	-
Interest on Investments	21,972	-	-
Miscellaneous	1,233,770	38,738	633,944
Total Revenues	9,056,795	12,778,313	7,168,710
EXPENDITURES			
CURRENT			
General Government	5,208,124	113,327	-
Public Safety	3,625,910	-	-
Highways and Streets	-	11,454,665	-
Sanitation	-	468,108	-
Human Services	-	-	5,608,243
Community Health	-	-	853,175
Culture and Recreation	-	148,084	-
Conservation of Natural Resources	105,031	369,188	-
Economic Development	66,745	-	-
Buildings and Plant	-	-	-
INTERGOVERNMENTAL	154,572	418,457	157,898
CAPITAL OUTLAY	263,098	303,068	25,998
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	9,423,480	13,274,897	6,645,314
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(366,685)	(496,584)	523,396
OTHER FINANCING SOURCES (USES)			
Transfers In	61,520	-	18,153
Transfers Out	(68,153)	-	-
Proceeds from the Capital Lease	-	-	-
Proceeds from the Sale of Bonds	-	-	-
Debt Service on Refunded Bonds	-	-	-
Loan Proceeds	-	111,434	-
Premium on Bonds Issued	-	-	-
Proceeds from Sale of Assets	4,760	-	-
Total Other Financing Sources (Uses)	(1,873)	111,434	18,153
NET CHANGE IN FUND BALANCES	(368,558)	(385,150)	541,549
Fund Balances - Beginning of Year	8,687,089	3,751,370	1,915,907
INCREASE IN INVENTORIES	-	106,123	-
FUND BALANCES - END OF YEAR	<u>\$ 8,318,531</u>	<u>\$ 3,472,343</u>	<u>\$ 2,457,456</u>

See accompanying Notes to Financial Statements.

Building	Justice Center Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 553,095	\$ 1,332,472	\$ 511,570	\$ 12,361,640
-	-	112,964	112,964
-	-	-	140,972
137,130	-	-	14,599,593
-	-	7,273	2,470,022
-	-	-	43,338
-	-	1,984	3,353
-	25,769	-	47,741
32,896	195,616	9,117	2,144,081
<u>723,121</u>	<u>1,553,857</u>	<u>642,908</u>	<u>31,923,704</u>
-	-	13,520	5,334,971
-	-	-	3,625,910
-	-	-	11,454,665
-	-	-	468,108
-	-	-	5,608,243
-	-	-	853,175
-	-	503,214	651,298
-	-	66,835	541,054
-	-	-	66,745
109,016	-	-	109,016
-	-	-	730,927
544,756	-	-	1,136,920
-	1,131,679	-	1,131,679
-	285,007	-	285,007
-	84,019	-	84,019
<u>653,772</u>	<u>1,500,705</u>	<u>583,569</u>	<u>32,081,737</u>
69,349	53,152	59,339	(158,033)
-	-	50,000	129,673
-	-	(61,520)	(129,673)
-	33,395	-	33,395
-	5,695,000	-	5,695,000
-	(5,770,000)	-	(5,770,000)
-	-	-	111,434
-	137,739	-	137,739
-	-	-	4,760
-	96,134	(11,520)	212,328
69,349	149,286	47,819	54,295
1,789,207	2,732,502	861,623	19,737,698
-	-	-	106,123
<u>\$ 1,858,556</u>	<u>\$ 2,881,788</u>	<u>\$ 909,442</u>	<u>\$ 19,898,116</u>

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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 54,295

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

Governmental funds report capital outlays 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 Asset Adjustments	\$ 7,193,462	
Proceeds from Sale of Capital Assets		
Net Book Value of Capital Asset Disposals	(1,230)	
Asset Basis in Excess of Proceeds		
Current Year Depreciation	(3,088,703)	4,103,529

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 182,489

The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Loans Payable	(111,434)	
Bond Proceeds	(5,695,000)	
Proceeds from Capital Lease	(33,395)	
Premium on Bonds Issued	(137,739)	(5,977,568)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments		
General Obligation Bonds	2,685,000	
Refunding Bonds	3,875,000	
Lease Revenue Refunding Bonds	335,000	
Capital Leases	6,679	
Loans	24,185	6,925,864

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	70,874	
Amortization of Discounts and Premiums	(6,232)	
Change in Compensated Absences	35,933	
Change in Other Postemployment Benefits	(14,373)	
Change in Inventories	106,123	192,325

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,480,934

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

ASSETS

Cash and Pooled Investments	\$ 102,471
Accounts Receivable	133
	<u>\$ 102,604</u>

LIABILITIES

Due to Others	\$ 32,620
Due to Other Governments	69,984
Total Liabilities	<u>\$ 102,604</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

Nobles County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by *Minnesota Statutes* Chapter 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Nobles County (Primary Government) and its component units for which the County is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the County is required to include a discrete component unit. The County is governed by a five-member Board of County Commissioners (the Board) elected from districts within the County. The Board is organized with a chair and vice-chair elected at the annual meeting in January of each year.

Blended Component Unit

Blended component units are legally separate organizations that are 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 Reporting Entity Because	Separate Financial Statements
Nobles County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. § 469.001-.047.	County Commissioners are the members of the HRA Board.	Separate financial statements are not prepared.

As of December 31, 2014, the Nobles County HRA was not active.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

Component Unit	Component Unit Reporting Entity Because	Separate Financial Statements
Rock-Nobles Community Corrections provides correctional services.	County appoints a majority of the Board, and entity is a financial burden to the County.	Rock-Nobles Community Corrections PO Box 762 Luverne, MN 56156

Significant accounting policies of the component unit do not differ significantly from those of the County.

Joint Ventures

The County participates in joint ventures which are described in Note 5.B. The County also participates in jointly-governed organizations which are described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the Primary Government and its component units. 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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Public Works Special Revenue Fund is used to account for restricted intergovernmental revenues and other revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting roadways and to account for environmental issues.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Family Services Special Revenue Fund is used to account for economic assistance and community social services programs, which are funded through restricted intergovernmental revenues.

The Justice Center Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt on the Justice Center Building.

The Building Special Revenue Fund is used to account for committed intergovernmental revenues and expenditures related to the maintenance and construction of County buildings.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Nobles 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Pooled Investments

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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

Nobles County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to *Minnesota Statutes* §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Undistributed Cash in Agency Funds

Undistributed cash in agency funds, consists of the January 2015 tax settlement which has been collected at the County prior to December 31, 2014 but is not settled out of the taxes and penalties agency fund until January 2015.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent maturities of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and Payables (Continued)

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.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the Public Works Fund are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (the component units use a cost of more than \$750) and an estimated useful life in excess of two years, except for land, which uses a threshold of \$1. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items acquired since 1980. The County was able to record the capital assets at historic cost dating back to 1980.

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.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 - 40
Improvements Other than Buildings	5 - 20
Infrastructure	20 - 80
Machinery and Equipment	3 - 20

6. Compensated Absences

The liability for compensated absences reported in 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 and proprietary fund financial statements.

7. Unearned Revenue

Governmental funds and the government-wide financial statements report revenue for resources that have been received, but not yet earned.

8. Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The County will not recognize the related revenue until a future event occurs. The County has two types of items which occur relating to revenue recognition: Unavailable revenue and advanced allotments.

The unavailable revenue occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The advanced allotment occurs when allotments are received in advance of the period they are for in both the modified accrual and full accrual basis of accounting. Unavailable revenue and advance allotments are reported in the governmental funds balance sheet, while advance allotments are also reported in the Statement of Net Position.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables and corpus of any permanent fund. Nonspendable portions of fund balance are related to prepaid items, loans receivable, and inventory. Restricted funds are constrained by outside parties (statute, grants, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of County Commissioners (the highest level of authority). Assigned fund balances are established and modified by the Board of County Commissioners or their designee. The Board, as part of the adoption of the accounting standards statement, has designated the County Auditor-Treasurer as the responsible party in determining assigned fund balance. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then, unrestricted fund balance. When an expenditure is incurred for which committed, assigned and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

It is the County's Policy that at the end of each fiscal year, the County will maintain an unassigned portion of fund balance for cash flow in a range of 35-50 percent of the General Fund's operating expenditures.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the County's policy to use restricted first, then, unrestricted net position.

12. Use of Estimates

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

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenues are not recognized in the financial statements unless it is available to finance current expenditures.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on non-governmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as unavailable revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditures is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Reconciliation of the County's total cash and investments to the basic financial statements follows:

TOTAL CASH AND INVESTMENTS

Primary Government	
Cash and Pooled Investments	\$ 21,062,965
Agency Funds	
Cash and Pooled Investments	
Taxes and Penalties Fund	69,851
Jail Inmate Account	30,254
Social Welfare Fund	1,747
Sheriff's Trust Account	619
Total Agency Funds	<u>102,471</u>
Total Cash and Investments	<u><u>\$ 21,165,436</u></u>

FUND FINANCIAL STATEMENTS

Governmental Funds	
Cash and Pooled Investments	\$ 20,930,863
Undistributed Cash in Agency Funds	129,597
Petty Cash and Change Funds	2,505
Agency Funds	
Cash and Pooled Investments	<u>102,471</u>
Total Cash and Pooled Investments	<u><u>\$ 21,165,436</u></u>

DEPOSITS

Checking	\$ 5,148,697
Money Market Savings	9,513,768
Certificates of Deposit	5,280,000

INVESTED IN MAGIC FUND

1,220,466

PETTY CASH

2,505

Total Cash and Investments	<u><u>\$ 21,165,436</u></u>
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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110 percent of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds, issues of U.S. government agency; general obligation of the state or local government rated "A" or better; revenue obligations of the state or local government rated "AA" or better; irrevocable standby letters of credit issue by the Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk: In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits. As of December 31, 2014, all of the County's \$21,162,931 bank deposits (book value) were covered by federal depository insurance or by collateral in accordance with *Minnesota Statutes*.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk: Is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At December 31, 2014, the County had the following investments:

	Fair Value Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund	\$ 1,220,466

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2014, the County had no investments required to be rated.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk: Is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the County's policy to limit County investments to those approved in its investment policy and to obtain necessary documentation (e.g., broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the County will do business. County investments were not subject to custodial credit risk as of December 31, 2014.

Concentration of Credit Risk: Is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 97,759	\$ -
Special Assessments	130,780	-
Accounts	633,475	-
Interest	7,499	-
Loans	940,520	898,899
Due from Other Governments	1,504,045	-
Total Governmental Activities	<u>\$ 3,314,078</u>	<u>\$ 898,899</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 1,335,574	\$ 10,726	\$ -	\$ 1,346,300
Construction-in-Process	718,341	6,710,693	5,385,943	2,043,091
Total Capital Assets, Not Being Depreciated	2,053,915	6,721,419	5,385,943	3,389,391
Capital Assets, Being Depreciated				
Buildings	23,335,852	-	-	23,335,852
Improvements Other than Buildings	1,853,563	-	-	1,853,563
Machinery and Equipment	7,465,753	472,042	60,881	7,876,914
Infrastructure	82,171,776	5,385,944	-	87,557,720
Total Capital Assets, Being Depreciated	114,826,944	5,857,986	60,881	120,624,049
Less Accumulated Depreciation for				
Buildings	10,410,479	740,299	-	11,150,778
Improvements Other than Buildings	815,821	58,423	-	874,244
Machinery, Furniture, and Equipment	4,931,582	670,173	59,651	5,542,104
Infrastructure	23,258,554	1,619,808	-	24,878,362
Total Accumulated Depreciation	39,416,436	3,088,703	59,651	42,445,488
Total Capital Assets, Being Depreciated, Net	75,410,508	2,769,283	1,230	78,178,561
Governmental Activities Capital Assets, Net	<u>\$ 77,464,423</u>	<u>\$ 9,490,702</u>	<u>\$ 5,387,173</u>	<u>\$ 81,567,952</u>

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

Governmental Activities	
General Government	\$ 898,457
Public Safety	226,885
Highways and Streets, Including Depreciation of Infrastructure Assets	1,894,945
Sanitation	10,177
Human Services	7,865
Culture and Recreation	38,775
Conservation of Natural Resources	11,599
Total Depreciation Expense - Governmental Activities	<u>\$ 3,088,703</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Family Services	\$ 61,123
Public Works	General	8,897
	Family Services	192
Total Due to Public Works Fund		<u>9,089</u>
Total Due to/from Other Funds		<u><u>\$ 70,212</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services (postage, copies, and fuel) are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be liquidated in the subsequent year.

2. Transfers In/Out

	Amount	Description
Transfers to General Fund from Ditch Fund	\$ 61,520	Return of Excess Cash
Transfer to Family Services Fund from General Fund	18,153	For Capital Outlay
Transfers to Ditch Fund from General Fund	<u>50,000</u>	For Cash Flows
Total Interfund Transfers	<u><u>\$ 129,673</u></u>	

3. Operating Leases Receivable

During 2008, the County entered into an operating lease with the State of Minnesota Department of Employment and Economic Development effective September 1, 2008 through August 31, 2012 and amended through August 31, 2017 for the rental of space for a workforce center. In this agreement, the State of Minnesota made payments to the County in the amount of \$6,184 per month. During 2014, the County recorded rental revenue of \$74,208 related to this agreement.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

Accounts	\$ 441,873
Salaries	258,690
Contracts	1,184,808
Due to Other Governments	208,658
	<u>208,658</u>
Total Payables	<u>\$ 2,094,029</u>

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2014
2004 G.O. Jail Refunding Bonds	2020	\$425,000 - \$620,000	2.50 - 3.90	\$ 6,125,000	\$ -
2005 G.O. Capital Improvement Bonds	2021	\$380,000	3.63 - 3.90	4,705,000	-
2014 G.O. Refunding Bonds	2021	\$305,000 - \$940,000	0.40 - 2.00	5,695,000	5,695,000
Total General Obligation Bonds				16,525,000	5,695,000
2009B Jail Lease Revenue Refunding Bonds	2022	\$250,000 - \$455,000	2.00 - 3.75	4,125,000	3,150,000
Add: Unamortized Premium					161,246
Total Lease Revenue Bonds, Net					3,311,246
Total Bonds Outstanding, Net				<u>\$ 20,650,000</u>	<u>\$ 9,006,246</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		Lease Revenue Refunding Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 940,000	\$ 96,980	\$ 350,000	\$ 99,175	\$ 6,679	\$ -
2016	850,000	86,600	360,000	88,525	6,679	-
2017	870,000	69,400	370,000	77,575	6,679	-
2018	890,000	51,800	385,000	65,769	6,679	-
2019	910,000	33,800	400,000	53,013	-	-
2020-2022	1,235,000	18,450	1,285,000	71,951	-	-
Total	<u>\$ 5,695,000</u>	<u>\$ 357,030</u>	<u>\$ 3,150,000</u>	<u>\$ 456,008</u>	<u>\$ 26,716</u>	<u>\$ -</u>

4. Refunding Debt Issued

During 2014, the County issued 2014 G.O. Refunding Bonds in the amount of \$5,695,000 with an interest rate of .40 to 2.00 percent. These proceeds were used to provide for the current refunding of the 2004 G.O. Jail Refunding and 2005 G.O. Capital Improvement bonds. The balance of the maturities to be refunded was \$5,770,000 and interest rates of 2.50 to 3.90 percent.

As a result of this refunding, the County decreased its debt service requirements \$503,353, resulting in an economic gain (difference between the present value of the debt service payment on the old and new debt service) of \$477,830.

5. Loans Payable

The County started a program that resulted in entering into several agreements with the Minnesota Department of Agriculture, in 2012, and the Minnesota Pollution Control Agency, in 2013, for financing failing septic systems. The revolving loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. The loans are to be repaid in amounts ranging from \$889 to \$13,500 with zero percent interest and final maturity of 2025. The loans are repaid with the proceeds that are collected on the related loans receivable in the Public Works funds.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 6,560,000	\$ -	\$ 6,560,000	\$ -	\$ -
General Obligation Refunding Bonds	-	5,695,000	-	5,695,000	940,000
Lease Revenue Refunding	3,485,000	-	335,000	3,150,000	350,000
Plus: Premium on Refunding	46,737	137,739	23,230	161,246	-
Less: Issuance Discounts	(29,462)	-	(29,462)	-	-
Total Bonds Payable	10,062,275	5,832,739	6,888,768	9,006,246	1,290,000
Capital Leases	-	33,395	6,679	26,716	6,679
Loans Payable	282,568	111,434	24,185	369,817	10,689 *
Compensated Absences	1,107,373	727,351	763,284	1,071,440	95,407
Other Postemployment Benefits	33,640	30,251	15,878	48,013	-
Governmental Activity Long-Term Liabilities	<u>\$ 11,485,856</u>	<u>\$ 6,735,170</u>	<u>\$ 7,698,794</u>	<u>\$ 10,522,232</u>	<u>\$ 1,402,775</u>

Compensated absences and other postemployment benefits are typically liquidated in the General Fund and applicable Special Revenue Funds. Bonding and capital lease payments are made from the Justice Center Debt Service Fund.

* As of December 31, 2014, the County has \$148,959 of loan proceeds available to be drawn down from the State of Minnesota. There is not a final repayment schedule for this loan; therefore, a repayment schedule was not included in Note 2.C.3.

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1 a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. Also available are various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members are required to contribute 9.6 percent of their annual covered salary in 2014. PECF members are required to contribute 5.83 percent of their annual covered salary in 2014. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

The County is required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Coordinated Plan Members	7.25 %
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2014	\$ 468,336	\$ 120,801	\$ 89,639
2013	454,565	112,693	93,619
2012	432,467	105,265	90,483

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

Defined Contribution Plan

Commissioners of the County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The employer's contribution amounts for the years ending December 31, 2014, 2013, and 2012 were \$4,425, \$4,082, and \$2,190, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure

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 *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the County's health benefits program. Pursuant to the provisions of the plan, retirees pay the total premium cost. As of January 1, 2014, there were 12 retirees receiving health benefits from the County's health plan.

1. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 30,933
Interest on Net OPEB Obligation	1,009
Adjustment to ARC	<u>(1,691)</u>
Annual OPEB Cost	30,251
Contributions during the year	<u>(15,878)</u>
Increase in Net OPEB Obligation	14,373
Net OPEB - Beginning of the Year	<u>33,640</u>
Net OPEB - End of the Year	<u><u>\$ 48,013</u></u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013, and 2012 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 30,251	\$ 15,878	52.5 %	\$ 48,013
December 31, 2013	19,793	6,933	35.0	33,640
December 31, 2012	20,015	9,125	45.6	20,780

2. Funding Status

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 280,945	\$ 280,945	- %	\$8,778,649	3.2 %

3. Actuarial Methods and Assumptions

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

The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements, present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.00 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.50 percent. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

NOTE 4 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 for which the carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). For other risks, the County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, the County carried 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 \$480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the 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 in a method and amount to be determined by MCIT.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

The County may be involved in various claims. Although the outcome of any claims is not presently determinable, in the opinion of the Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Lincoln-Pipestone Rural Water System

At December 31, 2014, the Lincoln-Pipestone Rural Water System had \$33,252,000 of general obligation bonds outstanding through 2054. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with *Minnesota Statutes* § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

The total outstanding balance of bonds issued by Nobles County for the Lincoln-Pipestone Rural Water System is \$18,767,000 at December 31, 2014.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures

Lincoln-Pipestone Rural Water System

Lincoln County, along with Jackson, Lac qui Parle, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to *Minnesota Statutes* ch. 116A. The system is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Water System.

Bonds were issued by Lincoln County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System.

The Lincoln-Pipestone Rural Water System's 2014 financial report shows total net position of \$50,249,527, including unrestricted net position of \$21,585,859. The decrease in net position for the year ended December 31, 2014, was \$331,837.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Southwest Regional Solid Waste Commission

The County has entered into a joint powers agreement with Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Pipestone, Redwood, Renville, Rock, and Yellow Medicine Counties, creating and operating the Southwest Regional Solid Waste Commission (the Commission) under the authority of *Minnesota Statutes* §471.59. The Commission was formed to exercise the County's authority and obligation, pursuant to *Minnesota Statutes* Chapters 400 and 115A, to provide for the management of solid waste in the respective counties, and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota. The governing board is composed of a Board member from each of the participating counties. Financing of the Commission's solid waste management program is from appropriations from the counties, grants, and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares up to \$1,000 per county per year. The current assessment is \$400 per county per year.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Southwest Regional Solid Waste Commission (Continued)

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 Rebecca Street, P.O. Box 29, Ivanhoe, Minnesota 56142.

City of Worthington/Nobles County Public Transportation

Nobles County participates with the City of Worthington in a joint venture to provide, cooperatively operate, administer, promote, and manage public transportation within the County and City of Worthington. The governing board consists of seven members: two County Commissioners and the County Administrator, two members of the City Council and the City Administrator, and one at-large member appointed by the aforesaid six-member board.

Financing is provided by state grants and appropriations from the members. Both the City of Worthington and Nobles County are required to contribute \$40,000 each year.

The County retains no fiscal interest and has not stake in the accumulation of resources or fiscal distress of the entity.

Current financial statements are not available.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board (the Board) under the authority of *Minnesota Statutes* §471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2013 (the most recent information available):

Total Assets	\$1,431,123
Total Liabilities	349,247
Total Net Position	1,081,876
Total Revenues	3,305,574
Total Expenditures	3,508,999
Net Change in Net Position	(203,425)

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota, 56101.

Southwestern Mental Health Center, Inc.

The Southwestern mental Health Center, Inc., is a private, non-profit agency established in 1959 by Cottonwood, Jackson, Nobles, Pipestone, and Rock Counties in southwest Minnesota. It was formed for the purpose of providing mental health services and programs to the residents of these counties.

For 2014, Nobles County paid a total of \$397,039 to Southwestern Mental Health Center, Inc., for mental health services. Complete financial statements for the Southwestern Mental Health Center, Inc., can be obtained at 216 E. Luverne Street, Luverne, Minnesota 56156.

Southwest Minnesota Regional Emergency Communications Board

The Southwest Minnesota Regional Emergency Communications Board Joint Powers board (original name of Southwest Minnesota Regional Radio Board) was established April 22, 2008, between Nobles County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by appropriations from member parties and by state and federal grants. During 2014, Nobles County contributed \$3,273 to the Joint Powers board.

Southern Prairie Health Purchasing Alliance

Nobles County entered into a joint powers agreement on June 26, 2012 with Chippewa, Jackson, Kandiyohi, Lincoln, Lyon, Murray, Cottonwood, Redwood, Rock, Swift, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers board is composed of one representative from each county.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation which was created through a Joint Powers Agreement on October 1, 1983, and began operation in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official board which is composed of one representative from each member County. Nobles County provided \$4,000 to this organization in 2014.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Advocate Connect Educate of Southwest Minnesota (ACE SW MN)

Nobles County, in conjunction with Lincoln, Murray, Cottonwood, Redwood, and Rock counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities under the authority of the counties. Advocate Connect Educate of Southwest Minnesota's (original name of Retired and Senior Volunteer Program of Southwest Minnesota) Board comprises one voting member from each participating county and one voting member of the ACE SW MN Advisory Council. In 2014, the County made contributions of \$30,998 to the ACE SW MN.

Red Rock Rural Water System

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

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

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

Plum Creek Library System

Nobles County, along with 19 cities and 8 other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2014, Nobles County provided \$24,736 to the Plum Creek Library System.

Complete financial statements of the Plum Creek Library can be obtained at 290 South Lake Street, P.O. Box 697, Worthington, Minnesota 56187.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Buffalo Ridge Drug Task Force

The Buffalo Ridge Drug Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Murray, Nobles, Pipestone, and Rock Counties and the Cities of Adrian, Fulda, Slayton, and Worthington. The Drug Task force provides drug enforcement services for member organizations.

Control of the Task force is vested in a Board of Directors. The Board of Directors consists of the Chief of Police and the Sheriff from each party.

Fiscal agent responsibilities for the Task Force are with the City of Worthington. During the year, Nobles County provided \$64,134 to the Task Force.

C. Jointly-Governed Organizations

Okabena-Ocheda Watershed District

The Board of County Commissioners is responsible for appointing all five of the Board of Managers for the Okabena-Ocheda Watershed District, but the County's responsibility does not extend beyond making the appointments.

Kanaranzi-Little Rock Watershed District

The Board of County Commissioners is responsible for appointing a majority of the Board of Managers for the Kanaranzi-Little Rock Watershed District, but the County's responsibility does not extend beyond making the appointments.

Heron Lake Watershed District

The Board of County Commissioners is responsible for appointing two of the Board of Managers for the Heron Lake Watershed District, but the County's responsibility does not extend beyond making the appointments.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. During 2014, Nobles County paid \$1,000 to the Board.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly-Governed Organizations (Continued)

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 allocating 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. Nobles County's responsibility does not extend beyond this appointment.

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 made no payments to the joint powers.

Sentence to Service

Nobles County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) Program. STS is a project of the State Department of Administrations' 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 the various foundation and initiative funds, as well as the Departments of Correction and Natural Resources, provide the funds needed to operate the STS program. Although the County has no operational or financial control over the STS program, Nobles County budgets for a percentage of this program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information connection (SW-MIIC) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2014.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly-Governed Organizations (Continued)

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Lyon, Murray, Nobles, Pipestone, Redwood, and Yellow Medicine Counties, the City of Marshall and the City of Worthington under authority of Minn. Stat. § 471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. During the year, Nobles County made payments of \$4,000 to the Southwest Minnesota Public Safety Board.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Nobles County expended \$25,400 to the MCCC.

D. Related Organization – Worthington Housing and Redevelopment Authority

The Board is responsible for appointing a majority of the Worthington Housing and Redevelopment Authority's governing body, but the County's responsibility does not extend beyond making the appointments.

E. Committed Contracts

The County has the following remaining open contracts at December 31, 2014:

Description	Remaining Balance	Original Contract Amount
Road and Bridge Fund Project Numbers:		
053-625-012	\$ 77,201	\$ 6,830,132
053-599-188/053-617-005/053-601-020	263,661	1,882,004
Total Road and Bridge Fund Projects	<u>\$ 340,862</u>	<u>\$ 8,712,136</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 6 COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the County's discretely presented component unit has the following significant accounting policies.

Reporting Entities

Rock-Nobles Community Corrections is governed by a seven-member Board. The Board consists of two Commissioners from each county, one appointed member from each county, and one member selected by the Corrections' Advisory Committee.

This entity is a component unit because Nobles County appoints the majority of the Advisory Committee which appoints the final members to the Board, and the overall nature and significance to the County.

Because of the significance of their financial relationship, Nobles County considers this entity a major component unit.

Cash and Investments

All cash of the component units is on deposit with the Rock County Auditor-Treasurer and included within its pooled cash and investments.

B. Detailed Notes

1. Assets

Receivables

Receivables as of December 31, 2014, for the discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	Rock-Nobles Community Corrections	Amounts Not Scheduled for Collection During the Year
Accounts	\$ 4,468	\$ -
Due From Other Governments	32,102	-
Total Component Unit	<u>\$ 36,570</u>	<u>\$ -</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 6 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes (Continued)

1. Assets (Continued)

Capital Assets

Component unit capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Being Depreciated				
Furniture and Equipment				
Community Corrections	\$ 78,101	\$ -	\$ -	\$ 78,101
Less Accumulated Depreciation for				
Furniture and Equipment				
Community Corrections	52,833	3,051	-	55,884
Capital Assets, Net	\$ 25,268	\$ (3,051)	\$ -	\$ 22,217

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Community Corrections	\$ 3,051
-----------------------	----------

2. Liabilities

Payables

Payables at December 31, 2014, were as follows:

Accounts	\$ 4,771
Salaries	30,311
Total Payables	\$ 35,082

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 6 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes (Continued)

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term liabilities of the component unit for the year ended December 31, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences					
Community Corrections	\$ 40,061	\$ 59,014	\$ 52,528	\$ 46,547	\$ 5,937
Other Postemployment Benefits					
Community Corrections	(1,420)	3,186	1,319	447	-
Total Long-Term Liabilities	<u>\$ 38,641</u>	<u>\$ 62,200</u>	<u>\$ 53,847</u>	<u>\$ 46,994</u>	<u>\$ 5,937</u>

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 280,945	\$ 280,945	- %	\$8,778,649	3.2 %
1/1/2011	-	179,560	179,560	-	7,627,043	2.4
1/1/2008	-	50,461	50,461	-	7,162,796	0.7

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,749,962	\$ 5,749,962	\$ 5,793,785	\$ 43,823
Licenses and Permits	5,775	5,775	13,043	7,268
Intergovernmental	648,478	658,478	821,282	162,804
Charges for Services	1,366,312	1,366,312	1,128,236	(238,076)
Fines and Forfeits	3,000	3,000	43,338	40,338
Gifts and Contributions	4,000	4,000	1,369	(2,631)
Investment Earnings	30,000	30,000	21,972	(8,028)
Miscellaneous	775,013	1,525,013	1,233,770	(291,243)
Total Revenues	8,582,540	9,342,540	9,056,795	(285,745)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	191,495	191,495	181,675	9,820
Courts	65,000	180,000	113,906	66,094
Law Library	20,000	20,000	21,254	(1,254)
County Administration	390,637	390,637	403,059	(12,422)
County Auditor-Treasurer	554,461	554,461	531,173	23,288
Finance	151,164	151,164	149,056	2,108
County Assessor	325,902	325,902	303,922	21,980
Elections	89,700	89,700	72,944	16,756
Data Processing	357,097	357,097	383,173	(26,076)
Central Services	25,307	25,307	19,994	5,313
Attorney	689,892	689,892	684,555	5,337
Recorder	230,081	230,081	248,254	(18,173)
Buildings and Plant	992,504	992,504	1,039,336	(46,832)
Veterans Service Officer	54,513	64,513	63,357	1,156
Other General Government	231,529	981,529	992,466	(10,937)
Total General Government	4,369,282	5,244,282	5,208,124	36,158
PUBLIC SAFETY				
Sheriff	1,843,590	1,843,590	1,733,605	109,985
Coroner	25,000	25,000	22,546	2,454
County Jail	1,912,510	1,912,510	1,771,148	141,362
Civil Defense	114,963	114,963	98,611	16,352
Total Public Safety	3,896,063	3,896,063	3,625,910	270,153

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

**NOBLES COUNTY, MINNESOTA
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 123,594	\$ 123,594	\$ 105,031	\$ 18,563
ECONOMIC DEVELOPMENT				
Community Development	76,676	76,676	66,745	9,931
INTERGOVERNMENTAL				
Culture and Recreation	96,469	96,469	154,572	(58,103)
CAPITAL OUTLAY	<u>301,081</u>	<u>301,081</u>	<u>263,098</u>	<u>37,983</u>
Total Expenditures	<u>8,863,165</u>	<u>9,738,165</u>	<u>9,423,480</u>	<u>314,685</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(280,625)	(395,625)	(366,685)	28,940
OTHER FINANCING SOURCES (USES)				
Transfers In	269,627	269,627	61,520	(208,107)
Transfers Out	(1,802)	(1,802)	(68,153)	(66,351)
Proceeds from Sale of Assets	15,000	15,000	4,760	(10,240)
Total Other Financing Sources (Uses)	<u>282,825</u>	<u>282,825</u>	<u>(1,873)</u>	<u>(284,698)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,200</u>	<u>\$ (112,800)</u>	<u>(368,558)</u>	<u>\$ (255,758)</u>
Fund Balance - Beginning of Year			<u>8,687,089</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 8,318,531</u></u>	

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 PUBLIC WORKS SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,308,447	\$ 1,308,447	\$ 1,300,976	\$ (7,471)
Licenses and Permits	126,500	126,500	124,089	(2,411)
Intergovernmental	7,964,977	11,170,177	10,267,031	(903,146)
Charges for Services	872,800	872,800	1,047,479	174,679
Miscellaneous	56,895	56,895	38,738	(18,157)
Total Revenues	<u>10,329,619</u>	<u>13,534,819</u>	<u>12,778,313</u>	<u>(756,506)</u>
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Planning and Zoning	115,125	117,625	113,327	4,298
HIGHWAY AND STREETS				
Administration	240,259	240,259	242,054	(1,795)
Maintenance	1,240,973	1,409,973	1,340,655	69,318
Construction	6,236,342	9,316,542	8,837,953	478,589
Equipment and Maintenance Shops	891,758	891,758	972,354	(80,596)
Other	60,348	60,348	61,649	(1,301)
Total Highways and Streets	<u>8,669,680</u>	<u>11,918,880</u>	<u>11,454,665</u>	<u>464,215</u>
SANITATION				
Solid Waste	127,533	127,533	48,631	78,902
Recycling	347,339	440,439	419,477	20,962
Total Sanitation	<u>474,872</u>	<u>567,972</u>	<u>468,108</u>	<u>99,864</u>
CULTURE AND RECREATION				
Parks	150,872	150,872	148,084	2,788
CONSERVATION OF NATURAL RESOURCES				
Agricultural Inspection	105,978	105,978	98,461	7,517
Water Planning	326,777	326,777	270,727	56,050
Total Conservation of Natural Resources	<u>432,755</u>	<u>432,755</u>	<u>369,188</u>	<u>63,567</u>
INTERGOVERNMENTAL				
Public Safety	401,052	401,052	418,457	(17,405)
CAPITAL OUTLAY	<u>308,000</u>	<u>308,000</u>	<u>303,068</u>	<u>4,932</u>
Total Expenditures	<u>10,552,356</u>	<u>13,897,156</u>	<u>13,274,897</u>	<u>622,259</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(222,737)</u>	<u>(362,337)</u>	<u>(496,584)</u>	<u>(134,247)</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	111,434	111,434
NET CHANGE IN FUND BALANCE	<u>\$ (222,737)</u>	<u>\$ (362,337)</u>	<u>(385,150)</u>	<u>\$ (22,813)</u>
Fund Balance - Beginning of Year			3,751,370	
Increase in Inventory			<u>106,123</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,472,343</u>	

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 FAMILY SERVICES SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,932,221	\$ 2,932,221	\$ 2,869,742	\$ (62,479)
Licenses and Permits	4,440	4,440	3,840	(600)
Intergovernmental	3,467,874	3,467,874	3,374,150	(93,724)
Charges for Services	285,073	285,073	287,034	1,961
Miscellaneous	672,161	672,161	633,944	(38,217)
Total Revenues	7,361,769	7,361,769	7,168,710	(193,059)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,064,103	2,064,103	1,925,677	138,426
Social Services	4,208,519	4,208,519	3,682,566	525,953
Total Human Services	6,272,622	6,272,622	5,608,243	664,379
HEALTH				
Community Health	927,823	927,823	853,175	74,648
INTERGOVERNMENTAL	157,898	157,898	157,898	-
CAPITAL OUTLAY	8,626	8,626	25,998	(17,372)
Total Expenditures	7,366,969	7,366,969	6,645,314	721,655
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,200)	(5,200)	523,396	528,596
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	18,153	18,153
NET CHANGE IN FUND BALANCE	\$ (5,200)	\$ (5,200)	541,549	\$ 546,749
Fund Balance - Beginning of Year			1,915,907	
FUND BALANCE - END OF YEAR			\$ 2,457,456	

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 BUILDING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 552,373	\$ 552,373	\$ 553,095	\$ 722
Intergovernmental	226,405	226,405	137,130	(89,275)
Miscellaneous	-	-	32,896	32,896
Total Revenues	<u>778,778</u>	<u>778,778</u>	<u>723,121</u>	<u>(55,657)</u>
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
General Government	138,778	138,778	109,016	29,762
CAPITAL OUTLAY	<u>640,000</u>	<u>872,513</u>	<u>544,756</u>	<u>327,757</u>
Total Expenditures	<u>778,778</u>	<u>1,011,291</u>	<u>653,772</u>	<u>357,519</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (232,513)</u>	69,349	<u>\$ 301,862</u>
Fund Balance - Beginning of Year			<u>1,789,207</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,858,556</u>	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014**

I. Budgetary Information

The Board of County Commissioners adopts an annual budget for the General Fund and all special revenue funds except the Property Forfeiture Fund and the Ditch Fund. These budgets are prepared on the modified accrual basis of accounting. The expenditure budget is approved at the fund level, the legal level of budgetary control.

The budgets may be amended or modified at any time by the Board of County Commissioners.

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SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2014**

NONMAJOR GOVERNMENTAL FUNDS

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

The Library Special Revenue Fund is used to account for the revenues and expenditures of the County libraries.

The Property Forfeiture Special Revenue Fund is used to account for the revenues and expenditures of forfeited land and buildings.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014**

ASSETS	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Library	Property Forfeiture	
Cash and Pooled Investments	\$ 543,935	\$ 281,620	\$ 104,503	\$ 930,058
Undistributed Cash in Agency Funds	1,245	5,348	-	6,593
Petty Cash and Change Funds	-	80	-	80
Taxes Receivable - Delinquent	-	4,734	152	4,886
Special Assessments Receivable				
Delinquent	294	-	-	294
Unavailable	122,453	-	-	122,453
Due from Other Governments	4,355	-	-	4,355
Prepaid Items	-	249	-	249
Total Assets	\$ 672,282	\$ 292,031	\$ 104,655	\$ 1,068,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,829	\$ 203	\$ 40	\$ 2,072
Salaries Payable	-	9,811	-	9,811
Due to Other Governments	19,274	1,517	-	20,791
Total Liabilities	21,103	11,531	40	32,674
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Tax Related	-	3,967	138	4,105
Unavailable Revenue - Special Assessment Related	122,747	-	-	122,747
Total Deferred Inflows of Resources	122,747	3,967	138	126,852
FUND BALANCES				
Nonspendable				
Prepaid Items	-	249	-	249
Restricted				
Donations	-	7,457	-	7,457
Ditch	528,432	-	-	528,432
Assigned				
Capital Equipment	-	6,000	-	6,000
Property Forfeiture	-	-	104,477	104,477
Library	-	262,827	-	262,827
Total Fund Balances	528,432	276,533	104,477	909,442
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 672,282	\$ 292,031	\$ 104,655	\$ 1,068,968

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2014**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Library	Property Forfeiture	
REVENUES				
Taxes	\$ -	\$ 504,406	\$ 7,164	\$ 511,570
Special Assessments	112,964	-	-	112,964
Charges for Services	2,400	4,873	-	7,273
Gifts and Contributions	-	1,984	-	1,984
Miscellaneous	270	8,847	-	9,117
Total Revenues	115,634	520,110	7,164	642,908
EXPENDITURES				
CURRENT				
General Government	-	-	13,520	13,520
Culture and Recreation	-	503,214	-	503,214
Conservation of Natural Resources	66,835	-	-	66,835
Total Expenditures	66,835	503,214	13,520	583,569
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	48,799	16,896	(6,356)	59,339
OTHER FINANCING SOURCES (USES)				
Transfers In	50,000	-	-	50,000
Transfers Out	(61,520)	-	-	(61,520)
Total Other Financing Sources (Uses)	(11,520)	-	-	(11,520)
NET CHANGE IN FUND BALANCES	37,279	16,896	(6,356)	47,819
Fund Balance - Beginning of Year	491,153	259,637	110,833	861,623
FUND BALANCE - END OF YEAR	\$ 528,432	\$ 276,533	\$ 104,477	\$ 909,442

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 JUSTICE CENTER DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,346,608	\$ 1,346,608	\$ 1,332,472	\$ (14,136)
Investment Earnings	1,600	1,600	25,769	24,169
Miscellaneous	<u>193,827</u>	<u>193,827</u>	<u>195,616</u>	<u>1,789</u>
Total Revenues	1,542,035	1,542,035	1,553,857	11,822
EXPENDITURES				
DEBT SERVICE				
Principal	1,115,000	1,115,000	1,131,679	(16,679)
Interest	346,405	346,405	285,007	61,398
Administrative (Fiscal) Charges	<u>3,500</u>	<u>134,500</u>	<u>84,019</u>	<u>50,481</u>
Total Debt Service	<u>1,464,905</u>	<u>1,595,905</u>	<u>1,500,705</u>	<u>95,200</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	77,130	(53,870)	53,152	107,022
OTHER FINANCING SOURCES (USES)				
Proceeds from the Capital Lease	-	-	33,395	33,395
Proceeds from the Sale of Bonds	-	3,035,000	5,695,000	2,660,000
Debt Service on Refunded Bonds	-	(2,904,000)	(5,770,000)	(2,866,000)
Premium on Bonds Issued	<u>-</u>	<u>-</u>	<u>137,739</u>	<u>137,739</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>131,000</u>	<u>96,134</u>	<u>(34,866)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 77,130</u>	<u>\$ 77,130</u>	149,286	<u>\$ 72,156</u>
Fund Balance - Beginning of Year			<u>2,732,502</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,881,788</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 LIBRARY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 509,657	\$ 509,657	\$ 504,406	\$ (5,251)
Charges for Services	5,005	5,005	4,873	(132)
Gifts and Contributions	-	-	1,984	1,984
Miscellaneous	4,500	4,500	8,847	4,347
Total Revenues	<u>519,162</u>	<u>519,162</u>	<u>520,110</u>	<u>948</u>
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
County/Regional Library	512,662	512,662	503,214	9,448
CAPITAL OUTLAY	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total Expenditures	<u>519,162</u>	<u>519,162</u>	<u>503,214</u>	<u>15,948</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>16,896</u>	<u>\$ 16,896</u>
Fund Balance - Beginning of Year			<u>259,637</u>	
FUND BALANCE - END OF YEAR			<u>\$ 276,533</u>	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

AGENCY FUNDS

The Taxes and Penalties Agency Fund is used to account for the collection and payment of taxes and penalties to the various taxing districts.

The Jail Inmate Agency Fund is used to account for the receipts and disbursements of the County's inmates.

The Social Welfare Agency Fund is used to account for the receipts and disbursements of the social welfare account.

The Sheriff's Trust Account Agency Fund is used to account for the receipts and disbursements of bond and civil processing fees.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 229,639	\$ 29,544,511	\$ 29,704,299	\$ 69,851
Accounts Receivable	-	133	-	133
	<u>\$ 229,639</u>	<u>\$ 29,544,644</u>	<u>\$ 29,704,299</u>	<u>\$ 69,984</u>
LIABILITIES				
Due to Other Governments	<u>\$ 229,639</u>	<u>\$ 29,544,644</u>	<u>\$ 29,704,299</u>	<u>\$ 69,984</u>
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	<u>\$ 23,178</u>	<u>\$ 134,217</u>	<u>\$ 127,141</u>	<u>\$ 30,254</u>
LIABILITIES				
Due to Others	<u>\$ 23,178</u>	<u>\$ 134,217</u>	<u>\$ 127,141</u>	<u>\$ 30,254</u>
SOCIAL WELFARE FUND				
ASSETS				
Cash and Pooled Investments	<u>\$ 1,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747</u>
LIABILITIES				
Due to Others	<u>\$ 1,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747</u>
SHERIFF'S TRUST ACCOUNT				
ASSETS				
Cash and Pooled Investments	<u>\$ 120</u>	<u>\$ 37,906</u>	<u>\$ 37,407</u>	<u>\$ 619</u>
LIABILITIES				
Due to Others	<u>\$ 120</u>	<u>\$ 37,906</u>	<u>\$ 37,407</u>	<u>\$ 619</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 254,684	\$ 29,716,634	\$ 29,868,847	\$ 102,471
Accounts Receivable	-	133	-	133
	<u>\$ 254,684</u>	<u>\$ 29,716,767</u>	<u>\$ 29,868,847</u>	<u>\$ 102,604</u>
LIABILITIES				
Due to Others	\$ 25,045	\$ 172,123	\$ 164,548	\$ 32,620
Due to Other Governments	229,639	29,544,644	29,704,299	69,984
Total Liabilities	<u>\$ 254,684</u>	<u>\$ 29,716,767</u>	<u>\$ 29,868,847</u>	<u>\$ 102,604</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF INTERGOVERNMENTAL REVENUE
 YEAR ENDED DECEMBER 31, 2014**

	Total Primary Government	Component Unit Rock-Nobles Community Corrections
SHARED REVENUE		
STATE		
Highway Users Tax	\$ 9,375,003	\$ -
County Program Aid	609,468	-
PERA Rate Increase	28,842	-
Disparity Reduction Aid	70,969	-
Police aid	90,122	-
Enhanced 911	79,649	-
Aquatic Invasive Species	24,453	-
Market Value Credit	167,825	-
Total Shared Revenue	10,446,331	-
REIMBURSEMENT FOR SERVICES		
STATE		
Minnesota Department of Human Services	983,864	-
PAYMENTS		
Local		
Local - Payments in Lieu of Taxes	113,323	-
Contributions from Counties	-	236,847
Total Payments	113,323	236,847
GRANTS		
STATE		
Minnesota Department of Corrections	-	439,484
Employment and Economic Development	60,000	-
Health	89,966	-
Human Services	608,067	-
Labor and Industry Department	2,396	-
Natural Resources	42,088	-
Public Safety	36,462	-
Revenue	3,529	-
Veterans Services	10,000	-
Water and Soil Resources Board	179,876	-
Pollution Control Agency	63,803	-
Peace Officer Standards and Training Board	4,724	-
Total State	1,100,911	439,484
FEDERAL		
Department of Agriculture	426,261	-
Education	2,288	-
Justice	1,878	-
Transportation	17,967	-
Health and Human Services	1,363,924	-
Homeland Security	142,846	-
Total Federal	1,955,164	-
Total State and Federal Grants	3,056,075	439,484
Total Intergovernmental Revenue	\$ 14,599,593	\$ 676,331

**REPORTS RELATED TO GOVERNMENT
AUDITING STANDARDS
AND SINGLE AUDIT (A-133)**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners
Nobles County
Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nobles County (the County), Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Nobles County's basic financial statements, and have issued our report thereon dated September 15, 2015. Our report includes a reference to another auditor who audited the financial statements of Rock-Nobles Community Corrections. This report does not include the results of the other auditors' test of internal control over financial reporting or compliance and the other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, 2014-002, 2014-003, and 2014-004 to be material weaknesses.

Compliance and Other Matters

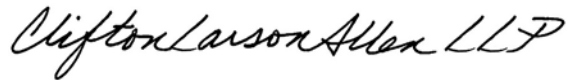
As part of obtaining reasonable assurance about whether Nobles County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Nobles County’s Responses to Findings

Nobles County’s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Nobles County’s responses were not subjected to auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nobles County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Nobles County
Worthington, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Nobles County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Nobles County's major federal programs for the year ended December 31, 2014. Nobles County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Our report includes a reference to another auditor who audited Rock Nobles Community Corrections, as described in our report on the County. Rock Nobles Community Corrections was not audited under OMB Circular A-133 because it received no federal grant funding in 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Nobles County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nobles County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Nobles County's compliance.

Opinion on Each Major Federal Program

In our opinion, Nobles County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.


Report on Internal Control Over Compliance

Management of Nobles County is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Nobles County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nobles County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2015

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Nobles County (the County), Minnesota.
2. Deficiencies in internal control over financial reporting were disclosed during the audit of the basic financial statements for the County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*". Deficiencies 2014-001, 2014-002, 2014-003, and 2014-004 are considered to be material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. No instances involving internal control over compliance relating to the audit of the major federal award programs was reported in the "Independent Auditors' Report on Compliance Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for the County expresses an unmodified opinion on all major federal programs.
6. No findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

▪ Child Support Enforcement	CFDA No. 93.563
▪ Medical Assistance (Medicaid Cluster)	CFDA No. 93.778
▪ Social Services Block Grant	CFDA No. 93.667
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County did not qualify, under federal guidelines, as a low-risk auditee.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MATERIAL WEAKNESSES (FINANCIAL REPORTING):

2014-001 Segregation of Duties

Criteria: Based on COSO guidelines, County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Condition and Context: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place in a number of departments throughout the County.

Cause: The County has a limited number of personnel within several County departments.

Possible Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

CLIENT RESPONSE:

The County will continue to review the accounting functions of all affected departments to segregate them as it is cost beneficial.

2014-002 Audit Adjustments

Criteria: Based on COSO guidelines, County management is responsible for establishing and maintaining internal controls for the proper recording of all County's year-end balances.

Condition and Context: As part of the audit, we proposed entries to accrue additional receivables, to reclassify revenues and expenditures for financial statement presentation, to record additional accruals, to record passed adjustments, and to correct modified accrual adjustments.

Cause: Not known.

Possible Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements.

Recommendation: We recommend County management be aware of all procedures and processes involved in recording year-end balances and develop internal control policies to ensure proper recording of these items.

CLIENT RESPONSE:

The County will continue to work at eliminating the need for audit adjustments.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MATERIAL WEAKNESSES (CONTINUED):

2014-003 Timely Deposits

Criteria: Standard internal control procedures recommend that deposits should be made on a daily basis.

Condition and Context: Various departments in the County do not deposit on a daily basis.

Cause: Past practice.

Possible Effect: The County's failure to make daily deposits increases the risk that fraud could occur and not be detected in a timely manner.

Recommendation: We recommend the departments deposit their collections with the County Auditor-Treasurer office on a daily basis in order to minimize the risk of misappropriation of assets or that the Board establish a policy regulating the required frequency of deposits.

CLIENT RESPONSE:

County management is working with the applicable departments and is implementing procedures to ensure deposits are being made on a timelier basis going forward.

2014-004 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Criteria: Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Condition and Context: The County does not have an internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

Cause: The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Possible Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

CLIENT RESPONSE:

The County understands this is required communications for the preparation of the financial statements and will continue to work at this area to achieve the overall goal.

NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014

PREVIOUSLY REPORTED ITEM RESOLVED

MAJOR PROGRAM INTERNAL CONTROL FINDINGS:

2013-001 Medical Assistance Program (CFDA #93.778) US Department of Health and Human Services Passed through Minnesota Department of Human Services: Grant Period Year Ended December, 31, 2013; Internal Control Over Disbursements

During 2013 testing of this program, we noted two of forty items selected for testing was without documentation of supervisor approval prior to payment.

RESOLUTION

No similar occurrences noted during 2014 testing.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	\$ 191,769
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	<u>234,492</u>
Total Department of Agriculture		426,261
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	1,878
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	17,967
U.S. Department of Education		
Passed Through Minnesota Department of Health		
Special Education-Grants for Infants and Families	84.181	2,288
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	25,633
Universal Newborn Hearing Screening	93.251	700
Immunization Cooperative Agreements	93.268	2,500
Temporary Assistance for Needy Families (Total TANF Cluster \$85,070)	93.558	30,999
Maternal and Child Health Services Block Grant to the States	93.994	22,911
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	4,579
Temporary Assistance for Needy Families (Total TANF Cluster \$85,070)	93.558	54,071
Child Support Enforcement	93.563	324,700
Refugee and Entrant Assistance - State Administered Programs	93.566	1,087
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	5,552

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services (Continued)		
Stephanie Tubbs Jones Child Welfare Services Program	93.645	\$ 3,018
Foster Care - Title IV-E	93.658	109,404
Social Services Block Grant	93.667	113,112
Chafee Foster Care Independence Program	93.674	1,000
Children's Health Insurance Program	93.767	93
Medical Assistance Program (Part of Medicaid Cluster)	93.778	577,604
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>1,280</u>
Total Department of Health and Human Services		1,278,243
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	121,540
Emergency Management Performance Grants	97.042	<u>43,591</u>
Total Department of Homeland Security		<u>165,131</u>
Total Cash Type Federal Awards		<u><u>\$ 1,891,768</u></u>

Notes to the Schedule of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of Federal award programs expended by Nobles County. The County's reporting entity is defined in Note 1 to the Financial Statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County as described in Section 205 of OMB Circular A-133. Governmental funds use the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2014, Nobles County did not pass any federal money to subrecipients.
5. Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 1,955,164
Revenues included on the Schedule of Intergovernmental Revenue that are not considered 2014 Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(85,984)
Expenditures included on the Schedule of Expenditures of Federal Awards that are not considered 2014 intergovernmental revenues (Current Year Deferred Inflows of Resources)	<u>22,588</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,891,768</u></u>

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Nobles County
Worthington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Nobles County, Minnesota (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 15, 2015.

The County's basic financial statements include the operations of the Rock-Nobles Community Corrections (RNCC) for the year ended December 31, 2014. Our audit, described below, did not include the operations of RNCC because the component unit engaged for its own separate audits that included provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Nobles County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Nobles County's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2015

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