

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015**

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
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DECEMBER 31, 2015**

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INTRODUCTORY SECTION

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 ORGANIZATION
 DECEMBER 31, 2015**

Office	Name	Term Expires
Commissioners		
1 st District	Marvin Zylstra	January 2016
2 nd District	Gene Metz**	January 2018
3 rd District	Matt Widboom*	January 2016
4 th District	Robert Demuth	January 2016
5 th 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	Pam Friesen	Indefinite
Highway Engineer	Stephen Schnieder	Indefinite

* = Chair 2015

** = Vice-Chair 2015

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FINANCIAL SECTION

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, each major fund, and the aggregate remaining fund information of Nobles County (the County), Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nobles County, as of December 31, 2015, 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.

Emphasis of a Matter

As of December 31, 2015, the County adopted Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions* and GASBS Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASBS No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the County reported a restatement for the change in accounting principle (see Note 9.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – other postemployment health care benefits, schedule of the County's proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information 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.

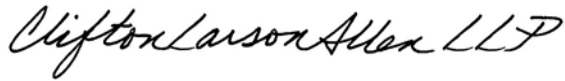
Supplementary information

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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* is also presented for purposes of additional analysis and is 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 and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of County Commissioners
Nobles County

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, 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.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 25, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015, and the prior year, 2014, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net position increased \$2,373,831 (2.6 percent) in 2015 over the prior year. This is primarily due to the County's receipt of highways and streets funding in excess of expenses during 2015 and increased wind energy tax.
- Overall governmental fund-level revenues totaled \$28,853,985 and were \$2,611,699 greater than expenditures in 2015.
- The General Fund's fund balance increased \$188,855 from the prior year with revenues over budget by \$949,154 and expenditures over budget by \$694,560.

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:

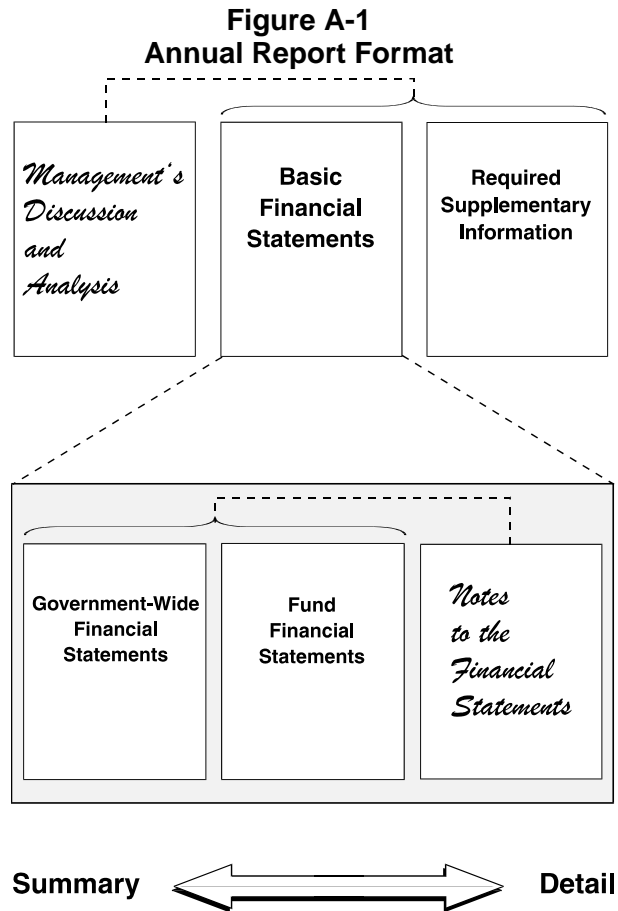
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations 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, 2015**

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, 2015**

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, deferred outflows of resources, liabilities and deferred inflows of resources. 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, 2015**

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, deferred outflows of resources, 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.

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, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$88,773,187 on December 31, 2015 (see Table A-1).

Table A-1
 The County's Net Position

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 26,064,324	\$ 24,956,141
Capital Assets	80,456,786	81,567,952
Total Assets	106,521,110	106,524,093
Deferred Outflows of Resources	1,176,387	-
Current Liabilities	3,070,610	3,735,781
Long-Term Liabilities	14,899,505	9,119,457
Total Liabilities	17,970,115	12,855,238
Deferred Inflows of Resources	954,195	886,186
Net Position		
Net Investment in Capital Assets	72,563,476	72,534,990
Restricted	6,887,606	6,669,816
Unrestricted	9,322,105	13,577,863
Total Net Position	\$ 88,773,187	\$ 92,782,669

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015**

CHANGE IN NET POSITION

The County-wide total revenues were \$28,534,675 for the year ended December 31, 2015 (a decrease of \$3,363,229). This decrease is primarily attributable to a decrease in intergovernmental revenues (specifically capital grants and contributions). Property taxes and operating and capital grants and contributions accounted for 75 percent of total revenue for the year (see Table A-2).

Table A-2

Change in Net Position

	Governmental Activities		Total % Change
	2015	2014	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,101,499	\$ 3,089,466	0.4 %
Operating Grants and Contributions	6,430,266	5,958,678	7.9
Capital Grants and Contributions	3,185,546	7,578,591	(58.0)
<u>General Revenues</u>			
Property Taxes	11,656,935	11,294,583	3.2
Other	4,160,429	3,976,586	4.6
Total Revenues	<u>28,534,675</u>	<u>31,897,904</u>	(10.5)
EXPENSES			
General Government	6,048,612	6,856,962	(11.8)
Public Safety	4,374,407	4,024,839	8.7
Highways and Streets	6,065,501	6,909,323	(12.2)
Sanitation	446,965	711,924	(37.2)
Human Services	5,899,411	5,469,511	7.9
Health	1,035,341	822,921	25.8
Culture and Recreation	804,819	841,547	(4.4)
Conservation of Natural Resources	618,199	409,218	51.1
Economic Development	628,661	66,745	841.9
Buildings and Plant	70,387	-	100.0
Interest	168,541	303,980	(44.6)
Total Expenses	<u>26,160,844</u>	<u>26,416,970</u>	(1.0)
CHANGE IN NET POSITION	2,373,831	5,480,934	(56.7)
Net Position - Beginning of Year	92,782,669	87,301,735	6.3
Change in Accounting Principle	(6,383,313)	-	100.0
Net Position - Beginning of Year, as Restated	<u>86,399,356</u>	<u>87,301,735</u>	
NET POSITION - END OF YEAR	<u>\$ 88,773,187</u>	<u>\$ 92,782,669</u>	(4.3)

Total revenues surpassed expenses, increasing net position \$2,373,831 over last year.

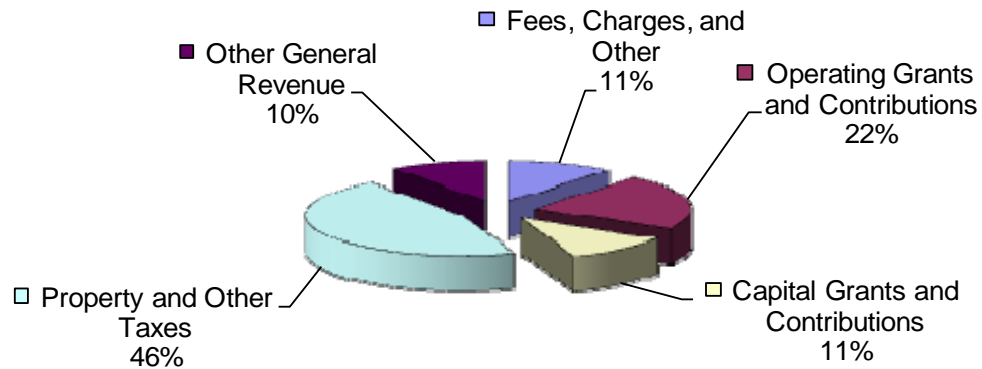
**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015**

CHANGE IN NET POSITION (CONTINUED)

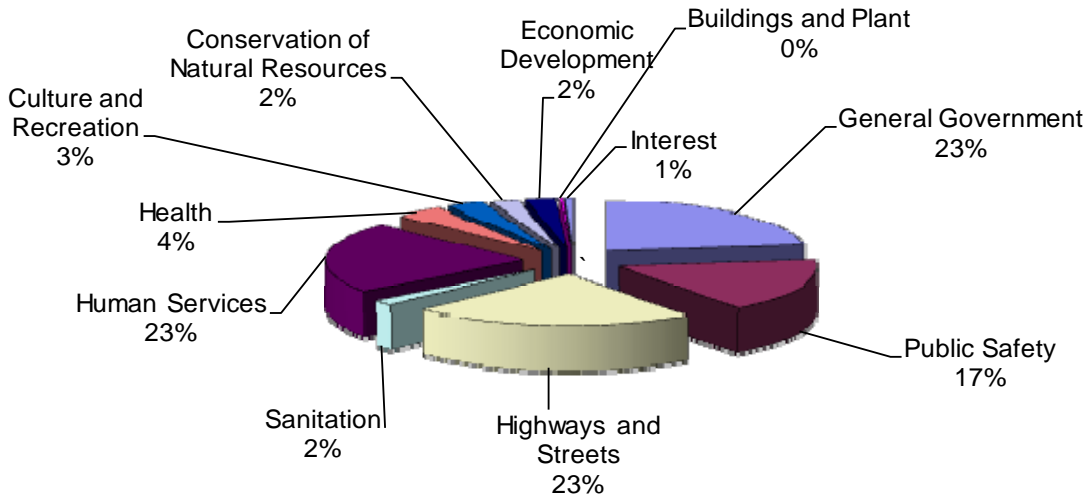
The County-wide cost of all governmental activities this year was \$26,160,844.

- Some of the cost was paid by the users of the County's programs (\$3,101,499).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,615,812).
- The remainder of the County's governmental activities costs (\$13,443,533) was paid for by taxpayers. This portion of governmental activities was paid from the combination of \$13,006,781 in property and other taxes, \$1,001,793 of state aid, and \$1,781,545 in investment earnings and other general revenues.

Governmental Activities Revenues by Source 2015



Governmental Activities Expenses by Type 2015



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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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
	2015	2014		2015	2014	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,048,612	\$ 6,856,962	(11.8)%	\$ 5,332,648	\$ 5,967,802	(10.6)%
Public Safety	4,374,407	4,024,839	8.7	3,351,532	3,259,369	2.8
Highways and Streets	6,065,501	6,909,323	(12.2)	520,200	(3,295,293)	115.8
Sanitation	446,965	711,924	(37.2)	(525,702)	(27,511)	(1810.9)
Human Services	5,899,411	5,469,511	7.9	2,536,738	2,539,534	(0.1)
Health	1,035,341	822,921	25.8	185,375	152,070	21.9
Culture and Recreation	804,819	841,547	(4.4)	708,812	740,349	(4.3)
Conservation of Natural Resources	618,199	409,218	51.1	466,341	83,190	460.6
Economic Development	628,661	66,745	841.9	628,661	66,745	841.9
Buildings and Plant	70,387	-	100.0	70,387	-	100.0
Interest	168,541	303,980	(44.6)	168,541	303,980	(44.6)
Total	<u>\$ 26,160,844</u>	<u>\$ 26,416,970</u>	(1.0)	<u>\$ 13,443,533</u>	<u>\$ 9,790,235</u>	37.3

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 \$22,613,677. Revenues for the County's governmental funds were \$28,853,985, while total expenditures were \$26,242,286.

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund's fund balance increased by \$188,855 during 2015 with revenues over budget by \$949,154 and expenditures exceeding budget by \$694,560.

The Public Works Fund increased its fund balance from \$3,472,343 in 2014 to \$6,147,833 in 2015. The increase is due to intergovernmental revenue exceeding current year construction costs. Of the total fund balance, 16 percent is set aside for resource conservation and development and county road improvements.

The Family Services Fund revenues were under budget during 2015 by \$79,417 and expenditures were under budget during 2015 by \$283,951 resulting in a fund balance increase of \$199,334 during 2015.

The Justice Center Debt Service Fund decreased fund balance by \$66,997 from 2014, which is primarily due to expenditures exceeding revenue and the planned use of fund balance.

The Building Fund decreased fund balance by \$322,076 over 2014, due to the purchase of the armory building in 2015.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015**

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
	2015	2014	(Decrease)	
Taxes	\$ 6,564,972	\$ 5,793,785	\$ 771,187	13.3 %
Intergovernmental	1,087,448	821,282	266,166	32.4
Charges for Services	1,371,387	1,128,236	243,151	21.6
Gifts and Contributions	34,755	1,369	33,386	2438.7
Interest on Investments	23,406	21,972	1,434	6.5
Miscellaneous and Other	1,034,963	1,290,151	(255,188)	(19.8)
Total General Fund Revenues	\$ 10,116,931	\$ 9,056,795	\$ 1,060,136	11.7

Total General Fund revenues increased by \$1,060,136, or 11.7 percent, from the previous year due primarily to increases in tax revenues, intergovernmental revenues and charges for services. Charges for services increased primarily due to increases in prisoner boarding. Miscellaneous revenue decreased due to a reduction in the amount of disaster recovery work done for Buffalo Ridge Rail Authority in 2015.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
 General Fund Expenditures

	Year Ended		Change	Percent
	December 31, 2015	December 31, 2014	Increase (Decrease)	
General Government	\$ 5,197,818	\$ 5,208,124	\$ (10,306)	(0.2)%
Public Safety	3,896,643	3,625,910	270,733	7.5
Conservation of Natural Resources	107,253	105,031	2,222	2.1
Economic Development	628,661	66,745	561,916	841.9
Intergovernmental	130,894	154,572	(23,678)	(15.3)
Capital Outlay	107,237	263,098	(155,861)	(59.2)
Debt Service	6,679	-	6,679	100.0
Total Expenditures	\$ 10,075,185	\$ 9,423,480	\$ 651,705	6.9

Total General Fund expenditures increased by \$651,705 or 6.9 percent, from the previous year due primarily to the County transferring \$562,183 to the Worthington Regional Economic Development Corporation.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015**

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

General Fund Budgetary Highlights

The County made budget adjustments during 2015. Historically, the County tries to minimize the amount of changes.

- General Fund actual revenues were over budget by \$949,154. Intergovernmental revenues exceeded budget by \$542,300 as market value credits, disparity aid and PERA aid came in higher than anticipated. Miscellaneous revenue exceeded budget by \$182,585 primarily due to the receipt of disaster recovery funds.
- Actual expenditures exceeded budget by \$694,560. Community Development expenditures exceeded budget by \$553,985 primarily due to the County transferring the DEED program's federal derived funds to the County's designated LDO (Local Development Organization), Worthington Regional Economic Development Corporation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

CAPITAL ASSETS

By the end of 2015, the County had invested approximately \$125,700,000 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 3.A.3 to the financial statements). Total depreciation expense for the year was \$3,154,616.

Table A-6
 The County's Capital Assets

	Governmental Activities		Percent Change
	2015	2014	
Land	\$ 1,346,300	\$ 1,346,300	-
Construction-in-Progress	308,785	2,043,091	(84.9)
Land Improvements	1,853,563	1,853,563	-
Buildings	24,260,031	23,335,852	4.0
Machinery and Equipment	8,116,211	7,876,914	3.0
Infrastructure	89,799,525	87,557,720	2.6
Less: Accumulated Depreciation	(45,227,629)	(42,445,488)	6.6
Total	<u>\$ 80,456,786</u>	<u>\$81,567,952</u>	(1.4)

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015**

LONG-TERM LIABILITIES

At year-end, the County had \$9,491,208 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$983,011, due primarily to the continued payment of outstanding bonds.
- The County financed the purchase of a new phone system through a capital lease totaling \$181,897 in 2015.

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

	2015	2014	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Premiums	\$ 7,691,376	\$ 9,006,246	(14.6)%
Loans Payable	399,444	369,817	8.0
Capital Lease Payable	201,934	26,716	655.9
Compensated Absences Payable	1,198,454	1,071,440	11.9
Total	\$ 9,491,208	\$10,474,219	(9.4)

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, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 22,486,253
Taxes Receivable - Delinquent	83,156
Special Assessments Receivable	128,465
Accounts Receivable - Net	221,957
Loans Receivable	938,555
Accrued Interest Receivable	8,456
Due from Other Governments	1,768,230
Inventory	274,713
Prepaid Items	154,539
Non-Depreciable Capital Assets	
Land	1,346,300
Construction-in-Progress	308,785
Depreciable Capital Assets - Net of Accumulated Depreciation	
Building	12,371,847
Improvements Other than Buildings	920,896
Machinery, Vehicles, Furniture, and Equipment	2,310,081
Infrastructure	63,198,877
Total Assets	<u>106,521,110</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	1,176,387
LIABILITIES	
Accounts Payable	654,601
Salaries Payable	310,367
Contracts Payable	191,348
Accrued Interest Payable	78,761
Due to Other Governments	253,549
Unearned Revenue	189,686
Compensated Absences Payable - Due Within One Year	108,784
General Obligation Refunding Bonds Payable - Due Within One Year	850,000
Revenue Lease Refunding Bonds Payable - Due Within One Year	360,000
ISTS Loans Payable - Due Within One Year	30,456
Capital Lease Payable - Due Within One Year	43,058
Compensated Absences Payable - Due in More Than One Year	1,089,670
Other Postemployment Benefits Payable - Due in More Than One Year	60,100
General Obligation Refunding Bonds Payable - Due in More Than One Year	3,905,000
Revenue Lease Refunding Bonds Payable - Due in More Than One Year	2,576,376
ISTS Loans Payable - Due in More Than One Year	368,988
Capital Lease Payable - Due in More Than One Year	158,876
Net Pension Liability - Due in More Than One Year	6,740,495
Total Liabilities	<u>17,970,115</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	954,195
NET POSITION	
Net Investment in Capital Assets	72,563,476
Restricted For:	
General Government	1,033,898
Highways and Streets	1,051,174
Public Safety	402,988
Conservation	1,645,569
Economic Development	8,858
Debt Service	2,745,119
Unrestricted	9,322,105
Total Net Position	<u>\$ 88,773,187</u>

See accompanying Notes to Financial Statements.

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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF ACTIVITIES
DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	\$ 6,048,612	\$ 673,851	\$ 42,113	\$ -	\$ (5,332,648)
Public Safety	4,374,407	692,070	330,805	-	(3,351,532)
Highways and Streets	6,065,501	551,697	1,808,058	3,185,546	(520,200)
Sanitation	446,965	848,635	124,032	-	525,702
Human Services	5,899,411	38,365	3,324,308	-	(2,536,738)
Health	1,035,341	93,390	756,576	-	(185,375)
Culture and Recreation	804,819	60,304	35,703	-	(708,812)
Conservation of Natural Resources	618,199	143,187	8,671	-	(466,341)
Economic Development	628,661	-	-	-	(628,661)
Buildings and Plant	70,387	-	-	-	(70,387)
Interest	168,541	-	-	-	(168,541)
Total Governmental Activities	<u>\$ 26,160,844</u>	<u>\$ 3,101,499</u>	<u>\$ 6,430,266</u>	<u>\$ 3,185,546</u>	<u>(13,443,533)</u>
GENERAL REVENUES					
Property Taxes					11,656,935
Mortgage Registry and Deed Tax					14,248
Wheelage Tax					221,820
Wind Energy Tax					1,000,074
Payments in Lieu of Tax					113,704
Grants and Contributions not Restricted for a Particular Purpose					1,001,793
Investment Earnings					23,925
Miscellaneous					1,757,620
Gain on Sale of Capital Assets					27,245
Total General Revenues					<u>15,817,364</u>
CHANGE IN NET POSITION					2,373,831
Net Position - Beginning of Year					92,782,669
Change in Accounting Principle					(6,383,313)
Net Position - Beginning of Year, as Restated					<u>86,399,356</u>
NET POSITION - END OF YEAR					<u>\$ 88,773,187</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Public Works	Family Services
ASSETS			
Cash and Pooled Investments	\$ 8,450,228	\$ 6,169,144	\$ 2,292,592
Undistributed Cash in Agency Funds	84,452	13,909	33,175
Petty Cash and Change Funds	2,175	150	-
Taxes Receivable - Delinquent	42,733	7,535	19,618
Special Assessments Receivable			
Delinquent	-	5,716	-
Noncurrent	-	-	-
Accounts Receivable	1,909	42,565	177,224
Loans Receivable	497,146	441,409	-
Accrued Interest Receivable	8,456	-	-
Due from Other Funds	1,260	-	-
Due from Other Governments	257,275	655,707	847,926
Inventory	-	274,713	-
Prepaid Items	153,924	122	-
	\$ 9,499,558	\$ 7,610,970	\$ 3,370,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 225,280	\$ 86,035	\$ 321,477
Salaries Payable	136,833	56,220	105,879
Contracts Payable	-	191,348	-
Due to Other Funds	-	-	1,260
Due to Other Governments	75,359	24,718	45,329
Unearned Revenue	-	-	189,686
	437,472	358,321	663,631
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Tax Related	32,036	5,694	14,911
Unavailable Revenue - Special Assessment Related	-	5,716	-
Unavailable Revenue - Grant Related	-	-	35,203
Unavailable Revenue - Loans Receivable Related	497,146	441,409	-
Unavailable Revenue - State Aid Allotment Related	-	609,765	-
Unavailable Revenue - Charges for Services Related	25,518	42,232	-
	554,700	1,104,816	50,114

See accompanying Notes to Financial Statements.

Building	Justice Center Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 1,541,563	\$ 2,895,465	\$ 980,479	\$ 22,329,471
5	15,082	7,779	154,402
-	-	55	2,380
30	9,358	3,882	83,156
-	-	296	6,012
-	-	122,453	122,453
-	-	259	221,957
-	-	-	938,555
-	-	-	8,456
-	-	-	1,260
1,500	-	5,822	1,768,230
-	-	-	274,713
-	-	493	154,539
<u>\$ 1,543,098</u>	<u>\$ 2,919,905</u>	<u>\$ 1,121,518</u>	<u>\$ 26,065,584</u>

\$ 6,588	\$ -	\$ 15,221	\$ 654,601
-	-	11,435	310,367
-	-	-	191,348
-	-	-	1,260
-	96,025	12,118	253,549
-	-	-	189,686
<u>6,588</u>	<u>96,025</u>	<u>38,774</u>	<u>1,600,811</u>
30	9,089	3,776	65,536
-	-	122,749	128,465
-	-	-	35,203
-	-	-	938,555
-	-	-	609,765
-	-	5,822	73,572
<u>30</u>	<u>9,089</u>	<u>132,347</u>	<u>1,851,096</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2015**

	<u>General</u>	<u>Public Works</u>	<u>Family Services</u>
FUND BALANCES			
Nonspendable			
Inventory	\$ -	\$ 274,713	\$ -
Prepaid Items	153,924	122	-
Restricted			
Missing Heirs	1,000	-	-
Law Library	40,332	-	-
Recorder's Compliance Fund	316,140	-	-
Recorder's Technology Fund	111,468	-	-
Attorney Forfeiture	58,057	-	-
Sheriff's Contingency	16,469	-	-
Handgun Permit	73,593	-	-
Canteen Fund	1,220	-	-
E-911	311,706	-	-
Broadband Internet	9,755	-	-
Debt Service	-	-	-
Resource Conservation and Development	-	999,452	-
Donations	-	-	-
Ditch	-	-	-
Committed			
Public Works	-	4,873,546	-
Family Services	-	-	1,577,029
Building	-	-	-
Library	-	-	-
Property Forfeiture	-	-	-
Assigned			
Capital Equipment	1,124,479	-	27,947
Out-of-Home Placements	-	-	1,051,814
Future Revolving Loans	121,746	-	-
Unassigned	6,167,497	-	-
Total Fund Balances	<u>8,507,386</u>	<u>6,147,833</u>	<u>2,656,790</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,499,558</u>	<u>\$ 7,610,970</u>	<u>\$ 3,370,535</u>

See accompanying Notes to Financial Statements.

<u>Building</u>	<u>Justice Center Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 274,713
-	-	493	154,539
-	-	-	1,000
-	-	-	40,332
-	-	-	316,140
-	-	-	111,468
-	-	-	58,057
-	-	-	16,469
-	-	-	73,593
-	-	-	1,220
-	-	-	311,706
-	-	-	9,755
-	2,814,791	-	2,814,791
-	-	-	999,452
-	-	8,858	8,858
-	-	523,368	523,368
-	-	-	4,873,546
-	-	-	1,577,029
1,536,480	-	-	1,536,480
-	-	263,842	263,842
-	-	147,836	147,836
-	-	6,000	1,158,426
-	-	-	1,051,814
-	-	-	121,746
-	-	-	6,167,497
<u>1,536,480</u>	<u>2,814,791</u>	<u>950,397</u>	<u>22,613,677</u>
<u>\$ 1,543,098</u>	<u>\$ 2,919,905</u>	<u>\$ 1,121,518</u>	<u>\$ 26,065,584</u>

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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2015**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 22,613,677
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.	80,456,786
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.	1,851,096
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	1,176,387
Deferred Inflows of Resources Related to Pensions	(954,195)
Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Refunding Bonds	\$ (4,755,000)
Net Pension Liability	(6,740,495)
Capital Leases	(201,934)
Lease Revenue Refunding Bond	(2,800,000)
Loans Payable	(399,444)
Compensated Absences	(1,198,454)
Other Postemployment Benefits Payable	(60,100)
Accrued Interest Payable	(78,761)
Unamortized Premium on Bonds	(136,376)
	(16,370,564)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 88,773,187</u></u>

See accompanying Notes to Financial Statements

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015**

	General	Public Works	Family Services
REVENUES			
Taxes	\$ 6,564,972	\$ 1,276,050	\$ 2,651,416
Special Assessments	-	-	-
Licenses and Permits	20,518	136,876	5,160
Intergovernmental	1,087,448	5,913,948	3,762,033
Charges for Services	1,371,387	1,058,271	303,850
Fines and Forfeits	7,287	-	-
Gifts and Contributions	34,755	-	-
Interest on Investments	23,406	-	-
Miscellaneous	1,007,158	104,088	688,153
Total Revenues	10,116,931	8,489,233	7,410,612
EXPENDITURES			
CURRENT			
General Government	5,197,818	119,230	-
Public Safety	3,896,643	-	-
Highways and Streets	-	3,920,622	-
Sanitation	-	431,396	-
Human Services	-	-	6,007,215
Community Health	-	-	1,026,165
Culture and Recreation	-	128,185	-
Conservation of Natural Resources	107,253	357,483	-
Economic Development	628,661	-	-
Buildings and Plant	-	-	-
INTERGOVERNMENTAL	130,894	442,054	177,898
CAPITAL OUTLAY	107,237	292,491	-
DEBT SERVICE			
Principal	6,679	35,847	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	10,075,185	5,727,308	7,211,278
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,746	2,761,925	199,334
OTHER FINANCING SOURCES (USES)			
Transfers In	40,512	-	-
Transfers Out	(83,700)	-	-
Proceeds from Capital Lease	181,897	-	-
Loan Proceeds	-	65,474	-
Proceeds from Sale of Assets	8,400	31,129	-
Total Other Financing Sources (Uses)	147,109	96,603	-
NET CHANGE IN FUND BALANCES	188,855	2,858,528	199,334
Fund Balances - Beginning of Year	8,318,531	3,472,343	2,457,456
DECREASE IN INVENTORY	-	(183,038)	-
FUND BALANCES - END OF YEAR	<u>\$ 8,507,386</u>	<u>\$ 6,147,833</u>	<u>\$ 2,656,790</u>

See accompanying Notes to Financial Statements.

Building	Justice Center Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 665,106	\$ 1,230,820	\$ 523,010	\$ 12,911,374
-	-	121,358	121,358
-	-	-	162,554
-	-	-	10,763,429
-	-	5,414	2,738,922
-	-	-	7,287
-	-	2,776	37,531
-	767	-	24,173
40,544	197,695	49,719	2,087,357
705,650	1,429,282	702,277	28,853,985
-	-	10,559	5,327,607
-	-	-	3,896,643
-	-	-	3,920,622
-	-	-	431,396
-	-	-	6,007,215
-	-	-	1,026,165
-	-	519,207	647,392
-	-	205,794	670,530
-	-	-	628,661
70,387	-	-	70,387
-	-	-	750,846
922,339	-	3,950	1,326,017
-	1,290,000	-	1,332,526
-	196,650	-	196,650
-	9,629	-	9,629
992,726	1,496,279	739,510	26,242,286
(287,076)	(66,997)	(37,233)	2,611,699
-	-	83,700	124,212
(35,000)	-	(5,512)	(124,212)
-	-	-	181,897
-	-	-	65,474
-	-	-	39,529
(35,000)	-	78,188	286,900
(322,076)	(66,997)	40,955	2,898,599
1,858,556	2,881,788	909,442	19,898,116
-	-	-	(183,038)
\$ 1,536,480	\$ 2,814,791	\$ 950,397	\$ 22,613,677

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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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,898,599

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	\$ 2,055,734	
Net Book Value of Capital Asset Disposals	(12,284)	
Current Year Depreciation	<u>(3,154,616)</u>	(1,111,166)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (72,439)

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience. (134,990)

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	(65,474)	
Proceeds from Capital Lease	<u>(181,897)</u>	(247,371)

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		
Refunding Bonds	940,000	
Lease Revenue Refunding Bonds	350,000	
Capital Leases	6,679	
Loans	<u>35,847</u>	1,332,526

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	5,941	
Amortization of Discounts and Premiums	24,870	
Change in Compensated Absences	(127,014)	
Change in Other Postemployment Benefits	(12,087)	
Change in Inventory	<u>(183,038)</u>	<u>(291,328)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,373,831

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

ASSETS

Cash and Pooled Investments	<u>\$ 318,461</u>
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LIABILITIES

Due to Others	\$ 15,881
Due to Other Governments	<u>302,580</u>
Total Liabilities	<u>\$ 318,461</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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.

Joint Ventures

The County participates in joint ventures which are described in Note 8.B. The County also participates in jointly-governed organizations which are described in Note 8.C.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2015**

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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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. Financial statements for the MAGIC fund can be obtained on their website, www.magicfund.org.

2. Undistributed Cash in Agency Funds

Undistributed cash in agency funds, consists of the January 2016 tax settlement which has been collected at the County prior to December 31, 2015 but is not settled out of the taxes and penalties agency fund until January 2016.

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."

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and Payables (Continued)

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.

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. Inventory 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 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.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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.

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. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 4.

7. 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 financial statements.

8. Unearned Revenue

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Inflows of Resources

The County's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related inflow until a future event occurs. The County reports deferred inflows or resources related to revenue recognition under the modified accrual basis of account and as related to the requirements of reporting pensions.

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. Unavailable revenue is reported in the governmental funds balance sheet.

10. 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.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. 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, grantors, 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.

13. 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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. 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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

Imposed Nonexchange Transactions (Continued)

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.

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, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Budget

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

Fund	Expenditures	Budget	Excess
General Fund	\$ 10,075,185	\$ 9,380,625	\$ 694,560
Building Fund	992,726	180,000	812,726
Justice Center Debt Service	1,496,279	1,489,155	7,124

The excess of expenditures over budgets were funded by greater than anticipated revenues and use of existing fund balance.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 3 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	\$ 22,486,253
Agency Funds	
Cash and Pooled Investments	
Taxes and Penalties Fund	302,580
Jail Inmate Account	10,935
Social Welfare Fund	1,747
Sheriff's Trust Account	3,199
Total Agency Funds	318,461
Total Cash and Investments	\$ 22,804,714

FUND FINANCIAL STATEMENTS

Governmental Funds	
Cash and Pooled Investments	\$ 22,329,471
Undistributed Cash in Agency Funds	154,402
Petty Cash and Change Funds	2,380
Agency Funds	
Cash and Pooled Investments	318,461
Total Cash and Pooled Investments	\$ 22,804,714

DEPOSITS

Checking	\$ 10,899,531
Money Market Savings	5,401,656
Certificates of Deposit	5,280,000

INVESTED IN MAGIC FUND

1,221,147

PETTY CASH

2,380

Total Cash and Investments	\$ 22,804,714
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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 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, 2015, 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, 2015**

NOTE 3 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, 2015, the County had the following investments:

	Fair Value Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund	\$ 1,221,147

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, 2015, the County had no investments required to be rated.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 3 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, 2015.

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, 2015, 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
	<u> </u>	<u> </u>
Governmental Activities		
Taxes	\$ 83,156	\$ -
Special Assessments	128,465	-
Accounts	221,957	-
Interest	8,456	-
Loans	938,555	853,981
Due from Other Governments	1,768,230	-
Total Governmental Activities	<u>\$ 3,148,819</u>	<u>\$ 853,981</u>

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 1,346,300	\$ -	\$ -	\$ 1,346,300
Construction-in-Process	2,043,091	507,499	2,241,805	308,785
Total Capital Assets, Not Being Depreciated	3,389,391	507,499	2,241,805	1,655,085
Capital Assets, Being Depreciated				
Buildings	23,335,852	924,179	-	24,260,031
Improvements Other than Buildings	1,853,563	-	-	1,853,563
Machinery and Equipment	7,876,914	624,056	384,759	8,116,211
Infrastructure	87,557,720	2,241,805	-	89,799,525
Total Capital Assets, Being Depreciated	120,624,049	3,790,040	384,759	124,029,330
Less Accumulated Depreciation for				
Buildings	11,150,778	737,406	-	11,888,184
Improvements Other than Buildings	874,244	58,423	-	932,667
Machinery, Furniture, and Equipment	5,542,104	636,501	372,475	5,806,130
Infrastructure	24,878,362	1,722,286	-	26,600,648
Total Accumulated Depreciation	42,445,488	3,154,616	372,475	45,227,629
Total Capital Assets, Being Depreciated, Net	78,178,561	635,424	12,284	78,801,701
Governmental Activities Capital Assets, Net	<u>\$ 81,567,952</u>	<u>\$ 1,142,923</u>	<u>\$ 2,254,089</u>	<u>\$ 80,456,786</u>

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

Governmental Activities	
General Government	\$ 901,125
Public Safety	205,544
Highways and Streets, Including Depreciation of Infrastructure Assets	1,998,266
Sanitation	10,352
Human Services	7,098
Culture and Recreation	11,722
Conservation of Natural Resources	20,509
Total Depreciation Expense - Governmental Activities	<u>\$ 3,154,616</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 3 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, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Family Services	<u>\$ 1,260</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		
Building Fund	\$ 35,000	Capital Expenditures
Ditch Fund	5,512	Return of Excess Cash
Transfers to Ditch Fund from		
General Fund	<u>83,700</u>	For Cash Flows
Total Interfund Transfers	<u>\$ 124,212</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. During 2015, the County recorded rental revenue of \$70,954 related to this agreement.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Operating Leases Receivable (Continued)

The County entered into a lease agreement with the City of Worthington for the law enforcement center. The lease payments are pledged for the 2009 Jail Lease Revenue Refunding Bonds. Future minimum lease payments are as follows:

Year Ending December 31		
2016	\$	197,409
2017		196,991
2018		198,397
2019		199,384
2020		199,975
Thereafter		397,260
Total		\$ 1,389,416

C. Liabilities

1. Payables

Payables at December 31, 2015, were as follows:

Accounts	\$ 654,601
Salaries	310,367
Contracts	191,348
Due to Other Governments	253,549
Total Payables	\$ 1,409,865

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
2014 G.O. Refunding Bonds	2021	\$305,000 - \$940,000	0.40 - 2.00	\$ 5,695,000	\$ 4,755,000
2009B Jail Lease Revenue Refunding Bonds	2022	\$250,000 - \$455,000	2.00 - 3.75	4,125,000	2,800,000
Add: Unamortized Premium				-	136,376
Total Bonds Outstanding, Net				\$ 9,820,000	\$ 7,691,376

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Refunding Bonds		Lease Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 850,000	\$ 86,600	\$ 360,000	\$ 88,525
2017	870,000	69,400	370,000	77,575
2018	890,000	51,800	385,000	65,769
2019	910,000	33,800	400,000	53,013
2020	930,000	15,400	415,000	39,354
2021-2025	305,000	3,050	870,000	32,598
Total	\$ 4,755,000	\$ 260,050	\$ 2,800,000	\$ 356,834

Year Ending December 31	Loans Payable		Capital Lease	
	Principal	Interest	Principal	Interest
2016	\$ 30,456	\$ -	\$ 43,058	\$ 5,810
2017	50,526	-	43,058	4,647
2018	46,357	-	43,058	3,445
2019	22,765	-	36,379	2,207
2020	42,001	-	36,381	1,060
2021-2025	203,035	-	-	-
2026	4,304	-	-	-
Total	\$ 399,444	\$ -	\$ 201,934	\$ 17,169

4. 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 2026. The loans are repaid with the proceeds that are collected on the related loans receivable in the Public Works funds.

As of December 31, 2015, the County has \$148,959 of loan proceeds available to be drawn down from the State of Minnesota.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

4. Capital Lease

On March 31, 2014, the County financed the acquisition of printers totaling \$16,000 using a capital lease with an effective interest rate of 3.86 percent payable annually in installments of \$3,200 through 2019.

On September 30, 2014, the County financed the acquisition of two servers totaling \$17,395 using a capital lease with an effective interest rate of 3.73 percent payable annually in installments of \$3,479 through 2019.

On July 1, 2015, the County financed the acquisition of a telephone system totaling \$181,897 using a capital lease with an effective interest rate of 3 percent payable annually in installments of \$36,379 through 2020.

The assets acquired through capital leases that meet the County's capitalization threshold are as follows:

	Governmental Activities
Machinery and Equipment	\$ 215,291
Less: Accumulated Depreciation	(20,222)
Total	\$ 195,069

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Refunding Bonds	\$ 5,695,000	\$ -	\$ 940,000	\$ 4,755,000	\$ 850,000
Lease Revenue Refunding	3,150,000	-	350,000	2,800,000	360,000
Plus: Premium on Refunding	161,246	-	24,870	136,376	-
Total Bonds Payable	9,006,246	-	1,314,870	7,691,376	1,210,000
Capital Leases	26,716	181,897	6,679	201,934	43,058
Loans Payable	369,817	65,474	35,847	399,444	30,456
Compensated Absences	1,071,440	841,192	714,178	1,198,454	108,708
Governmental Activity Long-Term Liabilities	\$ 10,474,219	\$ 1,088,563	\$ 2,071,574	\$ 9,491,208	\$ 1,392,222

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees other than those covered by PEPFF and PECF are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

3. Public Employees Correctional Fund (PECF)

The Local Government Correctional Fund, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits

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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 % of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

3. PECF Benefits

Benefits for PECF members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For PECF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The County contributions to the GERF for the year ended December 31, 2015, were \$490,424. The County contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The County was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The County contributions to the PEPFF for the year ended December 31, 2015, were \$141,394. The County contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2015 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2015. The County contributions to the PECF for the year ended December 31, 2015, were \$92,662. The County contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the County reported a liability of \$5,628,216 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion share was .1086%.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERP Pension Costs (Continued)

For the year ended December 31, 2015, the County recognized pension expense of \$594,035 for its proportionate share of the GERP's pension expense.

At December 31, 2015, the County reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 283,758
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	532,797	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	468,576
County Contributions Subsequent to the Measurement Date	252,442	-
Total	<u>\$ 785,239</u>	<u>\$ 752,334</u>

\$252,442 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2016	\$ (117,579)
2017	(117,579)
2018	(117,579)
2019	133,200

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the County reported a liability of \$1,022,611 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .0900%.

For the year ended December 31, 2015, the County recognized pension expense of \$179,820 for its proportionate share of the PEPFF's pension expense. The County also recognized \$8,100 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the County reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 165,834
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	178,173	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	18,001	-
County Contributions Subsequent to the Measurement Date	73,624	-
Total	<u>\$ 269,798</u>	<u>\$ 165,834</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

\$73,624 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2016	\$ 14,977
2017	14,977
2018	14,977
2019	14,977
2020	(29,568)

3. PECF Pension Costs

At December 31, 2015, the County reported a liability of \$89,668 for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .58%.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 34,330
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	74,745	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	1,697
County Contributions Subsequent to the Measurement Date	46,605	-
Total	<u>\$ 121,350</u>	<u>\$ 36,027</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

\$46,605 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense
2016	\$ 6,677
2017	6,677
2018	6,677
2019	18,687

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	
Inflation	2.75% per Year
Active Member Payroll Growth	3.50% per Year
Investment Rate of Return	7.90% per Year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2034, then 2.5% for GERF and PEPFF, and 2.5% for all years (PECF).

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for the PECF, but assumptions are reviewed annually.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount Rate	6.90%	7.90%	8.90%
County's Proportionate Share of the GERP Net Pension Liability	\$ 8,849,556	\$ 5,628,216	\$ 2,967,884
County's Proportionate Share of the PEPFF Net Pension Liability	1,993,079	1,022,611	220,835
County's Proportionate Share of the PECF Net Pension Liability (Asset)	624,463	89,668	(338,384)

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED CONTRIBUTION PENSION 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, 2015, 2014, and 2013 were \$4,673 \$4,425, and \$4,082, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

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, 2015, there were three retirees receiving health benefits from the County's health plan.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of 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 2015, 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	1,440
Adjustment to ARC	<u>(2,414)</u>
Annual OPEB Cost	29,959
Contributions during the year	<u>(17,872)</u>
Increase in Net OPEB Obligation	12,087
Net OPEB - Beginning of the Year	<u>48,013</u>
Net OPEB - End of the Year	<u><u>\$ 60,100</u></u>

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 29,959	\$ 17,872	59.7 %	\$ 60,100
December 31, 2014	30,251	15,878	52.5	48,013
December 31, 2013	19,793	6,933	35.0	33,640

B. Funding Status

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

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Actuarial Methods and Assumptions

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

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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County 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 group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. 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 \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 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, 2015, the Lincoln-Pipestone Rural Water System had \$32,404,810 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 \$18,261,000 at December 31, 2015.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 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 2015 financial report shows total net position of \$50,526,120, including unrestricted net position of \$21,866,493. The increase in net position for the year ended December 31, 2015, was \$276,593.

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, 2015**

NOTE 8 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, 2015**

NOTE 8 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 2015, Nobles County paid a total of \$385,506 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, 2015**

NOTE 8 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 2015, Nobles County contributed \$2,685 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 2015.

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, 2015**

NOTE 8 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 2015, the County made contributions of \$32,067 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 2015, Nobles County provided \$23,216 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, 2015**

NOTE 8 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.

Rock Nobles Community Corrections

Nobles County participates with Rock County in a joint venture to provide community corrections services. Rock Nobles Community Corrections was established under the Community Corrections Act, January 1, 1979. Rock Nobles Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders.

The governing board is composed of two County Commissioners from the participating counties and three lay members. Rock Nobles Community Corrections is headquartered in Worthington, Minnesota, with offices at the county seats of the member counties. Financing is provided by state grants and appropriations from member counties. Nobles County's contribution to Rock Nobles Community Corrections for the year ended December 31, 2015, was \$177,898.

Complete financial statements of Rock Nobles Community Corrections can be obtained at the Rock County Courthouse, 204 East Brown Street, P. O. Box 509, Luverne, Minnesota 56156-0509.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

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 2015, Nobles County paid \$1,000 to the Board.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly-Governed Organizations (Continued)

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 2015.

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 \$18,423 to the MCCC.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

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, 2015:

Description	Remaining Balance	Original Contract Amount
Road and Bridge Fund Project 053-610-009	<u>\$ 39,471</u>	<u>\$ 2,235,786</u>

NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014 net position of the governmental activities as shown below.

Beginning Net Position, as Previously Stated	Governmental Activities \$ 92,782,669
Cumulative Affect of Application of GASB 68 Net Pension Liability	(6,722,705)
Cumulative Affect of Application of GASB 71 Deferred Outflows of Resources for Contributions Made During the Measurement Period	339,392
Beginning Net Position, as Restated	\$ 86,399,356

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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, 2015**

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

The Notes to Required Supplementary Information are an integral part of this schedule.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Measurement Date June 30, 2015
PERA - GERF	
County's Proportion of the Net Pension Liability	0.1086%
County's Proportionate Share of the Net Pension Liability	\$ 5,628,216
County's Covered-Employee Payroll	\$ 6,494,662
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%
PERA - PEPFF	
County's Proportion of the Net Pension Liability	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 1,022,611
County's Covered-Employee Payroll	\$ 852,190
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	120.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.30%
PERA - PECF	
County's Proportion of the Net Pension Liability	0.5800%
County's Proportionate Share of the Net Pension Liability	\$ 89,668
County's Covered-Employee Payroll	\$ 1,038,560
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	8.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.90%

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
PERA - GERF		
Contractually Required Contribution	\$ 490,424	\$ 468,336
Contributions in Relation to the Contractually Required Contribution	<u>(490,424)</u>	<u>(468,336)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 6,538,987	\$ 6,459,807
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.25%
PERA - PEPFF		
Contractually Required Contribution	\$ 141,394	\$ 120,801
Contributions in Relation to the Contractually Required Contribution	<u>(141,394)</u>	<u>(120,801)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 872,802	\$ 789,549
Contributions as a Percentage of Covered Employee Payroll	16.20%	15.30%
PERA - PECF		
Contractually Required Contribution	\$ 92,662	\$ 89,639
Contributions in Relation to the Contractually Required Contribution	<u>(92,662)</u>	<u>(89,639)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
County's Covered-Employee Payroll	\$ 1,058,994	\$ 1,024,446
Contributions as a Percentage of Covered Employee Payroll	8.75%	8.75%

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,475,376	\$ 6,475,376	\$ 6,564,972	\$ 89,596
Licenses and Permits	6,000	6,000	20,518	14,518
Intergovernmental	545,148	545,148	1,087,448	542,300
Charges for Services	1,279,680	1,279,680	1,371,387	91,707
Fines and Forfeits	3,000	3,000	7,287	4,287
Gifts and Contributions	4,000	4,000	34,755	30,755
Interest on Investments	30,000	30,000	23,406	(6,594)
Miscellaneous	824,573	824,573	1,007,158	182,585
Total Revenues	9,167,777	9,167,777	10,116,931	949,154
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	190,764	190,764	190,176	588
Courts	120,000	120,000	109,963	10,037
Law Library	20,000	20,000	17,154	2,846
County Administration	416,119	416,119	484,598	(68,479)
County Auditor-Treasurer	569,924	569,924	578,600	(8,676)
Finance	164,907	164,907	162,899	2,008
County Assessor	361,741	361,741	392,343	(30,602)
Elections	23,100	23,100	15,099	8,001
Data Processing	518,594	518,594	646,906	(128,312)
Central Services	21,089	21,089	15,915	5,174
Attorney	736,671	736,671	727,333	9,338
Recorder	255,000	255,000	312,663	(57,663)
Buildings and Plant	986,542	971,542	1,193,991	(222,449)
Veterans Service Officer	64,127	64,127	64,062	65
Other General Government	482,901	489,901	286,116	203,785
Total General Government	4,931,479	4,923,479	5,197,818	(274,339)
PUBLIC SAFETY				
Sheriff	1,865,652	1,873,652	1,896,260	(22,608)
Coroner	25,000	25,000	19,703	5,297
County Jail	1,939,844	1,939,844	1,891,394	48,450
Civil Defense	118,467	118,467	89,286	29,181
Total Public Safety	3,948,963	3,956,963	3,896,643	60,320

The Notes to 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, 2015**

	<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	\$ 122,944	\$ 122,944	\$ 107,253	\$ 15,691
ECONOMIC DEVELOPMENT				
Community Development	74,676	74,676	628,661	(553,985)
INTERGOVERNMENTAL				
Culture and Recreation	97,538	97,538	130,894	(33,356)
CAPITAL OUTLAY	205,025	205,025	107,237	97,788
DEBT SERVICE				
Principal	-	-	6,679	(6,679)
Total Expenditures	<u>9,380,625</u>	<u>9,380,625</u>	<u>10,075,185</u>	<u>(694,560)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(212,848)	(212,848)	41,746	254,594
OTHER FINANCING SOURCES (USES)				
Transfers In	169,825	169,825	40,512	(129,313)
Transfers Out	(31,177)	(31,177)	(83,700)	(52,523)
Proceeds from Capital Lease	-	-	181,897	181,897
Proceeds from Sale of Assets	15,000	15,000	8,400	(6,600)
Total Other Financing Sources (Uses)	<u>153,648</u>	<u>153,648</u>	<u>147,109</u>	<u>(6,539)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (59,200)</u>	<u>\$ (59,200)</u>	188,855	<u>\$ 248,055</u>
Fund Balance - Beginning of Year			<u>8,318,531</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,507,386</u>	

The Notes to 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,297,573	\$ 1,297,573	\$ 1,276,050	\$ (21,523)
Licenses and Permits	131,000	131,000	136,876	5,876
Intergovernmental	4,529,093	4,529,093	5,913,948	1,384,855
Charges for Services	919,500	919,500	1,058,271	138,771
Miscellaneous	80,040	80,040	104,088	24,048
Total Revenues	6,957,206	6,957,206	8,489,233	1,532,027
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Planning and Zoning	118,040	118,040	119,230	(1,190)
HIGHWAY AND STREETS				
Administration	240,463	240,463	264,543	(24,080)
Maintenance	1,235,553	1,235,553	1,320,835	(85,282)
Construction	2,785,847	2,785,847	1,530,433	1,255,414
Equipment and Maintenance Shops	897,159	897,159	745,054	152,105
Other	55,302	55,302	59,757	(4,455)
Total Highways and Streets	5,214,324	5,214,324	3,920,622	1,293,702
SANITATION				
Solid Waste	62,068	62,068	89,872	(27,804)
Recycling	361,012	361,012	341,524	19,488
Total Sanitation	423,080	423,080	431,396	(8,316)
CULTURE AND RECREATION				
Parks	131,148	131,148	128,185	2,963
CONSERVATION OF NATURAL RESOURCES				
Agricultural Inspection	102,958	102,958	105,453	(2,495)
Water Planning	370,777	370,777	252,030	118,747
Total Conservation of Natural Resources	473,735	473,735	357,483	116,252
INTERGOVERNMENTAL	401,052	401,052	442,054	(41,002)
CAPITAL OUTLAY	320,000	320,000	292,491	27,509
DEBT SERVICE				
Principal	40,000	40,000	35,847	4,153
Total Expenditures	7,121,379	7,121,379	5,727,308	1,394,071
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(164,173)	(164,173)	2,761,925	2,926,098
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	235,000	235,000	65,474	(169,526)
Proceeds from Sale of Assets	-	-	31,129	31,129
Total Other Financing Sources (Uses)	235,000	235,000	96,603	(138,397)
NET CHANGE IN FUND BALANCE	\$ 70,827	\$ 70,827	2,858,528	\$ 2,787,701
Fund Balance - Beginning of Year			3,472,343	
Decrease in Inventory			(183,038)	
FUND BALANCE - END OF YEAR			<u>\$ 6,147,833</u>	

The Notes to 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,968,994	\$ 2,968,994	\$ 2,651,416	\$ (317,578)
Licenses and Permits	4,440	4,440	5,160	720
Intergovernmental	3,581,876	3,581,876	3,762,033	180,157
Charges for Services	273,258	273,258	303,850	30,592
Miscellaneous	661,461	661,461	688,153	26,692
Total Revenues	<u>7,490,029</u>	<u>7,490,029</u>	<u>7,410,612</u>	<u>(79,417)</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,074,186	2,074,186	2,011,227	62,959
Social Services	4,324,550	4,324,550	3,995,988	328,562
Total Human Services	<u>6,398,736</u>	<u>6,398,736</u>	<u>6,007,215</u>	<u>391,521</u>
HEALTH				
Community Health	918,595	918,595	1,026,165	(107,570)
INTERGOVERNMENTAL	<u>177,898</u>	<u>177,898</u>	<u>177,898</u>	<u>-</u>
Total Expenditures	<u>7,495,229</u>	<u>7,495,229</u>	<u>7,211,278</u>	<u>283,951</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,200)</u>	<u>\$ (5,200)</u>	199,334	<u>\$ 204,534</u>
Fund Balance - Beginning of Year			<u>2,457,456</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,656,790</u>	

The Notes to 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 665,000	\$ 665,000	\$ 665,106	\$ 106
Miscellaneous	-	-	40,544	40,544
Total Revenues	<u>665,000</u>	<u>665,000</u>	<u>705,650</u>	<u>40,650</u>
EXPENDITURES				
CURRENT				
BUILDING AND PLANT				
Building and Plant	80,000	80,000	70,387	9,613
CAPITAL OUTLAY	<u>100,000</u>	<u>100,000</u>	<u>922,339</u>	<u>(822,339)</u>
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>992,726</u>	<u>(812,726)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	485,000	485,000	(287,076)	(772,076)
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	-	(35,000)	(35,000)
NET CHANGE IN FUND BALANCE	<u>\$ 485,000</u>	<u>\$ 485,000</u>	(322,076)	<u>\$ (807,076)</u>
Fund Balance - Beginning of Year			<u>1,858,556</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,536,480</u>	

The Notes to Required Supplementary Information are an integral part of this schedule.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2015**

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.

II. Excess of Expenditures over Budget

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

Fund	Expenditures	Budget	Excess
General Fund	\$ 10,075,185	\$ 9,380,625	\$ 694,560
Building Fund	992,726	180,000	812,726
Justice Center Debt Service	1,496,279	1,489,155	7,124

The excess of expenditures over budgets were funded by greater than anticipated revenues and use of existing fund balance.

III. Pensions

The pension schedules are provided prospectively beginning with the year ended December 31, 2015.

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SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2015**

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, 2015**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Library	Property Forfeiture	
ASSETS				
Cash and Pooled Investments	\$ 546,517	\$ 285,427	\$ 148,535	\$ 980,479
Undistributed Cash in Agency Funds	1,319	6,259	201	7,779
Petty Cash and Change Funds	-	55	-	55
Taxes Receivable - Delinquent	-	3,762	120	3,882
Special Assessments Receivable				
Delinquent	296	-	-	296
Noncurrent	122,453	-	-	122,453
Accounts Receivable, Net	-	259	-	259
Due from Other Governments	1,464	4,358	-	5,822
Prepaid Items	-	493	-	493
Total Assets	\$ 672,049	\$ 300,613	\$ 148,856	\$ 1,121,518
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 14,510	\$ 211	\$ 500	\$ 15,221
Salaries Payable	-	11,435	-	11,435
Due to Other Governments	9,958	1,760	400	12,118
Total Liabilities	24,468	13,406	900	38,774
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Tax Related	-	3,656	120	3,776
Unavailable Revenue - Special Assessment Related	122,749	-	-	122,749
Unavailable Revenue - Charges for Services Related	1,464	4,358	-	5,822
Total Deferred Inflows of Resources	124,213	8,014	120	132,347
FUND BALANCES				
Nonspendable				
Prepaid Items	-	493	-	493
Restricted				
Donations	-	8,858	-	8,858
Ditch	523,368	-	-	523,368
Committed				
Library	-	263,842	-	263,842
Property Forfeiture	-	-	147,836	147,836
Assigned				
Capital Equipment	-	6,000	-	6,000
Total Fund Balances	523,368	279,193	147,836	950,397
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 672,049	\$ 300,613	\$ 148,856	\$ 1,121,518

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Library	Property Forfeiture	
REVENUES				
Taxes	\$ -	\$ 506,548	\$ 16,462	\$ 523,010
Special Assessments	121,358	-	-	121,358
Charges for Services	-	5,414	-	5,414
Gifts and Contributions	-	2,776	-	2,776
Miscellaneous	1,184	11,079	37,456	49,719
Total Revenues	122,542	525,817	53,918	702,277
EXPENDITURES				
CURRENT				
General Government	-	-	10,559	10,559
Culture and Recreation	-	519,207	-	519,207
Conservation of Natural Resources	205,794	-	-	205,794
CAPITAL OUTLAY	-	3,950	-	3,950
Total Expenditures	205,794	523,157	10,559	739,510
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,252)	2,660	43,359	(37,233)
OTHER FINANCING SOURCES (USES)				
Transfers In	83,700	-	-	83,700
Transfers Out	(5,512)	-	-	(5,512)
Total Other Financing Sources (Uses)	78,188	-	-	78,188
NET CHANGE IN FUND BALANCES	(5,064)	2,660	43,359	40,955
Fund Balance - Beginning of Year	528,432	276,533	104,477	909,442
FUND BALANCE - END OF YEAR	<u>\$ 523,368</u>	<u>\$ 279,193</u>	<u>\$ 147,836</u>	<u>\$ 950,397</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 JUSTICE CENTER DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,280,006	\$ 1,280,006	\$ 1,230,820	\$ (49,186)
Interest on Investments	300	300	767	467
Miscellaneous	<u>208,849</u>	<u>208,849</u>	<u>197,695</u>	<u>(11,154)</u>
Total Revenues	1,489,155	1,489,155	1,429,282	(59,873)
EXPENDITURES				
DEBT SERVICE				
Principal	1,290,000	1,290,000	1,290,000	-
Interest	196,155	196,155	196,650	(495)
Administrative (Fiscal) Charges	<u>3,000</u>	<u>3,000</u>	<u>9,629</u>	<u>(6,629)</u>
Total Expenditures	<u>1,489,155</u>	<u>1,489,155</u>	<u>1,496,279</u>	<u>(7,124)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(66,997)	<u>\$ (66,997)</u>
Fund Balance - Beginning of Year			<u>2,881,788</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,814,791</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 LIBRARY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 526,931	\$ 526,931	\$ 506,548	\$ (20,383)
Charges for Services	5,005	5,005	5,414	409
Gifts and Contributions	-	-	2,776	2,776
Miscellaneous	4,500	4,500	11,079	6,579
Total Revenues	<u>536,436</u>	<u>536,436</u>	<u>525,817</u>	<u>(10,619)</u>
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
County/Regional Library	529,936	529,936	519,207	10,729
CAPITAL OUTLAY	<u>6,500</u>	<u>6,500</u>	<u>3,950</u>	<u>2,550</u>
Total Expenditures	<u>536,436</u>	<u>536,436</u>	<u>523,157</u>	<u>13,279</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	2,660	<u>\$ 2,660</u>
Fund Balance - Beginning of Year			<u>276,533</u>	
FUND BALANCE - END OF YEAR			<u>\$ 279,193</u>	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2015**

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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 69,851	\$ 30,395,952	\$ 30,163,223	\$ 302,580
Accounts Receivable	133	-	133	-
Total Assets	<u>\$ 69,984</u>	<u>\$ 30,395,952</u>	<u>\$ 30,163,356</u>	<u>\$ 302,580</u>
LIABILITIES				
Due to Other Governments	<u>\$ 69,984</u>	<u>\$ 30,395,952</u>	<u>\$ 30,163,356</u>	<u>\$ 302,580</u>
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	<u>\$ 30,254</u>	<u>\$ 168,579</u>	<u>\$ 187,898</u>	<u>\$ 10,935</u>
LIABILITIES				
Due to Others	<u>\$ 30,254</u>	<u>\$ 168,579</u>	<u>\$ 187,898</u>	<u>\$ 10,935</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>\$ 619</u>	<u>\$ 103,419</u>	<u>\$ 100,839</u>	<u>\$ 3,199</u>
LIABILITIES				
Due to Others	<u>\$ 619</u>	<u>\$ 103,419</u>	<u>\$ 100,839</u>	<u>\$ 3,199</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 102,471	\$ 30,667,950	\$ 30,451,960	\$ 318,461
Accounts Receivable	133	-	133	-
Total Assets	<u>\$ 102,604</u>	<u>\$ 30,667,950</u>	<u>\$ 30,452,093</u>	<u>\$ 318,461</u>
LIABILITIES				
Due to Others	\$ 32,620	\$ 271,998	\$ 288,737	\$ 15,881
Due to Other Governments	69,984	30,395,952	30,163,356	302,580
Total Liabilities	<u>\$ 102,604</u>	<u>\$ 30,667,950</u>	<u>\$ 30,452,093</u>	<u>\$ 318,461</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF INTERGOVERNMENTAL REVENUE
 YEAR ENDED DECEMBER 31, 2015**

	<u>Total Primary Government</u>
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 5,489,053
County Program Aid	376,088
PERA Rate Increase	28,842
Disparity Reduction Aid	70,969
Police aid	90,390
Enhanced 911	95,857
Aquatic Invasive Species	54,340
Market Value Credit	<u>333,312</u>
Total Shared Revenue	6,538,851
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	897,779
PAYMENTS	
Local	
Local - Payments in Lieu of Taxes	113,704
GRANTS	
STATE	
Minnesota Department of	
Health	180,391
Human Services	799,154
Natural Resources	34,804
Veterans Services	10,000
Water and Soil Resources Board	8,671
Pollution Control Agency	112,412
Peace Officer Standards and Training Board	<u>5,366</u>
Total State	1,150,798
FEDERAL	
Department of	
Agriculture	413,195
Education	2,492
Transportation	6,269
Health and Human Services	1,592,340
Homeland Security	<u>48,001</u>
Total Federal	2,062,297
Total State and Federal Grants	<u>3,213,095</u>
Total Intergovernmental Revenue	<u><u>\$ 10,763,429</u></u>

**REPORTS RELATED TO GOVERNMENT
AUDITING STANDARDS
AND SINGLE AUDIT**

**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, each major fund, and the aggregate remaining fund information of Nobles County (the County), Minnesota, as of and for the year ended December 31, 2015, 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 August 25, 2016.

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 County'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 2015-001 through 2015-004 to be material weaknesses.

Compliance and Other Matters

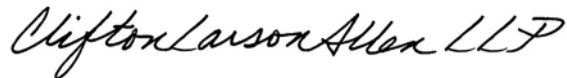
As part of obtaining reasonable assurance about whether Nobles County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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
August 25, 2016

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on Nobles County's major federal programs for the year ended December 31, 2015. Nobles County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-005 through 2015-007. Our opinion on each major federal program is not modified with respect to these matters.

Nobles County's Responses to Findings

Nobles County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Nobles County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nobles County's internal control over compliance.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-006 and 2015-007 to be significant deficiencies.

Report on Internal Control Over Compliance (Continued)

Nobles County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Nobles County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 25, 2016

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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
93.778	Medical Assistance Program (Medicaid Cluster)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

SECTION II – FINANCIAL STATEMENT FINDINGS

2015-001 Segregation of Duties

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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.

2015-002 Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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, adjust inventory to actual, recognize capital lease proceeds and expenditures, adjust contracts payable, 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, 2015**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2015-003 Timely Deposits

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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. A check received in December 2015 totaling \$21,665 was not deposited and accounted for until after year end.

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.

2015-004 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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, 2015**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-005

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Medical Assistance Program (Part of Medicaid Cluster)

CFDA Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Pass Through Numbers: 1505MN5ADM, 1605MN5ADM

Award Periods: October 1, 2014 – September 30, 2015 and October 1, 2015 – September 30, 2016

Type of Finding: Material Weakness in Internal Control over Compliance and Compliance

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

Condition and Context: The County is responsible for maintaining documentation to support client eligibility. In one of forty case files tested, documentation was not maintained to support client citizenship verification. In one of forty case files tested, the payroll stubs were not retained to support the income amounts documented within MAXIS. In one of forty case files tested, income was not properly calculated and entered into MAXIS. In one of forty cash files tested, the case was not properly closed after the application renewal was not received.

Questioned Costs: None.

Cause: Documentation to support eligibility was requested; however, never obtained.

Effect: The lack of proper eligibility documentation increases the risk that benefits could be provided to ineligible clients.

Recommendation: We recommend County personnel establish procedures and controls over client eligibility determinations. Case files should be reviewed to ensure proper documentation exists to support the eligibility determination including citizenship verifications, pay stubs, income calculations and renewal applications.

Views of Responsible Officials and Planned Corrective Actions

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Actions Planned in Response to Finding: Policies and procedures reviewed at unit meetings with all income maintenance staff.

Responsible Party: Family Services Director

Planned Completion Date for Corrective Action Plan: December 31, 2016.

Plan to Monitor Completion of Corrective Action Plan: Periodic case reviews conducted by the Income Maintenance Supervisor.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2015-006

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Medical Assistance Program (Part of Medicaid Cluster)

CFDA Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Pass Through Numbers: 1505MN5ADM, 1605MN5ADM

Award Periods: October 1, 2014 – September 30, 2015 and October 1, 2015 – September 30, 2016

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: County Income Maintenance Random Moment Study (IMRMS) Coordinators are responsible for participant management, including identifying and entering all new time study participants and participant changes and deletions.

Condition and Context: For one of two quarters tested, the participant list within the IMRMS database did not agree to the list of employees charged to the County RMS payroll code. One employee charged to the RMS payroll code was not reported within the IMRMS database.

Questioned Costs: None.

Cause: The employee's time was split between departments and the IMRMS Coordinator was unaware of the requirement to report this individual.

Effect: An incomplete time study participant list impacts the County's allocation of federal administrative costs.

Recommendation: We recommend the County establish policies and procedures to ensure the participant list within the IMRMS database is complete and accurate. The database should be updated on a quarterly basis and the participant list should be compared to a list to employees coding their time to the County RMS payroll codes.

Views of responsible officials and planned corrective actions

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Actions Planned in Response to Finding: IMRMS Coordinator and Fiscal Supervisor will coordinate review of participants listed on the IMRMS as compared to those coding their time to RMS payroll codes. RMS studies are also discussed during new employee orientation.

Responsible Party: Family Services Director

Planned Completion Date for Corrective Action Plan: December 31, 2016.

Plan to Monitor Completion of Corrective Action Plan: Quarterly reviews and discussions will occur between the IMRMS Coordinator and Fiscal Supervisor.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2015-007

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Medical Assistance Program (Part of Medicaid Cluster)

CFDA Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Pass Through Numbers: 1505MN5ADM, 1605MN5ADM

Award Periods: October 1, 2014 – September 30, 2015 and October 1, 2015 – September 30, 2016

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: OMB Compliance Supplement - Allowable Costs/Cost Principles.

Condition and Context: One of forty grant disbursements tested were ineligible for federal reimbursement.

Questioned Costs: \$3,538 which includes projected costs of \$3,488 and known questioned costs of \$50.

Cause: Misunderstanding of grant provisions.

Effect: Noncompliance with grant provisions and potentially overstating federal expenditures.

Recommendation: To comply with the Uniform Grant Guidance, the County should exercise due care in the review and approval process to ensure expenditures are eligible for grant reimbursement. Grant agreements, cost circulars, and compliance supplements should be reviewed annually to gain a thorough understanding of the types of costs allowed.

Views of responsible officials and planned corrective actions

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Create new COA's for these specific payments which will exclude them from being claimed for reimbursement on an automated system vs. having to manually remove them.

Responsible party: Family Services Director

Planned completion date for corrective action plan: December 31, 2016.

Plan to monitor completion of corrective action plan: Claims for reimbursement will be reviewed manually during quarterly reporting to ensure that they are all coded correctly.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Year Reference Number: 2014-001

See current year finding 2015-001.

Reason for Finding's Recurrence: Limited number of County personnel within several departments makes it difficult to resolve this finding. County management continues to evaluate the concentration of duties and responsibilities within the smaller departments and will segregate duties as deemed cost beneficial.

Prior Year Reference Number: 2014-002

See current year finding 2015-002.

Reason for Finding's Recurrence: Limited County resources were dedicated to year end closing procedures and audit preparation resulting in the need for audit adjustments.

Prior Year Reference Number: 2014-003

See current year finding 2015-003.

Reason for Finding's Recurrence: The County did not implement policies and procedures to ensure deposits are made on a timely basis.

Prior Year Reference Number: 2014-004

See current year finding 2015-004.

Reason for Finding's Recurrence: The County relies on the audit firm to prepare annual financial statements and related note disclosures.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	USDA-FNS FY15 WIC BF	\$ 200,515
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	15152MN101S2514 16162MN101S2514	<u>212,680</u>
Total Department of Agriculture			413,195
U.S. Department of Transportation			
Passed Through the City of Worthington, Minnesota State and Community Highway Safety	20.600	A-ENFRC16-2016-WORTHIPD-0053	6,269
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education-Grants for Infants and Families	84.181	H181A090002	2,492
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	CDC-RFA-TP12-120102	21,584
Public Health Emergency Preparedness	93.074	3-7780 Nobles	616
Universal Newborn Hearing Screening	93.251	HRSA-15-085	550
Immunization Cooperative Agreements	93.268	10A NCAC 41A .0401	3,125
Temporary Assistance for Needy Families (Total TANF Cluster \$89,770)	93.558	1502MNTANF 1601MNTANF	36,138
Maternal and Child Health Services Block Grant to the States	93.994	BO4MCZ3394	28,889
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	0000401OK10FP00 0000401OK10FP00	6,244
Temporary Assistance for Needy Families (Total TANF Cluster \$89,770)	93.558	1502MNTANF 1601MNTANF	53,632
Child Support Enforcement	93.563	1504MNCSES 1604MNCES 1604MNCSES	267,905
Refugee and Entrant Assistance - State Administered Programs	93.566	1501MNRCA	342
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	1501MNCCDF	4,846
Community-Based Child Abuse Prevention Grants	93.590	1402MNFPRG	3,352
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNCWSS	4,115
Foster Care - Title IV-E	93.658	1501MNFOST 1601MNFOST	162,822
Social Services Block Grant	93.667	1501MNSOSR 1601MNSOSR	114,799
Chafee Foster Care Independence Program	93.674	1501MNCILP 1601MNCILP	140
Children's Health Insurance Program	93.767	1505MN5021 1505MN1081 1605MN5021	102
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1505MN5ADM 1605MN5ADM	821,840
Passed Through Des Moines Valley Health and Human Services State and Local Public Health Actions	93.757	1U58DP005452-01	<u>92,995</u>
Total Department of Health and Human Services			1,624,036

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	P07204182PA	\$ 4,051
Emergency Management Performance Grants	97.042	A-EMPG-2015-NOBLESCO-0055	<u>21,665</u>
Total Department of Homeland Security			<u>25,716</u>
Total Cash Type Federal Awards			<u>\$ 2,071,708</u>

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**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 REPORTING ENTITY

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.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Nobles County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Nobles County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Nobles County.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Nobles County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

Nobles County did not pass federal funds to subrecipients.

NOTE 5 RECONCILIATION

Reconciliation to the schedule of intergovernmental revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 2,062,297
Revenues Included on the Schedule of Intergovernmental Revenue that are not Considered	
2015 Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(22,588)
Expenditures included on the Schedule of Expenditures of Federal Awards that	
are not Considered 2015 Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	<u>31,999</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,071,708</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, each major fund, and the aggregate remaining fund information of Nobles County, Minnesota (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 25, 2016.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: 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 Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Nobles County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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
August 25, 2016

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