

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

Year Ended December 31, 2015



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2015

Office	Name	Term Expires
Commissioners		
1st District	Jay Backer	January 2019
2nd District	Wade Athey**	January 2017
3rd District	Brent Olson	January 2017
4th District	Roger Sandberg*	January 2019
5th District	Joseph Berning	January 2017
Officers		
Elected		
Attorney	William Watson	January 2019
Auditor	Michelle Knutson	January 2019
Recorder	Elaine Martig	January 2019
Sheriff	John Haukos	January 2019
Treasurer	Cindy Nelson	January 2019
Appointed		
Assessor	Sandra Vold	December 2016
Coroner	Robert Ross, M.D.	January 2019
Environmental Officer	Darren Wilke	Indefinite
Emergency Management Director	James Hasslen	Indefinite
Highway Engineer	Nicholas Anderson	May 2017
Human Resources Director	Dawn Gregoire	Indefinite
Information Technology Director	Terry Ocaña	Indefinite
Veterans Service Officer	Daniel Meyer	Indefinite
Family Services		
Board		
Chair	Roger Sandberg	January 2019
Vice Chair	Jay Backer	January 2019
Secretary	Kathy Morrill	July 2017
Member	Joseph Berning	January 2017
Member	Brent Olson	January 2017
Member	Wade Athey	January 2017
Member	Alice Stielow	July 2016
Director	Pam Rud	Indefinite

*Chair 2015

**Chair 2016

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Big Stone County
Ortonville, 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 Big Stone 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Big Stone County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, on our consideration of Big Stone County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Stone County's internal control over financial reporting and compliance.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

March 23, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$30,401,563, of which \$26,873,248 is net investment in capital assets, and \$1,143,966 is restricted to specific purposes. The \$2,384,349 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position decreased by \$29,826 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E.
- The net cost of governmental activities for the current fiscal year was \$5,227,572. The net cost was funded by general revenues totaling \$5,197,746.
- The fund balances of the governmental funds increased by \$3,848,497.

For the year ended December 31, 2015, the unrestricted fund balance of the General Fund was \$3,363,212, or 79.7 percent, of the total General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, family services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities or component units for which the County is legally accountable.

The government-wide statements are Exhibits 1 and 2 of this report.

Fund Level Financial Statements

Fund level financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Highway Special Revenue Fund, Family Services Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 7.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 65 of this report.

Other Information

Other information is provided as supplementary information regarding Big Stone County's intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$30,401,563 at the close of 2015. The largest portion of the net position (88.4 percent) reflects the County's net investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Big Stone County Net Position (in thousands)

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 12,417	\$ 9,338
Capital assets	27,483	26,232
Total Assets	\$ 39,900	\$ 35,570
Deferred Outflows of Resources		
Deferred pension outflows	\$ 422	\$ -
Liabilities		
Long-term liabilities	\$ 9,183	\$ 2,228
Other liabilities	431	350
Total Liabilities	\$ 9,614	\$ 2,578
Deferred Inflows of Resources		
Deferred pension inflows	\$ 306	\$ -

	Governmental Activities	
	2015	2014
Net Position		
Net investment in capital assets	\$ 26,874	\$ 25,561
Restricted	1,144	1,879
Unrestricted	2,384	5,552
Total Net Position, as reported	\$ 30,402	\$ 32,992
Change in accounting principle*		(2,561)
Total Net Position, as restated		\$ 30,431

*This is the first year the County implemented the new pension accounting and financial reporting standards GASB Statements 68 and 71. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 7.84 percent of the net position.

Governmental Activities

The County's activities decreased net position by 0.10 percent (\$30,401,563 for 2015, compared to \$30,431,389 for 2014, after the restatement for GASB Statements 68 and 71). Key elements of this decrease in net position are as follows:

Big Stone County Changes in Net Position (in thousands)

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Charges for services	\$ 1,463	\$ 1,233
Operating grants and contributions	4,723	4,430
Capital grants and contributions	-	620
General revenues		
Property taxes	4,455	4,452
Other	743	791
Total Revenues	\$ 11,384	\$ 11,526

	Governmental Activities	
	2015	2014
Expenses		
General government	\$ 2,082	\$ 1,998
Public safety	1,137	1,079
Highways	4,154	3,966
Sanitation	200	192
Human services	2,528	2,365
Health	99	97
Culture and recreation	176	215
Conservation of natural resources	785	376
Economic development	155	41
Interest	97	28
Total Expenses	\$ 11,413	\$ 10,357
Change in Net Position	\$ (29)	\$ 1,169
Net Position - January 1, as restated	30,431*	31,823
Net Position - December 31, as reported	\$ 30,402	\$ 32,992

*Amount includes a change in accounting principles.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end available for spending. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,443,003, an increase of \$3,848,497 in comparison with the prior year. Of the combined ending fund balances, \$6,304,173 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$3,363,212. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund unrestricted fund balance represents 79.7 percent of total General Fund expenditures. During 2015, the ending fund balance increased by \$3,885,065.

The Highway Special Revenue Fund had an unrestricted fund balance of \$1,363,583 at fiscal year-end, representing 26.8 percent of its annual expenditures. The ending fund balance increased \$197,971 during 2015.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$1,668,494 at fiscal year-end, representing 68.1 percent of its annual expenditures. The ending fund balance increased \$41,877 during 2015.

The Ditch Special Revenue Fund had an unrestricted fund balance of \$(91,116) at fiscal year-end. The ending fund balance decreased \$280,083 during 2015.

The Debt Service Fund had a restricted fund balance of \$103,338 at fiscal year-end, representing 118.5 percent of its annual expenditures. The ending fund balance increased \$3,667 during 2015.

Governmental Activities

The County's total revenues were \$11,383,812. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2015.

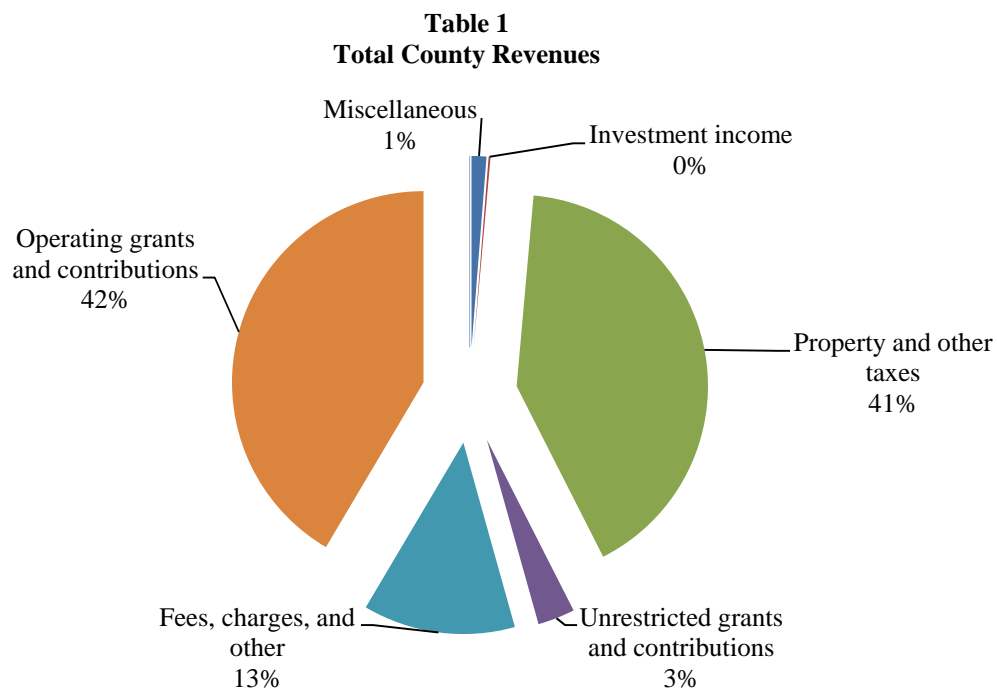


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were \$11,383,812, while total expenses were \$11,413,638. This reflects a \$29,826 decrease in net position for the year ended December 31, 2015.

**Table 2
General Revenues, Program Revenues, and Expenses**

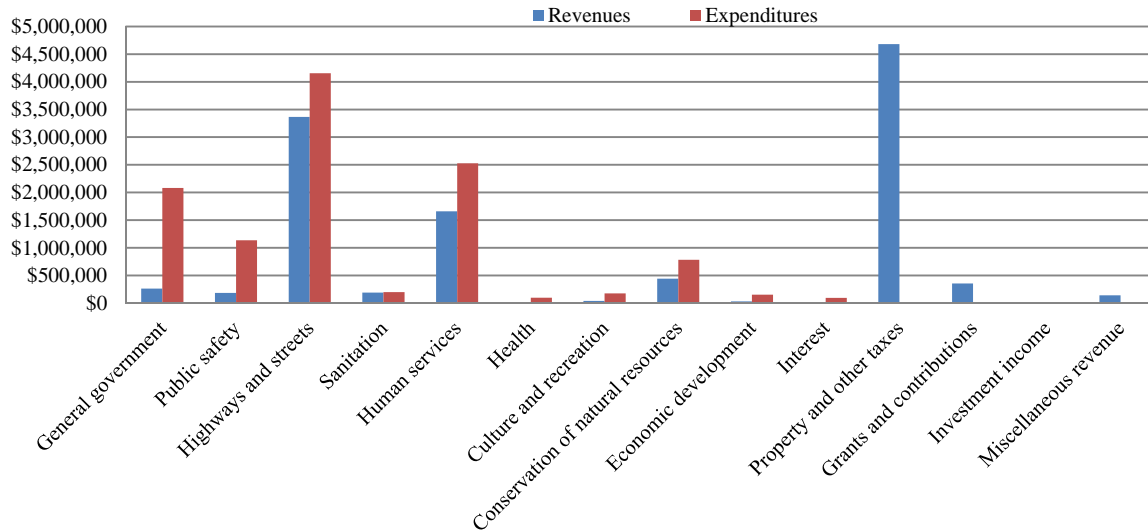


Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2015	Net Cost of Services 2015
Highways and streets	\$ 4,153,715	\$ 787,906
Human services	2,527,924	867,192
General government	2,081,846	1,818,295
Public safety	1,136,859	951,158
All others	1,513,294	803,021
Totals	\$ 11,413,638	\$ 5,227,572

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$336,171 over the final budget amounts. Unbudgeted costs to remodel the courthouse and the government building were the cause of this.

Resources available for appropriation were \$80,524 above the final budgeted amount. An insurance dividend and additional grant and aid dollars that were not budgeted for were the reason for this.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2015, totaled \$27,483,293 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure, and intangibles. The investment in capital assets increased \$1,251,747, or 4.8 percent, from the previous year.

Table 4
Capital Assets at Year-End
(Net of depreciation, in thousands)

	2015	2014
Land	\$ 691	\$ 696
Infrastructure	22,361	21,414
Buildings	2,214	1,724
Improvements other than buildings	172	200
Machinery and equipment	2,028	2,056
Construction in progress	-	125
Intangibles	17	17
Total	<u>\$ 27,483</u>	<u>\$ 26,232</u>

Additional information about the County's capital assets can be found in Note 3.A.3. to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$4,730,000 which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2015	2014
General obligation bonds - capital improvement	\$ 730,000	\$ 790,000
General obligation bonds - abatement	4,000,000	-
Total	<u>\$ 4,730,000</u>	<u>\$ 790,000</u>

The County's debt related to general obligation bonds increased by \$3,940,000 (498.7 percent) during the fiscal year. This increase is a result of the issuance of tax abatement bonds to assist in the funding of a county-wide broadband fiber project with Federated Telephone Cooperative.

Minnesota statutes limit the amount of debt a county may carry to 3.0 percent of its total market value. At the end of 2015, the County's outstanding debt was 0.35 percent of its total estimated market value.

Additional information on the County's long-term debt can be found in Notes 3.C.2. to 3.C.4. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2016 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Big Stone County for 2015 was 4.51 percent. This is slightly higher in comparison with the state unemployment rate of 3.74 percent and shows an increase from the County's 4.41 percent rate of one year ago. This could impact the level of services requested by County residents.
- The County's General Fund expenditures for 2016 are budgeted to increase 3.79 percent (\$152,102) over the 2015 original budget. The 2016 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to decrease 9.4 percent (\$96,918) over the 2015 original budget.
- The gross property tax levy for the County increased 2.69 percent (\$129,319) from 2015, and the net tax levy (the amount spread to taxpayers) increased 2.81 percent (\$131,759) from 2015.

County Tax Rate and Levy History

2016	41.279%	\$	4,826,290
2015	42.088		4,694,531
2014	42.654		4,602,481
2013	49.597		4,386,372
2012	57.299		4,342,943
2011	49.428		3,963,884
2010	50.717		3,669,841
2009	57.715		3,541,235
2008	60.262		3,270,398
2007	62.681		3,014,191

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Big Stone County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Michelle R. Knutson, Big Stone County Courthouse, 20 - 2nd Street S.E., Suite 103, Ortonville, Minnesota 56278.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Assets

Cash and pooled investments	\$	7,035,215
Investments		372,700
Receivables		4,802,870
Inventories		206,338
Capital assets		
Non-depreciable		707,857
Depreciable - net of accumulated depreciation		26,775,436
		26,775,436
Total Assets	\$	39,900,416

Deferred Outflows of Resources

Deferred pension outflows	\$	422,286
		422,286

Liabilities

Accounts payable and other current liabilities	\$	349,281
Accrued interest payable		81,340
Long-term liabilities		
Due within one year		139,154
Due in more than one year		5,224,038
Net pension liability		2,755,728
Other postemployment benefits obligation		1,064,912
		1,064,912
Total Liabilities	\$	9,614,453

Deferred Inflows of Resources

Deferred pension inflows	\$	306,686
		306,686

Net Position

Net investment in capital assets	\$	26,873,248
Restricted for		
Highways and streets		337,307
Debt service		92,081
Public safety		24,096
Family services		46,088
Conservation of natural resources		445,535
Other purposes		198,859
Unrestricted		2,384,349
		2,384,349
Total Net Position	\$	30,401,563

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 2,081,846	\$ 162,523	\$ 101,028	\$ (1,818,295)
Public safety	1,136,859	47,482	138,219	(951,158)
Highways and streets	4,153,715	351,791	3,014,018	(787,906)
Sanitation	200,607	120,511	72,092	(8,004)
Human services	2,527,924	409,627	1,251,105	(867,192)
Health	98,572	875	-	(97,697)
Culture and recreation	176,055	11,010	30,310	(134,735)
Conservation of natural resources	785,599	326,161	116,256	(343,182)
Economic development	155,305	33,058	-	(122,247)
Interest	97,156	-	-	(97,156)
Total Governmental Activities	\$ 11,413,638	\$ 1,463,038	\$ 4,723,028	\$ (5,227,572)
General Revenues				
Property taxes				\$ 4,455,197
Gravel taxes				102,118
Mortgage registry and deed tax				3,439
Payments in lieu of tax				119,041
Grants and contributions not restricted to specific programs				357,230
Unrestricted investment income				18,376
Miscellaneous				142,345
Total general revenues				\$ 5,197,746
Change in net position				\$ (29,826)
Net Position - Beginning, as restated (Note 1.E.)				30,431,389
Net Position - Ending				\$ 30,401,563

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Highway
<u>Assets</u>		
Cash and pooled investments	\$ 3,890,208	\$ 1,075,695
Undistributed cash in agency funds	8,993	102,118
Petty cash and change funds	1,020	75
Investments	-	372,700
Taxes receivable		
Prior	24,701	7,800
Special assessments receivable		
Prior	7,045	-
Noncurrent	-	-
Accounts receivable	4,058	260
Accrued interest receivable	3,584	-
Loans receivable	3,941,139	-
Due from other governments	16,966	519,892
Advance to other funds	261,217	-
Advance to other governments	-	-
Inventories	-	206,338
	\$ 8,158,931	\$ 2,284,878
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 21,283	\$ 941
Salaries payable	52,462	36,306
Due to other governments	104,097	1,141
Advance from other funds	-	-
	\$ 177,842	\$ 38,388
Deferred Inflows of Resources		
Unavailable revenue	\$ 33,637	\$ 477,743
Fund Balances		
Nonspendable	\$ 4,192,356	\$ 206,338
Restricted	391,884	198,826
Committed	827,937	353,764
Assigned	106,600	1,009,819
Unassigned	2,428,675	-
	\$ 7,947,452	\$ 1,768,747
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,158,931	\$ 2,284,878

EXHIBIT 3

<u>Family Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,692,436	\$ 159,032	\$ 103,338	\$ 6,920,709
-	-	-	111,111
2,300	-	-	3,395
-	-	-	372,700
7,165	-	771	40,437
-	-	-	7,045
-	105,523	-	105,523
22,380	-	-	26,698
-	-	-	3,584
-	-	-	3,941,139
122,178	2	-	659,038
-	-	-	261,217
7,089	-	-	7,089
-	-	-	206,338
<u>\$ 1,853,548</u>	<u>\$ 264,557</u>	<u>\$ 104,109</u>	<u>\$ 12,666,023</u>
\$ 82,464	\$ 1,250	\$ -	\$ 105,938
39,895	-	-	128,663
9,442	-	-	114,680
-	248,900	-	248,900
<u>\$ 131,801</u>	<u>\$ 250,150</u>	<u>\$ -</u>	<u>\$ 598,181</u>
<u>\$ 7,165</u>	<u>\$ 105,523</u>	<u>\$ 771</u>	<u>\$ 624,839</u>
\$ -	\$ -	\$ -	\$ 4,398,694
46,088	-	103,338	740,136
150,000	-	-	1,331,701
1,518,494	-	-	2,634,913
-	(91,116)	-	2,337,559
<u>\$ 1,714,582</u>	<u>\$ (91,116)</u>	<u>\$ 103,338</u>	<u>\$ 11,443,003</u>
<u>\$ 1,853,548</u>	<u>\$ 264,557</u>	<u>\$ 104,109</u>	<u>\$ 12,666,023</u>

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balance - total governmental funds (Exhibit 3)		\$ 11,443,003
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		27,483,293
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		422,286
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		624,839
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (4,730,000)	
Compensated absences	(633,192)	
Net OPEB obligation	(1,064,912)	
Net pension liability	(2,755,728)	
Accrued interest payable	<u>(81,340)</u>	(9,265,172)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(306,686)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 30,401,563</u></u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Highway
Revenues		
Taxes	\$ 2,731,269	\$ 979,819
Special assessments	118,043	-
Licenses and permits	19,613	975
Intergovernmental	837,028	3,893,741
Charges for services	174,535	305,510
Investment earnings	16,859	745
Miscellaneous	174,598	29,460
	\$ 4,071,945	\$ 5,210,250
Expenditures		
Current		
General government	\$ 2,284,070	\$ -
Public safety	1,056,384	-
Highways and streets	-	4,887,172
Sanitation	195,632	-
Human services	-	-
Health	43,967	-
Culture and recreation	176,036	-
Conservation of natural resources	254,059	-
Economic development	43,386	-
Intergovernmental	54,605	193,986
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	111,919	-
Administrative (fiscal) fees	-	-
	\$ 4,220,058	\$ 5,081,158
Excess of Revenues Over (Under) Expenditures	\$ (148,113)	\$ 129,092
Other Financing Sources (Uses)		
Bonds issued	\$ 4,000,000	\$ -
Premium on bonds sold	33,058	-
Proceeds from the sale of capital assets	120	15,846
	\$ 4,033,178	\$ 15,846
Net Change in Fund Balance	\$ 3,885,065	\$ 144,938
Fund Balance - January 1	4,062,387	1,570,776
Increase (decrease) in inventories	-	53,033
Fund Balance - December 31	\$ 7,947,452	\$ 1,768,747

EXHIBIT 5

<u>Family Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
\$ 789,121	\$ -	\$ 86,228	\$ 4,586,437
-	246,666	-	364,709
-	-	-	20,588
1,293,395	-	4,624	6,028,788
378,806	-	-	858,851
-	36	-	17,640
30,821	559	-	235,438
<u>\$ 2,492,143</u>	<u>\$ 247,261</u>	<u>\$ 90,852</u>	<u>\$ 12,112,451</u>
\$ -	\$ -	\$ -	\$ 2,284,070
-	-	-	1,056,384
-	-	-	4,887,172
-	-	-	195,632
2,450,266	-	-	2,450,266
-	-	-	43,967
-	-	-	176,036
-	527,344	-	781,403
-	-	-	43,386
-	-	-	248,591
-	-	60,000	60,000
-	-	26,535	26,535
-	-	-	111,919
-	-	650	650
<u>\$ 2,450,266</u>	<u>\$ 527,344</u>	<u>\$ 87,185</u>	<u>\$ 12,366,011</u>
<u>\$ 41,877</u>	<u>\$ (280,083)</u>	<u>\$ 3,667</u>	<u>\$ (253,560)</u>
\$ -	\$ -	\$ -	\$ 4,000,000
-	-	-	33,058
-	-	-	15,966
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,049,024</u>
\$ 41,877	\$ (280,083)	\$ 3,667	\$ 3,795,464
1,672,705	188,967	99,671	7,594,506
-	-	-	53,033
<u>\$ 1,714,582</u>	<u>\$ (91,116)</u>	<u>\$ 103,338</u>	<u>\$ 11,443,003</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 3,795,464

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources - December 31	\$ 624,839	
Deferred inflows of resources - January 1	<u>(1,405,652)</u>	(780,813)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,355,986	
Net book value of assets disposed of	(131,711)	
Current year depreciation and depletion	<u>(1,972,528)</u>	1,251,747

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

Principal repayments		
General obligation bonds		60,000
New debt issued (see Note 3.C.2. for more information)		(4,000,000)

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	\$ (69,971)	
Change in compensated absences	(81,783)	
Change in net OPEB liability	(177,981)	
Change in net pension liability, as restated	(75,939)	
Change in deferred outflows of resources, as restated	303,103	
Change in deferred inflows of resources	(306,686)	
Change in inventories	<u>53,033</u>	<u>(356,224)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ (29,826)

FIDUCIARY FUNDS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 231,428</u>
<u>Liabilities</u>	
Accounts payable	\$ 18,840
Due to other governments	200,271
Advance from other funds	<u>12,317</u>
Total Liabilities	<u>\$ 231,428</u>

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. 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

Big Stone County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Big Stone County. The County is governed by a five-member Board of Commissioners 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. The County Auditor serves as the clerk of the Board of Commissioners, but has no vote.

Joint Ventures

The County participates in several joint ventures described in Note 5.C. The County also participates in a related organization described in Note 5.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Big Stone County. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues 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. The County reports all of its governmental funds as major 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 accounted for in another fund.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Highway Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Family Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.

Additionally, the County reports the following fiduciary 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 agent 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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Big Stone County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered 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 and then unrestricted resources as needed.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$15,085.

2. Receivables and Payables

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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 May 15 and the second half payment due October 15 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2005 through 2015 and deferred special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

The County had no accounts receivable scheduled to be collected beyond one year.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds 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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 125
Land improvements	15 - 35
Public domain infrastructure	15 - 70
Machinery and equipment	3 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave and comp time 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. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of current usage of vacation. The resulting percentage is then used to determine the current portion for vacation, vested sick leave, and comp time. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time.

6. Long-Term Obligations

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

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

7. Pension Plan

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Unearned/Unavailable Revenue

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

9. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, and delinquent and deferred special assessments receivable, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

10. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

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

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Big Stone County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Highway Special Revenue Fund, and the Family Services Special Revenue Fund are all heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2015, the County's unrestricted fund balance was at or above the minimum fund balance level with the exception of the Highway Special Revenue Fund.

13. 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 certain 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. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68 and 71. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	<u>Governmental Activities</u>
Net Position, January 1, 2015, as previously reported	\$ 32,991,995
Change in accounting principles	<u>(2,560,606)</u>
Net Position, January 1, 2015, as restated	<u>\$ 30,431,389</u>

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance

The Ditch Special Revenue Fund had a deficit fund balance of \$91,116 at December 31, 2015. This was due to 5 of the 21 drainage systems having deficit fund balances. These deficits will be eliminated with future special assessment levies against benefited properties.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 7,035,215
Investments	372,700
Statement of fiduciary net position	
Cash and pooled investments	<u>231,428</u>
 Total Cash and Investments	 <u><u>\$ 7,639,343</u></u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2015, the County's deposits in banks were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (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 Minn. Stat. § 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;

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

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 short-term and long-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.

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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments 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 in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. On December 31, 2015, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The 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.

The following table presents the County's cash and deposit balances at December 31, 2015. The County has no investments subject to investment risks.

Checking	\$ 968,188
Savings	5,167,760
Certificates of deposit	1,500,000
Petty cash	<u>3,395</u>
Total Cash and Investments	<u>\$ 7,639,343</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 40,437	\$ -
Special assessments	112,568	91,190
Accounts receivable	26,698	-
Loans receivable	3,941,139	3,931,139
Interest	3,584	-
Due from other governments	659,038	-
Advance to other governments	19,406	7,089
Total Governmental Activities	\$ 4,802,870	\$ 4,029,418

Loans Receivable

On July 15, 2014, the County board approved a \$40,000 loan to the Big Stone County Historical Society to finance an addition to the Big Stone County Museum. The loan is to be repaid at one percent interest over four years, with the option to pay off early if sufficient donated funds become available.

On June 2, 2015, the County board approved a \$3,921,139 loan to Federated Telephone Cooperative from the proceeds of the issuance of abatement bonds to assist with the financing of a portion of the cost of the acquisition, construction and installation of a broadband communications network and related facilities in the County. The loan is to be repaid at 3.759 percent over 20 years.

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

	Beginning Balance	Increase	Decrease	Ending Balance
Historical Society Loan	\$ 30,000	\$ -	\$ 10,000	\$ 20,000
Federated Telephone Loan	-	3,921,139	-	3,921,139
Total	\$ 30,000	\$ 3,921,139	\$ 10,000	\$ 3,941,139

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 297,590	\$ -	\$ -	\$ 297,590
Gravel pits	350,314	-	4,725	345,589
Right-of-way	47,695	-	-	47,695
Construction in progress	124,728	-	124,728	-
Intangible assets	16,983	-	-	16,983
Total capital assets not depreciated	<u>\$ 837,310</u>	<u>\$ -</u>	<u>\$ 129,453</u>	<u>\$ 707,857</u>
Capital assets depreciated				
Buildings	\$ 3,731,322	\$ 567,731	\$ -	\$ 4,299,053
Land improvements	321,907	10,986	34,541	298,352
Machinery and equipment	4,802,845	341,460	188,063	4,956,242
Infrastructure	45,678,219	2,560,537	-	48,238,756
Total capital assets depreciated	<u>\$ 54,534,293</u>	<u>\$ 3,480,714</u>	<u>\$ 222,604</u>	<u>\$ 57,792,403</u>
Less: accumulated depreciation for				
Buildings	\$ 2,007,288	\$ 78,004	\$ -	\$ 2,085,292
Land improvements	121,763	13,104	9,047	125,820
Machinery and equipment	2,747,027	262,533	81,846	2,927,714
Infrastructure	24,263,979	1,614,162	-	25,878,141
Total accumulated depreciation	<u>\$ 29,140,057</u>	<u>\$ 1,967,803</u>	<u>\$ 90,893</u>	<u>\$ 31,016,967</u>
Total capital assets depreciated, net	<u>\$ 25,394,236</u>	<u>\$ 1,512,911</u>	<u>\$ 131,711</u>	<u>\$ 26,775,436</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,231,546</u>	<u>\$ 1,512,911</u>	<u>\$ 261,164</u>	<u>\$ 27,483,293</u>

There was no construction in progress charged to functions/programs of the County in 2015.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 120,500
Public safety	47,448
Highways and streets, including depreciation of infrastructure assets	1,774,151
Sanitation	428
Human services	14,342
Culture and recreation	<u>10,934</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,967,803</u>

There was \$4,725 of depletion expense charged to the highway function of the County in 2015.

B. Interfund Receivables, Payables, and Transfers

Advances To/From Other Funds

The composition of interfund balances as of December 31, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue	\$ 248,900
	Taxes and Penalties Agency Fund	<u>12,317</u>
Total Advances To/From Other Funds		<u>\$ 261,217</u>

The Ditch Special Revenue Fund advance is to provide working capital to ditch systems with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments. The Taxes and Penalties Agency Fund advance is for a forfeited land advance to provide working capital to cover costs in excess of revenues.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts payable	\$ 105,938
Salaries payable	128,663
Due to other governments	114,680
Total Payables	\$ 349,281

2. Long-Term Debt

On September 15, 2009, Big Stone County issued General Obligation Capital Improvement Bonds, Series 2009A, in the amount of \$1,000,000, with interest rates of 1.5 percent to 4.0 percent, to finance capital improvements to County roads.

On June 2, 2015, Big Stone County issued General Obligation Abatement Bonds, Series 2015A, in the amount of \$4,000,000, with interest rates of 3.0 percent to 4.0 percent, to assist with the financing of a portion of the cost of the acquisition, construction and installation of a broadband communications network and related facilities in the County.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2009 G.O. Capital Improvement Bonds	2025	\$40,000 - \$85,000 - \$170,000 -	1.5 - 4.0	\$ 1,000,000	\$ 730,000
2015 G.O. Abatement Bonds	2035	\$300,000	3.0 - 4.0	4,000,000	4,000,000
Total General Obligation Bonds				\$ 5,000,000	\$ 4,730,000

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt payments on the capital improvement bonds are made from the Debt Service Fund. Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 60,000	\$ 25,035
2017	65,000	23,310
2018	65,000	21,360
2019	70,000	19,195
2020	70,000	16,815
2021 - 2025	400,000	40,825
Total	<u>\$ 730,000</u>	<u>\$ 146,540</u>

Debt payments on the abatement bonds are made from the General Fund. Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ -	\$ 155,312
2017	-	141,193
2018	170,000	138,642
2019	175,000	133,468
2020	180,000	128,142
2021 - 2025	970,000	556,061
2026 - 2030	1,135,000	384,135
2031 - 2035	1,370,000	142,000
Total	<u>\$ 4,000,000</u>	<u>\$ 1,778,953</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Liabilities

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

	Beginning Balance (Restated) Note 1.E.	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Capital improvement	\$ 790,000	\$ -	\$ 60,000	\$ 730,000	\$ 60,000
Abatement	-	4,000,000	-	4,000,000	-
Compensated absences	551,409	312,203	230,420	633,192	79,154
Other postemployment benefits	886,931	296,789	118,808	1,064,912	-
Net pension liability	2,560,606	195,122	-	2,755,728	-
	<u>\$ 4,788,946</u>	<u>\$ 4,804,114</u>	<u>\$ 409,228</u>	<u>\$ 9,183,832</u>	<u>\$ 139,154</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 4,788,946</u>	<u>\$ 4,804,114</u>	<u>\$ 409,228</u>	<u>\$ 9,183,832</u>	<u>\$ 139,154</u>

5. Deferred Inflows of Resources - Unavailable Revenue

Deferred inflows of resources consist of special assessments, taxes, state grants, and interest receivables not collected soon enough after year-end to pay liabilities of the current period.

	Taxes	Special Assessments	Grants	Interest	Total
Major governmental funds					
General	\$ 24,701	\$ 7,045	\$ -	\$ 1,891	\$ 33,637
Highway	7,800	-	469,943	-	477,743
Family Services	7,165	-	-	-	7,165
Ditch	-	105,523	-	-	105,523
Debt Service	771	-	-	-	771
	<u>\$ 40,437</u>	<u>\$ 112,568</u>	<u>\$ 469,943</u>	<u>\$ 1,891</u>	<u>\$ 624,839</u>
Total	<u>\$ 40,437</u>	<u>\$ 112,568</u>	<u>\$ 469,943</u>	<u>\$ 1,891</u>	<u>\$ 624,839</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Fund Balance

Fund Balances	General	Highway	Family Services	Ditch	Debt Service	Total
Nonspendable						
Advances	\$ 261,217	\$ -	\$ -	\$ -	\$ -	\$ 261,217
Loans receivable	3,931,139	-	-	-	-	3,931,139
Inventory	-	206,338	-	-	-	206,338
Restricted for						
Law library	2,540	-	-	-	-	2,540
Recorder's Technology Fund	92,448	-	-	-	-	92,448
Recorder's Compliance Fund	51,569	-	-	-	-	51,569
Sheriff's contingency	1,305	-	-	-	-	1,305
Gravel pit restoration	-	198,826	-	-	-	198,826
Gun permit fees	22,791	-	-	-	-	22,791
Unspent grant monies	171,231	-	46,088	-	-	217,319
Federated	50,000	-	-	-	-	50,000
Debt service	-	-	-	-	103,338	103,338
Committed to						
Capital projects	224,771	-	-	-	-	224,771
Building maintenance	569,001	-	-	-	-	569,001
MSI equipment and building repair	34,165	-	-	-	-	34,165
County road projects	-	351,362	-	-	-	351,362
Fuel pumps	-	2,402	-	-	-	2,402
Out-of-home placements	-	-	150,000	-	-	150,000
Assigned to						
Library capital	15,000	-	-	-	-	15,000
Elections	20,000	-	-	-	-	20,000
Environmental	4,000	-	-	-	-	4,000
Toqua Park	7,000	-	-	-	-	7,000
Highway	-	1,009,503	-	-	-	1,009,503
Family Services	-	-	1,518,494	-	-	1,518,494
Subsequent year expenditures	60,600	316	-	-	-	60,916
Unassigned	2,428,675	-	-	(91,116)	-	2,337,559
Total Fund Balances	\$ 7,947,452	\$ 1,768,747	\$ 1,714,582	\$ (91,116)	\$ 103,338	\$ 11,443,003

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

General Employees Retirement Fund 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, for which benefits vest after five years of credited service.

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

2. Benefits Provided

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

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2015, the County was required to contribute the following percentages of annual covered salary:

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

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$	203,456
Public Employees Police and Fire Fund		54,831

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$2,358,046 for its proportionate share of the General Employees Retirement Fund'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 0.0455 percent. It was 0.0490 percent measured as of June 30, 2014. The County recognized pension expense of \$273,219 for its proportionate share of the General Employees Retirement Fund's pension expense.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 118,886
Difference between projected and actual investment earnings	223,225	-
Changes in proportion	-	123,309
Contributions paid to PERA subsequent to the measurement date	102,202	-
Total	\$ 325,427	\$ 242,195

A total of \$102,202 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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 Amount
2016	\$ (24,925)
2017	(24,925)
2018	(24,925)
2019	55,806

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$397,682 for its proportionate share of the Public Employees Police and Fire Fund'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 proportion was 0.035 percent. It was 0.035 percent measured as of June 30, 2014. The County recognized pension expense of \$68,530 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$3,150 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 64,491
Difference between projected and actual investment earnings	69,290	-
Contributions paid to PERA subsequent to the measurement date	27,569	-
Total	\$ 96,859	\$ 64,491

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$27,569 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 4,424
2017	4,424
2018	4,424
2019	4,424
2020	(12,898)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$82,672.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1 2004, through June 30, 2009.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 3,707,687	\$ 2,358,046	\$ 1,243,450
Public Employees Police and Fire Fund net pension liability	775,086	397,682	85,880

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Big Stone County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,076	\$ 3,076
Percentage of covered payroll	5%	5%

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Big Stone County pays the health insurance for qualified retired employees and elected officials. This is a single-employer defined benefit health care plan. To be eligible, employees must have worked for Big Stone County on a full-time basis or been elected to office for a minimum of 10 years, be at least 55 years old, and retire while in active service. Those eligible shall be entitled to the cost of their individual health insurance coverage up to a maximum monthly figure not to exceed the monthly premium for Minnesota Health Insurance Exchange (MNsure) medical coverage for their age group. However, all eligible retirees shall be required to apply for Medicare coverage and Blue Cross Blue Shield Senior Gold Medicare Supplement (including the additional preventative care) at their earliest eligibility. The retiree must purchase Medicare Parts A & B at their own expense. For eligible employees hired prior to January 1, 1991, the premium for the individual health insurance coverage or the Medicare supplement and the County's Group Medicare Part D coverage will be paid by Big Stone County until the death of the retiree.

Any eligible employee hired between January 1, 1991, and December 31, 2011, shall be eligible for one year of employer retiree insurance contributions for each five years of service with the County to a maximum of three years of contributions.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Big Stone County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has no implicit rate subsidy. The County had 6 elected officials and 17 employees eligible for this benefit in 2015. The cost from this program totaled \$118,808 (\$16,954 for elected officials and \$101,854 for employees) in 2015.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC		\$ 313,725
Interest on net OPEB obligation		35,477
Adjustment to ARC		(52,413)
		\$ 296,789
Annual OPEB cost (expense)		\$ 296,789
Contributions made during the year		(118,808)
		\$ 177,981
Increase in net OPEB obligation		\$ 177,981
Net OPEB Obligation - Beginning of Year		886,931
		\$ 1,064,912
Net OPEB Obligation - End of Year		\$ 1,064,912

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 325,530	\$ 149,652	46.0%	\$ 697,357
December 31, 2014	322,304	132,730	41.2	886,931
December 31, 2015	296,789	118,808	40.0	1,064,912

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$3,880,410, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,880,410. The covered payroll (annual payroll of active employees covered by the plan) was \$2,441,543, and the ratio of the UAAL to the covered payroll was 158.9 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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 - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of 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 (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Big Stone County's implicit rate of return on the General Fund.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 23 years.

5. Summary of Significant Contingency and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 in 2016. 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. 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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items (Continued)

B. Contingent Liabilities

Amounts received or receivable from grantor 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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Joint Ventures

Countryside Public Health Service

The Countryside Public Health Service was established July 1, 1979, by a joint powers agreement among Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties. The agreement was established to provide community health care for the residents of the five-county area. Each county's proportionate share of the total responsibility of the project is established on a per capita basis as determined by the most recent statistical estimates provided by the Minnesota Board of Health.

In the event of termination of the joint powers agreement, any property acquired as a result of the agreement and any surplus monies on hand at that time shall be divided among the counties in the same proportions as their respective proportionate financial responsibilities.

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 2 from each county, except the county with the largest population, which has 3 members. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Big Stone County's contribution for 2015 was \$54,605.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215, or from the Big Stone County Auditor's Office at the Courthouse.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves 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.

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.

PrimeWest Rural Minnesota Health Care Access Initiative

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Rural Minnesota Health Care Access Initiative) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures

PrimeWest Rural Minnesota Health Care Access Initiative (Continued)

PrimeWest Rural Minnesota Health Care Access Initiative. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of the PrimeWest Rural Minnesota Health Care Access Initiative is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Douglas County acts as fiscal agent for the PrimeWest Rural Minnesota Health Care Access Initiative and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services.

Complete financial information can be obtained from its administrative office at PrimeWest Rural Minnesota Health Care Access Initiative, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures (Continued)

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Big Stone County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs. An amended and restated Joint Powers Agreement was approved on March 19, 2013.

Control is vested in a Joint Powers Board, comprising one representative of each of the County Boards of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement.

During 2015, Big Stone County contributed \$708 to the Joint Powers Board.

Complete financial information for the Pomme de Terre River Association Joint Powers Board can be obtained from its administrative offices at 900 Robert Street, Suite 104, Alexandria, Minnesota 56308.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Big Stone County contributed \$9,296 to the Joint Powers Board.

Complete financial information can be obtained from the Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 - Second Street South, St. Cloud, Minnesota 56301.

Supporting Hands Nurse Family Partnership Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock in this agreement. As a member of Countryside Public Health Service, Big Stone County is required to be a member of this joint powers agreement.

The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures

Supporting Hands Nurse Family Partnership Board (Continued)

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2015, Big Stone County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at Supporting Hands Nurse Family Partnership, 830 - 11th Street East, Glencoe, Minnesota 55336.

Pioneerland Library System

Big Stone County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, the County contributed \$67,555 to the System.

Separate financial information for the Pioneerland Library System can be obtained from its administrative office at Pioneerland Regional Library, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

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 operations 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. Big Stone County did not make any payments to this organization in 2015.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Summary of Significant Contingency and Other Items

C. Joint Ventures

Southwest Minnesota Private Industry Council, Inc. (Continued)

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

Court Services - Big Stone, Grant, Stevens, Traverse, and Wilkin Counties

Big Stone, Grant, Stevens, Traverse, and Wilkin Counties participate in a joint venture to provide corrections services to the five-county area. The joint powers agreement was effective June 1, 1962.

Court services are headquartered in Wheaton, Minnesota, with office locations at the county seats of the member counties.

The two probation officers for the five-county area are appointed by three area judges, who also set the probation officer salaries. The Minnesota Department of Corrections reimburses Traverse County for a portion of the probation officer salaries. The remaining expenses are allocated to each participating county based on population. During 2015, Big Stone County contributed \$41,969 to the entity.

Traverse County acts as fiscal agent. Traverse County reports the probation activity in a separate department within the General Fund.

D. Related Organization - Upper Minnesota River Watershed District

The County Board is responsible for appointing a majority of the Board of Managers for the Upper Minnesota River Watershed District, but the County's responsibility does not extend beyond making the appointments.

E. Agricultural Best Management Loan Program

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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	\$ 2,932,200	\$ 2,932,200	\$ 2,731,269	\$ (200,931)
Special assessments	118,000	118,000	118,043	43
Licenses and permits	18,400	18,400	19,613	1,213
Intergovernmental	623,346	623,346	837,028	213,682
Charges for services	173,825	173,825	174,535	710
Investment earnings	12,000	12,000	16,859	4,859
Miscellaneous	113,650	113,650	174,598	60,948
Total Revenues	\$ 3,991,421	\$ 3,991,421	\$ 4,071,945	\$ 80,524
Expenditures				
Current				
General government				
Commissioners	\$ 154,085	\$ 154,085	\$ 155,311	\$ (1,226)
Law library	6,000	6,000	5,073	927
Auditor	227,339	227,339	242,566	(15,227)
Treasurer	95,605	95,605	96,182	(577)
Accounting and auditing	35,360	35,360	30,761	4,599
Information technology	261,325	261,325	252,325	9,000
Human resources	101,253	101,253	118,290	(17,037)
General administration	128,852	128,852	111,604	17,248
Elections	24,000	24,000	3,994	20,006
Attorney	85,264	85,264	85,495	(231)
Recorder	171,605	171,605	166,940	4,665
Assessor	261,750	261,750	242,724	19,026
Planning and zoning	85,155	85,155	85,145	10
Buildings and plant	242,310	242,310	567,420	(325,110)
Veterans service officer	121,478	121,478	120,240	1,238
Total general government	\$ 2,001,381	\$ 2,001,381	\$ 2,284,070	\$ (282,689)
Public safety				
Sheriff	\$ 806,170	\$ 806,170	\$ 839,268	\$ (33,098)
Boat and water safety	2,230	2,230	986	1,244
Coroner	5,000	5,000	1,542	3,458
Probation	48,000	48,000	41,969	6,031
Emergency management	50,214	50,214	49,897	317
E-911 system	125,500	125,500	122,722	2,778
Total public safety	\$ 1,037,114	\$ 1,037,114	\$ 1,056,384	\$ (19,270)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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				
Current (Continued)				
Sanitation				
Solid waste	\$ 192,937	\$ 192,937	\$ 195,632	\$ (2,695)
Health				
Public health	\$ 43,967	\$ 43,967	\$ 43,967	\$ -
Culture and recreation				
Culture and recreation	\$ 106,805	\$ 106,805	\$ 103,915	\$ 2,890
Historical society	35,000	35,000	36,156	(1,156)
Toqua Park	31,720	31,720	35,965	(4,245)
Total culture and recreation	\$ 173,525	\$ 173,525	\$ 176,036	\$ (2,511)
Conservation of natural resources				
Extension	\$ 113,534	\$ 113,534	\$ 116,752	\$ (3,218)
Conservation	84,716	84,716	84,716	-
Feedlot management	20,884	20,884	16,624	4,260
Water planning	123,380	123,380	35,967	87,413
Total conservation of natural resources	\$ 342,514	\$ 342,514	\$ 254,059	\$ 88,455
Economic development				
Other	\$ 37,844	\$ 37,844	\$ 43,386	\$ (5,542)
Intergovernmental				
Health	\$ 54,605	\$ 54,605	\$ 54,605	\$ -
Debt service				
Bond issuance costs	\$ -	\$ -	\$ 111,919	\$ (111,919)
Total Expenditures	\$ 3,883,887	\$ 3,883,887	\$ 4,220,058	\$ (336,171)
Excess of Revenues Over (Under)				
Expenditures	\$ 107,534	\$ 107,534	\$ (148,113)	\$ (255,647)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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>		
Other Financing Sources (Uses)				
Bonds issued	\$ -	\$ -	\$ 4,000,000	\$ 4,000,000
Premium on bonds sold	-	-	33,058	33,058
Proceeds from the sale of capital assets	1,000	1,000	120	(880)
Total Other Financing Sources (Uses)	\$ 1,000	\$ 1,000	\$ 4,033,178	\$ 4,032,178
Net Change in Fund Balance	\$ 108,534	\$ 108,534	\$ 3,885,065	\$ 3,776,531
Fund Balance - January 1	4,062,387	4,062,387	4,062,387	-
Fund Balance - December 31	\$ 4,170,921	\$ 4,170,921	\$ 7,947,452	\$ 3,776,531

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY SPECIAL REVENUE FUND
FOR THE 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	\$ 953,000	\$ 953,000	\$ 979,819	\$ 26,819
Licenses and permits	-	-	975	975
Intergovernmental	3,158,000	3,158,000	3,893,741	735,741
Charges for services	167,000	167,000	305,510	138,510
Investment earnings	5,000	5,000	745	(4,255)
Miscellaneous	36,000	36,000	29,460	(6,540)
Total Revenues	\$ 4,319,000	\$ 4,319,000	\$ 5,210,250	\$ 891,250
Expenditures				
Current				
Highways and streets				
Administration	\$ 354,288	\$ 354,288	\$ 376,976	\$ (22,688)
Other - highways and streets	17,219	17,219	10,441	6,778
Construction	2,106,707	2,106,707	2,798,068	(691,361)
Maintenance	851,730	851,730	991,067	(139,337)
Equipment and maintenance shops	698,781	698,781	553,356	145,425
Material and services for resale	19,245	19,245	157,264	(138,019)
Total highways and streets	\$ 4,047,970	\$ 4,047,970	\$ 4,887,172	\$ (839,202)
Intergovernmental				
Highways and streets	176,000	176,000	193,986	(17,986)
Total Expenditures	\$ 4,223,970	\$ 4,223,970	\$ 5,081,158	\$ (857,188)
Excess of Revenues Over (Under) Expenditures	\$ 95,030	\$ 95,030	\$ 129,092	\$ 34,062
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	1,000	1,000	15,846	14,846
Net Change in Fund Balance	\$ 96,030	\$ 96,030	\$ 144,938	\$ 48,908
Fund Balance - January 1	1,570,776	1,570,776	1,570,776	-
Increase (decrease) in inventories	-	-	53,033	53,033
Fund Balance - December 31	\$ 1,666,806	\$ 1,666,806	\$ 1,768,747	\$ 101,941

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE 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	\$ 824,547	\$ 824,547	\$ 789,121	\$ (35,426)
Intergovernmental	1,158,791	1,158,791	1,293,395	134,604
Charges for services	371,080	371,080	378,806	7,726
Miscellaneous	23,000	23,000	30,821	7,821
Total Revenues	\$ 2,377,418	\$ 2,377,418	\$ 2,492,143	\$ 114,725
Expenditures				
Current				
Human services				
Income maintenance	\$ 727,817	\$ 727,817	\$ 732,550	\$ (4,733)
Social services	1,657,601	1,657,601	1,717,716	(60,115)
Total Expenditures	\$ 2,385,418	\$ 2,385,418	\$ 2,450,266	\$ (64,848)
Net Change in Fund Balance	\$ (8,000)	\$ (8,000)	\$ 41,877	\$ 49,877
Fund Balance - January 1	1,672,705	1,672,705	1,672,705	-
Fund Balance - December 31	\$ 1,664,705	\$ 1,664,705	\$ 1,714,582	\$ 49,877

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE 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				
Special assessments	\$ 143,900	\$ 143,900	\$ 246,666	\$ 102,766
Investment earnings	-	-	36	36
Miscellaneous	-	-	559	559
Total Revenues	\$ 143,900	\$ 143,900	\$ 247,261	\$ 103,361
Expenditures				
Current				
Conservation of natural resources				
Other	408,680	408,680	527,344	(118,664)
Net Change in Fund Balance	\$ (264,780)	\$ (264,780)	\$ (280,083)	\$ (15,303)
Fund Balance - January 1	188,967	188,967	188,967	-
Fund Balance - December 31	\$ (75,813)	\$ (75,813)	\$ (91,116)	\$ (15,303)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/c)
January 1, 2009	\$ -	\$ 3,542,463	\$ 3,542,463	0.00%	\$ 2,461,776	143.90%
January 1, 2012	-	3,991,730	3,991,730	0.00%	2,695,105	148.11%
January 1, 2015	-	3,880,410	3,880,410	0.00%	2,441,543	158.93%

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0455%	\$ 2,358,046	\$ 2,676,328	88.11%	78.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Employee Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 203,456	\$ 203,456	\$ -	\$ 2,712,747	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.035%	\$ 397,682	\$ 318,794	124.75%	86.60%

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Employee Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 54,831	\$ 54,831	\$ -	\$ 338,462	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

Over the course of the year, the County Board may revise estimated revenue and expenditure budgets. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and new grant awards.

No expenditure budgets were amended for 2015.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
General	\$ 4,220,058	\$ 3,883,887	\$ 336,171
Highway Special Revenue	5,081,158	4,223,970	857,188
Family Services Special Revenue	2,450,266	2,385,418	64,848
Ditch Special Revenue	527,344	408,680	118,664

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

5. Other Postemployment Benefits Funding Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes

2012

Plan Provisions

- Employees hired after January 1, 2012, are not eligible for the postemployment medical subsidy.
- Reimbursement for the Medicare Part D premium is limited to \$50 per month for eligible employees who retire on or after January 1, 2012. Current retirees are grandfathered to full Part D premium.
- Non-union retirees who retire on or after January 1, 2012, receive a reimbursement limited to the \$1,000 Minnesota Comprehensive Health Association (MCHA) premium amount, and they do not receive the \$50 per month subsidy before reaching Medicare eligibility. Their reimbursement had been limited to the \$500 MCHA premium amount, and employees hired before January 1, 1991, were eligible for the \$50 per month subsidy before reaching Medicare eligibility.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes (Continued)

2015

Plan Provisions

- Maximum pre-Medicare reimbursement rates limited to Minnesota Health Insurance Exchange (MNSure) rates rather than MCHA rates.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables have been updated to the RP-2014 tables, including the MP-2014 generational improvement scale.
- Retirees with lifetime benefits are assumed to receive their current subsidy indexed for medical trend rather than the maximum allowable subsidy.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE 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	\$ 90,075	\$ 90,075	\$ 86,228	\$ (3,847)
Intergovernmental	-	-	4,624	4,624
Total Revenues	\$ 90,075	\$ 90,075	\$ 90,852	\$ 777
Expenditures				
Debt service				
Principal	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Interest	26,535	26,535	26,535	-
Administrative (fiscal) fees	550	550	650	(100)
Total Expenditures	\$ 87,085	\$ 87,085	\$ 87,185	\$ (100)
Net Change in Fund Balance	\$ 2,990	\$ 2,990	\$ 3,667	\$ 677
Fund Balance - January 1	99,671	99,671	99,671	-
Fund Balance - December 31	\$ 102,661	\$ 102,661	\$ 103,338	\$ 677

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

AGENCY FUNDS

Family Services Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

State - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 128,421</u>	<u>\$ 31,373</u>	<u>\$ 73,455</u>	<u>\$ 86,339</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 128,421</u>	<u>\$ 31,373</u>	<u>\$ 73,455</u>	<u>\$ 86,339</u>
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 6,083</u>	<u>\$ 74,599</u>	<u>\$ 61,842</u>	<u>\$ 18,840</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 6,083</u>	<u>\$ 74,599</u>	<u>\$ 61,842</u>	<u>\$ 18,840</u>
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 65,918</u>	<u>\$ 659,947</u>	<u>\$ 707,838</u>	<u>\$ 18,027</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 65,918</u>	<u>\$ 659,947</u>	<u>\$ 707,838</u>	<u>\$ 18,027</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 88,022	\$ 12,241,908	\$ 12,221,708	\$ 108,222
<u>Liabilities</u>				
Due to other governments	\$ 87,721	\$ 12,229,892	\$ 12,221,708	\$ 95,905
Advance from other funds	301	12,016	-	12,317
Total Liabilities	\$ 88,022	\$ 12,241,908	\$ 12,221,708	\$ 108,222
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 288,444	\$ 13,007,827	\$ 13,064,843	\$ 231,428
<u>Liabilities</u>				
Accounts payable	\$ 6,083	\$ 74,599	\$ 61,842	\$ 18,840
Due to other governments	282,060	12,921,212	13,003,001	200,271
Advance from other funds	301	12,016	-	12,317
Total Liabilities	\$ 288,444	\$ 13,007,827	\$ 13,064,843	\$ 231,428

OTHER SCHEDULE

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Shared Revenue

State

Highway users tax	\$	3,840,008
County program aid		107,191
PERA rate reimbursement		11,447
Disparity reduction aid		81,118
Police aid		34,561
Enhanced 911		75,107
Market value credit		157,474
Aquatic invasive species aid		83,845
		83,845

Total shared revenue **\$ 4,390,751**

Reimbursement for Services

Minnesota Department of Human Services	\$	279,699
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Payments

Local

Payments in lieu of taxes	\$	119,041
Local contributions		2,560
		2,560

Total payments **\$ 121,601**

Grants

State

Minnesota Department/Board/Office of		
Public Safety	\$	6,649
Corrections		7,536
Human Services		448,087
Natural Resources		31,096
Water and Soil Resources		80,770
Veterans Affairs		7,500
Peace Officer Standards and Training Board		1,999
Pollution Control Agency		69,692
		69,692

Total state **\$ 653,329**

Federal

Department of		
Agriculture	\$	74,746
Health and Human Services		491,282
Homeland Security		17,380
		17,380

Total federal **\$ 583,408**

Total state and federal grants **\$ 1,236,737**

Total Intergovernmental Revenue **\$ 6,028,788**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-001

Audit Adjustment

Criteria: A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, an adjustment was proposed and recorded to the Ditch Special Revenue Fund in the amount of \$116,151 that resulted in a reduction of the receivable for special assessments. This adjustment was individually material to this opinion unit and was necessary to fairly present assets and related deferred inflows of resources in Big Stone County's financial statements.

Context: The inability to make appropriate accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustment was reviewed and approved by County staff and is reflected in the financial statements: decreased special assessments receivable--noncurrent and related deferred inflows of resources--unavailable revenue by \$116,151 in the Ditch Special Revenue Fund for special assessments collected during 2015 that should not be considered receivable at year-end.

Cause: The County accrued an asset as of December 31, 2015, for special assessments receivable that had already been collected.

Recommendation: We recommend County staff review their financial statement closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made appropriately that are considered necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The County will review its financial statement closing procedures and journal entries in detail to ensure adjustments are properly made to the financial statements.

II. OTHER FINDINGS AND RECOMMENDATIONS

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility Testing (CFDA No. 93.778) (2012-002)

The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our previous audit, we noted not all documentation was available to support participant eligibility. In our sample of 40 cases tested, we noted two cases did not have verification of asset requirements. For these cases, the most recent bank account balance or cash balance for each case was not updated in MAXIS.

Resolution

During the 2015 audit, we tested a sample of 15 cases for which we noted all required documentation existed to support the eligibility determination, and it was properly entered or updated in MAXIS.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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*

Independent Auditor's Report

Board of County Commissioners
Big Stone County
Ortonville, 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone 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, and have issued our report thereon dated March 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Stone County's internal control over financial reporting 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 the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting 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 deficiency described in the accompanying Schedule of Findings and Recommendations as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Stone County's financial statements are free from 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*.

Minnesota Legal Compliance

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. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Big Stone County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Big Stone 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 the County's noncompliance with the above referenced provisions.

Big Stone County's Response to Finding

Big Stone County's response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 23, 2016