

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

DODGE COUNTY
MANTORVILLE, 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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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

Year Ended December 31, 2015



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

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2015**

			<u>Term Expires</u>
Elected			
Commissioners			
Chair	John Allen	District 1	January 2016
Board Member	Tim Tjosaas	District 2	January 2018
Board Member	Rodney Peterson	District 3	January 2018
Board Member	David Erickson	District 4	January 2016
Board Member	Steven Gray	District 5	January 2016
Attorney	Paul Kiltinen		January 2018
Judge of County Court	Jodi L. Williamson		January 2021
County Sheriff	Scott Rose		January 2018
Appointed			
Director of Land Records	Ryan DeCook		Indefinite
Registrar of Titles	Ryan DeCook		Indefinite
County Administrator	Jim Elmquist		Indefinite
County Engineer	Guy Kohlhofer		May 2018
Coroner	Mayo Clinic		Indefinite
Finance Director	Lisa Kramer		Indefinite
Nursing Home Administrator	Jane Sheeran		Indefinite
Public Health Director	Amy Roggenbuck		Indefinite
Surveyor	Lisa Hanni, Goodhue County		Indefinite
Veteran Services Officer	Todd Nelson		June 2019
Weed Inspector	Guy Kohlhofer		Indefinite
Zoning Administrator	Melissa DeVetter		Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Dodge County
Mantorville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge 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 did not audit the financial statements of the Dodge County Nursing Home, which represents the amounts shown as the business-type activities and the major enterprise fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dodge County Nursing Home, is based solely upon the report of the other auditors. We also did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Dodge County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, \$1,604,502, represents 1.7 percent and 2.2 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United

States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge County as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 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*, and GASB Statement No. 82, *Pension Issues*, 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 Dodge 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 February 9, 2017, on our consideration of Dodge 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 Dodge County's internal control over financial reporting and compliance. It does not include the Dodge County Nursing Home or the South Country Health Alliance joint venture, which were audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

February 9, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

Dodge County's Management's Discussion and Analysis (MD&A) provides an overview 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 County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$71,535,004, of which \$59,095,871 is the net investment in capital assets, and \$3,415,699 is restricted to specific purposes.
- The business-type activities have a total net position of (\$1,708,545). The net investment in capital assets represents \$373,996 of the total, and \$9,924 is restricted for donations.
- Dodge County's net position increased by \$414,461 for the year ended December 31, 2015. Of the increase, \$365,297 was in the governmental activities' net position. The business-type activities' net position increased by \$49,164.
- The net cost of governmental activities increased by \$1,504,434 to \$11,368,677 for the current fiscal year. The net cost was funded by general revenues and other items.
- Governmental funds' fund balances decreased by \$6,672,747.
- The government activities' total bonded debt at the end of the year was \$12,220,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Dodge County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.

Management's Discussion and Analysis
(MD&A)
(required supplementary information)

Government-wide financial statements ← ↔ Fund financial statements
Notes to the financial statements

Required supplementary information
(other than MD&A)

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements are Exhibits 3 through 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

Our analysis of the County as a whole begins on Exhibits 1 and 2. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's nursing home is reported here.

Fund Financial Statements

Our analysis of Dodge County's major funds begins with Exhibit 3 and provides detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Proprietary funds--When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

Dodge County's combined net position increased from \$69,411,998 as restated to \$69,826,459. Looking at the net position and net expenses of governmental and business-type activities separately, however, two different stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 23.8	\$ 33.4	\$ 0.7	\$ 0.7	\$ 24.5	\$ 34.1
Capital assets	<u>70.4</u>	<u>61.5</u>	<u>0.6</u>	<u>0.6</u>	<u>71.0</u>	<u>62.1</u>
Total Assets	<u>\$ 94.2</u>	<u>\$ 94.9</u>	<u>\$ 1.3</u>	<u>\$ 1.3</u>	<u>\$ 95.5</u>	<u>\$ 96.2</u>
Deferred Outflows of Resources						
Deferred pension outflows	<u>\$ 1.1</u>	<u>\$ -</u>	<u>\$ 0.3</u>	<u>\$ -</u>	<u>\$ 1.4</u>	<u>\$ -</u>
Liabilities						
Long-term liabilities	\$ 20.9	\$ 15.1	\$ 2.7	\$ 0.4	\$ 23.6	\$ 15.5
Other liabilities	<u>1.7</u>	<u>2.5</u>	<u>0.1</u>	<u>0.2</u>	<u>1.8</u>	<u>2.7</u>
Total Liabilities	<u>\$ 22.6</u>	<u>\$ 17.6</u>	<u>\$ 2.8</u>	<u>\$ 0.6</u>	<u>\$ 25.4</u>	<u>\$ 18.2</u>
Deferred Inflows of Resources						
Deferred pension inflows	<u>\$ 1.2</u>	<u>\$ -</u>	<u>\$ 0.5</u>	<u>\$ -</u>	<u>\$ 1.7</u>	<u>\$ -</u>
Net Position						
Net investment in capital assets	\$ 59.1	\$ 56.6	\$ 0.4	\$ 0.4	\$ 59.5	\$ 57.0
Restricted	3.4	4.8	-	-	3.4	4.8
Unrestricted	<u>9.0</u>	<u>15.9</u>	<u>(2.1)</u>	<u>0.3</u>	<u>6.9</u>	<u>16.2</u>
Total Net Position	<u>\$ 71.5</u>	<u>\$ 77.3</u>	<u>\$ (1.7)</u>	<u>\$ 0.7</u>	<u>\$ 69.8</u>	<u>\$ 78.0</u>
Change in accounting principle*		<u>(6.1)</u>		<u>(2.5)</u>		<u>(8.6)</u>
Total Net Position, as restated		<u>\$ 71.2</u>		<u>\$ (1.8)</u>		<u>\$ 69.4</u>

*This is the first year the County implemented the new pension accounting and financial reporting standards, Governmental Accounting Standards Board Statements 68, 71, and 82. 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.

Net position of the County's governmental activities increased by 0.4 percent (\$71.5 million compared to \$71.2 million, as restated). Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$15.9 million at December 31, 2014, before restatement, to \$9.0 million at the end of 2015. The unrestricted net position of our business-type activities decreased (\$1.8 million) at December 31, 2015, before consideration of the restatement for 2014.

Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 3.3	\$ 3.6	\$ 4.6	\$ 4.4	\$ 7.9	\$ 8.0
Operating grants and contributions	5.7	7.7	-	-	5.7	7.7
Capital grants and contributions	-	0.6	-	-	-	0.6
General revenues and transfers						
Property taxes	11.8	10.9	-	-	11.8	10.9
Unrestricted grants and contributions	1.0	1.0	-	-	1.0	1.0
Other general revenues	0.4	0.4	-	-	0.4	0.4
Transfers	-	(0.2)	-	0.2	-	-
Total Revenues and Transfers	\$ 22.2	\$ 24.0	\$ 4.6	\$ 4.6	\$ 26.8	\$ 28.6
Program expenses						
General government	\$ 4.8	\$ 4.4	\$ -	\$ -	\$ 4.8	\$ 4.4
Public safety	5.1	4.6	-	-	5.1	4.6
Highways and streets	4.5	4.9	-	-	4.5	4.9
Sanitation	2.0	1.8	-	-	2.0	1.8
Human services	2.4	4.6	-	-	2.4	4.6
Health	0.9	0.9	-	-	0.9	0.9
Culture and recreation	0.1	0.1	-	-	0.1	0.1
Conservation of natural resources	0.3	0.3	-	-	0.3	0.3
Interest	0.3	0.1	-	-	0.3	0.1
Nursing home	-	-	4.5	4.3	4.5	4.3
Total Program Expenses	\$ 20.4	\$ 21.7	\$ 4.5	\$ 4.3	\$ 24.9	\$ 26.0

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues Over (Under) Program Expenses	\$ 1.8	\$ 2.3	\$ 0.1	\$ 0.3	\$ 1.9	\$ 2.6
Special Item Transfer of human services operations to Minnesota Prairie County Alliance	(1.5)	-	-	-	(1.5)	-
Increase (Decrease) in Net Position	\$ 0.3	\$ 2.3	\$ 0.1	\$ 0.3	\$ 0.4	\$ 2.6
Net Position - January 1, as restated	71.2*	75.0	(1.8)*	0.4	69.4	75.4
Net Position - December 31	\$ 71.5	\$ 77.3	\$ (1.7)	\$ 0.7	\$ 69.8	\$ 78.0

*Amount includes a change in accounting principle

The County's total revenues and transfers decreased by about 6.3 percent, or \$1.8 million. The total cost of all programs and services decreased by 4.2 percent, or \$1.1 million. Expenses in general government and public safety increased moderately, and human services decreased considerably, contributing to the overall decrease in expenses.

Governmental Activities

Revenues for the County's governmental activities decreased by 7.0 percent, from \$23,999,839 in 2014 to \$22,319,172 in 2015, and total expenses decreased 6.1 percent, from \$21,745,287 in 2014 to \$20,425,306 in 2015. The County also had a special item in 2015 of (\$1,528,569) for the transfer of the human services operations to Minnesota Prairie County Alliance.

The cost of all governmental activities this year was \$20,425,306, compared to \$21,745,287 last year. However, as shown in the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County property taxes was \$11,769,760, because some of the cost was paid by those who directly benefited from the programs (\$3,332,084) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,724,545). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2015 to \$9,056,629 from \$11,881,044, principally based on a decrease in grants and contributions and in fees, charges, fines, and other. The County paid for the remaining "public benefit" portion of governmental activities with \$13,262,543 in general revenues, primarily taxes (some of which could only be used for certain programs), and other revenues, such as interest and general entitlements.

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

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Public safety	\$ 5.1	\$ 4.6	\$ 4.1	\$ 3.6
General government	4.8	4.4	3.8	3.5
Highways and streets	4.5	4.8	0.1	-
Human services	2.4	4.6	2.4	2.0
Sanitation	2.0	1.8	0.2	0.2
All others	1.6	1.5	0.8	0.6
Total Governmental Activities	\$ 20.4	\$ 21.7	\$ 11.4	\$ 9.9

Business-Type Activities

Revenues of the County's business-type activities (see Table 2) showed a slight decrease in revenues of 2.4 percent (\$4,569,406 in 2015 compared to \$4,679,801 in 2014), and expenses increased by 4.2 percent (\$4,520,242 in 2015 compared to \$4,336,607 in 2014).

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Dodge County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a county's net resources available for spending at the end of the year.

At December 31, 2015, Dodge County's governmental funds (as presented in Exhibit 3) reported a combined ending fund balance of \$19,444,873, which is a decrease from last year's total of \$26,117,620. The County is reporting an unassigned fund balance of \$7,576,516 in 2015. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Dodge County. At December 31, 2015, unassigned fund balance was \$7,576,516, while total fund balance was \$9,596,581. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 72.0 percent of total General Fund expenditures, while total fund balance represents 91.2 percent of the same amount. While the 2015 General Fund final budget reflected a \$126,400 use of fund balance, the General Fund was still able to end the year adding \$372,287 to fund balance. The majority of this increase was contingency funds not spent, several departments with favorable budget variances and a retirement, and extended time with open positions in building operations.

The Road and Bridge Special Revenue Fund's fund balance increased by \$1,028,539 to \$2,964,901, of which \$2,875,997 is assigned. The Road and Bridge Department saw increased revenues in the form of highway users tax to pay for eligible projects, some of which would not be completed until 2016.

The Human Services Special Revenue Fund's fund balance decreased by \$1,613,868, from \$4,876,807 to \$3,262,939. Of this total, \$3,011,861 is assigned, \$20,280 is nonspendable, and the final \$230,798 is restricted for human services (South Country Health Alliance distribution). The main reason for the reduction in fund balance was due to the transfer of the human service operations to Minnesota Prairie County Alliance.

General Fund Budgetary Highlights

There were no amendments to the 2015 original County budget. For the year ending December 31, 2015, General Fund revenues were \$214,386 less than final budget, and expenditures were \$698,683 less than final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the County had \$71,022,602 (net of depreciation) invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$8,919,334 over last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 2.1	\$ 1.9	\$ -	\$ -	\$ 2.1	\$ 1.9
Construction in progress	9.1	2.3	-	-	9.1	2.3
Land improvements	0.3	0.3	-	-	0.3	0.3
Buildings and improvements	4.7	5.0	0.6	0.6	5.3	5.6
Machinery, vehicles, furniture, and equipment	2.1	2.1	-	-	2.1	2.1
Infrastructure	52.1	49.9	-	-	52.1	49.9
Total Capital Assets, Net	<u>\$ 70.4</u>	<u>\$ 61.5</u>	<u>\$ 0.6</u>	<u>\$ 0.6</u>	<u>\$ 71.0</u>	<u>\$ 62.1</u>

This year's major additions were:

- Addition of \$3,595,248 in infrastructure and \$6,905,884 in construction in progress.

Debt

At year-end, the County had \$12.4 million in bonds outstanding, versus \$13.0 million last year--a decrease of 4.6 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End
(in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Bonds	\$ 12.2	\$ 12.8	\$ 0.2	\$ 0.2	\$ 12.4	\$ 13.0

The County's general obligation bond rating carries a AA/Stable bond rating from Standard and Poor's Agency as affirmed March 31, 2015.

Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate in Dodge County decreased, moving from 4.1 percent in 2014 to 3.7 percent in 2015 for the annual average. This was the same as Minnesota's rate of 3.7 percent and considerably better than the U.S. rate of 5.3 percent.
- County General Fund expenditures for 2016 are budgeted to increase 5.63 percent over 2015.
- Dodge County's population grew by 3.99 percent from 2005 to 2015, compared to an increase of 5.38 percent in Minnesota as a whole.
- Postretirement benefits liability and the future impact on the County have been reviewed, and the County has an actuarial report stating our postemployment benefits liability. The County is beginning to plan on how to fund this liability.
- The property tax levy has increased 5.0 percent for 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Dodge County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Dodge County Finance Department, 721 Main Street North, Department 45, Mantorville, Minnesota 55955.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 1

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

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Assets</u>			
Cash and pooled investments	\$ 20,297,491	\$ 142,313	\$ 20,439,804
Petty cash and change funds	3,480	400	3,880
Investments	12,500	-	12,500
Investment in joint venture	1,604,502	-	1,604,502
Taxes receivable - delinquent	227,325	-	227,325
Special assessments receivable - delinquent	17,789	-	17,789
Accounts receivable - net	173,216	477,156	650,372
Accrued interest receivable	39,111	-	39,111
Loans receivable	280,256	-	280,256
Due from other governments	1,040,059	-	1,040,059
Inventories	76,404	-	76,404
Restricted assets			
Cash and pooled investments	-	102,190	102,190
Capital assets			
Non-depreciable	11,136,172	15,600	11,151,772
Depreciable - net of accumulated depreciation	59,317,434	553,396	59,870,830
Total Assets	<u>\$ 94,225,739</u>	<u>\$ 1,291,055</u>	<u>\$ 95,516,794</u>
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	<u>\$ 1,047,664</u>	<u>\$ 315,599</u>	<u>\$ 1,363,263</u>
<u>Liabilities</u>			
Accounts payable	\$ 262,560	\$ 87,361	\$ 349,921
Salaries payable	111,849	37,077	148,926
Contracts payable	418,592	-	418,592
Retainage payable	407,139	-	407,139
Due to other governments	135,220	-	135,220
Accrued interest payable	121,549	-	121,549
Unearned revenue	119,472	-	119,472
Customer deposits	163,816	-	163,816
Interest payable from restricted assets	-	2,346	2,346
Trust and security deposits payable from restricted assets	-	1,453	1,453
Long-term liabilities			
Due within one year	1,229,771	97,677	1,327,448
Due in more than one year	11,922,118	321,612	12,243,730
Net pension liability	6,088,325	2,305,464	8,393,789
Other postemployment benefits obligations	1,604,423	-	1,604,423
Total Liabilities	<u>\$ 22,584,834</u>	<u>\$ 2,852,990</u>	<u>\$ 25,437,824</u>

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

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT 1
(Continued)**

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

	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 1,153,565	\$ 462,209	\$ 1,615,774
<u>Net Position</u>			
Net investment in capital assets	\$ 59,095,871	\$ 373,996	\$ 59,469,867
Restricted for			
Debt service	1,392,833	-	1,392,833
General government	528,715	-	528,715
Public safety	310,251	-	310,251
Highways and streets	840,439	-	840,439
Sanitation	51,103	-	51,103
Human services	230,798	-	230,798
Conservation of natural resources	29,453	-	29,453
Economic development	32,107	-	32,107
Donations	-	9,924	9,924
Unrestricted	9,023,434	(2,092,465)	6,930,969
Total Net Position	\$ 71,535,004	\$ (1,708,545)	\$ 69,826,459

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 4,745,109	\$ 729,057
Public safety	5,124,262	621,949
Highways and streets	4,531,650	162,699
Sanitation	1,978,176	1,652,295
Human services	2,420,847	6,022
Health	875,719	146,056
Culture and recreation	148,435	65
Conservation of natural resources	286,518	13,941
Economic development	25,313	-
Interest	289,277	-
	\$ 20,425,306	\$ 3,332,084
Total governmental activities		
Business-type activities		
Nursing Home	4,520,242	4,567,480
Total Primary Government	\$ 24,945,548	\$ 7,899,564

General Revenues

Property taxes
Mortgage registry and deed tax
Wheelage tax
Payments in lieu of tax
Grants and contributions not restricted to
specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets

Special Item

Transfer of human services operations to
Minnesota Prairie County Alliance

Total general revenues and special item

Change in net position

Net Position - Beginning, as restated (Note 1.E.)

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total
\$ 196,565	\$ -	\$ (3,819,487)	\$ -	\$ (3,819,487)
366,677	-	(4,135,636)	-	(4,135,636)
4,242,372	3,298	(123,281)	-	(123,281)
139,210	-	(186,671)	-	(186,671)
-	-	(2,414,825)	-	(2,414,825)
711,472	-	(18,191)	-	(18,191)
-	-	(148,370)	-	(148,370)
64,951	-	(207,626)	-	(207,626)
-	-	(25,313)	-	(25,313)
-	-	(289,277)	-	(289,277)
\$ 5,721,247	\$ 3,298	\$ (11,368,677)	\$ -	\$ (11,368,677)
-	-	-	47,238	47,238
\$ 5,721,247	\$ 3,298	\$ (11,368,677)	\$ 47,238	\$ (11,321,439)
		\$ 11,769,760	\$ -	\$ 11,769,760
		16,837	-	16,837
		213,289	-	213,289
		22,583	-	22,583
		1,031,966	-	1,031,966
		65,404	184	65,588
		118,314	-	118,314
		24,390	1,742	26,132
		(1,528,569)	-	(1,528,569)
		\$ 11,733,974	\$ 1,926	\$ 11,735,900
		\$ 365,297	\$ 49,164	\$ 414,461
		71,169,707	(1,757,709)	69,411,998
		\$ 71,535,004	\$ (1,708,545)	\$ 69,826,459

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 9,643,855	\$ 3,096,650
Petty cash and change funds	3,330	-
Investments	-	12,500
Taxes receivable - delinquent	141,064	28,599
Special assessments - delinquent	-	-
Accounts receivable - net	67,100	-
Accrued interest receivable	39,111	-
Loans receivable	280,256	-
Due from other funds	-	6,862
Due from other governments	171,173	859,255
Inventories	-	76,404
Advances to other funds	-	-
	\$ 10,345,889	\$ 4,080,270
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 173,862	\$ 76,066
Salaries payable	87,678	15,615
Contracts payable	39,866	158,461
Retainage payable	-	-
Due to other funds	6,862	-
Due to other governments	37,471	3,341
Unearned revenue	36,166	-
Customer deposits	163,816	-
Advances from other funds	20,280	-
	\$ 566,001	\$ 253,483
Deferred Inflows of Resources		
Unavailable revenue	\$ 183,307	\$ 861,886

EXHIBIT 3

<u>Human Services</u>	<u>Capital Improvement Plan Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,232,419	\$ 1,759,157	\$ 2,565,410	\$ 20,297,491
-	-	150	3,480
-	-	-	12,500
38,603	-	19,059	227,325
-	-	17,789	17,789
-	-	106,116	173,216
-	-	-	39,111
-	-	-	280,256
-	-	-	6,862
-	-	9,631	1,040,059
-	-	-	76,404
20,280	-	-	20,280
<u>\$ 3,291,302</u>	<u>\$ 1,759,157</u>	<u>\$ 2,718,155</u>	<u>\$ 22,194,773</u>
\$ -	\$ -	\$ 12,632	\$ 262,560
-	-	8,556	111,849
-	220,265	-	418,592
-	407,139	-	407,139
-	-	-	6,862
-	-	94,408	135,220
-	-	83,306	119,472
-	-	-	163,816
-	-	-	20,280
<u>\$ -</u>	<u>\$ 627,404</u>	<u>\$ 198,902</u>	<u>\$ 1,645,790</u>
<u>\$ 28,363</u>	<u>\$ -</u>	<u>\$ 30,554</u>	<u>\$ 1,104,110</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Long-term loans/notes receivable	\$ 293,881	\$ -
Inventories	-	76,404
Advance to other funds	-	-
Restricted for		
Law library	71,955	-
Recorder's technology equipment	251,649	-
Recorder's compliance fund	111,438	-
Enhanced 911	247,183	-
DARE	2,992	-
Attorney forfeiture	57,507	-
Permit to carry	47,957	-
DUI assessments	4,113	-
DUI forfeiture	8,006	-
EDA revolving loan fund	32,107	-
Shoreland grant	2,729	-
Department of Veteran Affairs grant	10,000	-
Capital projects	-	-
Human services (SCHA distribution)	-	-
Natural resources block grant	-	-
Feedlot base	23,437	-
Debt service	-	-
Ditch maintenance and construction	-	-
Committed to		
Capital equipment	-	-
Wind tower decommission	163,816	-
Drug court	6,713	-
Public recreation	13,250	-
Veteran services van	25,700	-
Sheriff lojack safety net	334	-
Sheriff impound lot	23,489	-
Change funds	3,330	-
DFO corrections	122,479	-
Fairview care center appropriations	50,000	-
Wetlands R.O.W.	-	12,500
Landfill postclosure	-	-
Comprehensive land use plan	15,000	-

**EXHIBIT 3
(Continued)**

<u>Human Services</u>	<u>Capital Improvement Plan Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 293,881
-	-	-	76,404
20,280	-	-	20,280
-	-	-	71,955
-	-	-	251,649
-	-	-	111,438
-	-	-	247,183
-	-	-	2,992
-	-	-	57,507
-	-	-	47,957
-	-	-	4,113
-	-	-	8,006
-	-	-	32,107
-	-	-	2,729
-	-	-	10,000
-	1,131,753	-	1,131,753
230,798	-	-	230,798
-	-	51,103	51,103
-	-	-	23,437
-	-	1,392,833	1,392,833
-	-	29,453	29,453
-	-	228,774	228,774
-	-	-	163,816
-	-	-	6,713
-	-	-	13,250
-	-	-	25,700
-	-	-	334
-	-	-	23,489
-	-	150	3,480
-	-	-	122,479
-	-	-	50,000
-	-	-	12,500
-	-	138,340	138,340
-	-	-	15,000

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Fund Balances (Continued)		
Assigned to		
Subsequent year's appropriated budget	431,000	-
Highways and streets	-	2,875,997
Human services	-	-
Sanitation	-	-
Unassigned	7,576,516	-
Total Fund Balances	\$ 9,596,581	\$ 2,964,901
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 10,345,889	 \$ 4,080,270

EXHIBIT 3
(Continued)

Human Services	Capital Improvement Plan Capital Projects	Nonmajor Funds	Total
-	-	-	431,000
-	-	-	2,875,997
3,011,861	-	-	3,011,861
-	-	648,046	648,046
-	-	-	7,576,516
\$ 3,262,939	\$ 1,131,753	\$ 2,488,699	\$ 19,444,873
\$ 3,291,302	\$ 1,759,157	\$ 2,718,155	\$ 22,194,773

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		\$	19,444,873
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.			70,453,606
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.			1,604,502
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.			1,104,110
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.			1,047,664
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(12,220,000)	
Capital leases		(140,000)	
Bond premium		(129,487)	
OPEB obligation		(1,604,423)	
Net pension liability		(6,088,325)	
Accrued interest payable		(121,549)	
Compensated absences		(662,402)	(20,966,186)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(1,153,565)
Net Position of Governmental Activities (Exhibit 1)			\$ 71,535,004

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	General	Road and Bridge
Revenues		
Taxes	\$ 7,227,257	\$ 1,538,622
Special assessments	-	6,032
Licenses and permits	43,041	7,000
Intergovernmental	1,954,898	6,112,299
Charges for services	1,389,214	108,811
Fines and forfeits	1,610	-
Gifts and contributions	9,058	-
Investment earnings	64,934	-
Miscellaneous	175,932	40,856
	\$ 10,865,944	\$ 7,813,620
Expenditures		
Current		
General government	\$ 4,023,364	\$ -
Public safety	5,199,843	-
Highways and streets	-	6,529,517
Sanitation	-	-
Human services	4,000	-
Health	886,653	-
Culture and recreation	148,435	-
Conservation of natural resources	230,752	-
Economic development	25,000	-
Intergovernmental		
Highways and streets	-	241,245
Human services	-	-
Capital outlay		
General government	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	\$ 10,518,047	\$ 6,770,762
Excess of Revenues Over (Under) Expenditures	\$ 347,897	\$ 1,042,858
Other Financing Sources (Uses)		
Capital lease purchase	\$ -	\$ -
Proceeds from sale of capital assets	24,390	-
	\$ 24,390	\$ -

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

EXHIBIT 5

Human Services	Capital Improvement Plan Capital Projects	Nonmajor Funds	Total
\$ 1,939,913	\$ -	\$ 1,312,978	\$ 12,018,770
-	-	200,928	206,960
-	-	28,100	78,141
167,306	-	290,695	8,525,198
-	-	1,431,848	2,929,873
-	-	-	1,610
-	-	-	9,058
-	-	470	65,404
6,022	-	5,215	228,025
\$ 2,113,241	\$ -	\$ 3,270,234	\$ 24,063,039
\$ -	\$ -	\$ -	\$ 4,023,364
-	-	-	5,199,843
-	-	-	6,529,517
-	-	2,064,704	2,064,704
102,797	-	-	106,797
-	-	-	886,653
-	-	-	148,435
-	-	55,712	286,464
-	-	-	25,000
-	-	-	241,245
2,095,743	-	-	2,095,743
-	6,952,128	-	6,952,128
-	-	615,000	615,000
-	-	239,750	239,750
-	-	2,645	2,645
\$ 2,198,540	\$ 6,952,128	\$ 2,977,811	\$ 29,417,288
\$ (85,299)	\$ (6,952,128)	\$ 292,423	\$ (5,354,249)
\$ -	\$ -	\$ 200,000	\$ 200,000
-	-	-	24,390
\$ -	\$ -	\$ 200,000	\$ 224,390

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

	General	Road and Bridge
Special Item		
Transfer of human services operations to Minnesota Prairie County Alliance	\$ -	\$ -
Change in Fund Balance	\$ 372,287	\$ 1,042,858
Fund Balance - January 1	9,224,294	1,936,362
Increase (decrease) in inventories	-	(14,319)
Fund Balance - December 31	<u>\$ 9,596,581</u>	<u>\$ 2,964,901</u>

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Capital Improvement Plan Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ (1,528,569)	\$ -	\$ -	\$ (1,528,569)
\$ (1,613,868)	\$ (6,952,128)	\$ 492,423	\$ (6,658,428)
4,876,807	8,083,881	1,996,276	26,117,620
<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,319)</u>
<u>\$ 3,262,939</u>	<u>\$ 1,131,753</u>	<u>\$ 2,488,699</u>	<u>\$ 19,444,873</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ (6,658,428)

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

In the funds, under modified accrual accounting, distributions of joint venture equity interest are recorded as revenue. In the statement of net position, an asset is reported for the equity interest in the joint venture, and increases or decreases in joint venture equity are reported in the statement of activities. The change in net position differs from the change in fund balance by the increases or decreases in the investment in joint venture.

Increase in investment in joint venture		57,998
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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.

Unavailable revenue - December 31	\$ 1,104,110	
Unavailable revenue - January 1	<u>(3,268,455)</u>	(2,164,345)

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of assets disposed.

Expenditures for general capital assets and infrastructure	\$ 11,207,549	
Net book value of disposed capital assets	(74,427)	
Current year depreciation	<u>(2,174,780)</u>	8,958,342

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
Capital lease issued	\$ (200,000)	
Principal repayments		
General obligation bonds	555,000	
Capital lease	<u>60,000</u>	415,000

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT 6
(Continued)**

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

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 OPEB obligation	\$ (209,835)	
Amortization of premiums on debt	8,632	
Change in net pension liability, as restated	353,923	
Change in deferred outflows of resources, as restated	738,560	
Change in deferred inflows of resources	(1,153,565)	
Change in accrued interest payable	(55,514)	
Change in inventories	(14,319)	
Change in compensated absences	88,848	(243,270)
	<hr/>	<hr/>
Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 365,297</u></u>

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PROPRIETARY FUND

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
NURSING HOME ENTERPRISE FUND
DECEMBER 31, 2015**

Assets

Current assets

Cash and pooled investments	\$ 142,313
Petty cash and change funds	400
Accounts receivable - net	<u>477,156</u>

Total current assets **\$ 619,869**

Restricted assets

Cash and pooled investments	<u>\$ 102,190</u>
-----------------------------	-------------------

Noncurrent assets

Capital assets	
Nondepreciable	\$ 15,600
Depreciable - net	<u>553,396</u>

Total noncurrent assets **\$ 568,996**

Total Assets **\$ 1,291,055**

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 315,599</u>
---------------------------	-------------------

Liabilities

Current liabilities

Accounts payable	\$ 87,361
Salaries payable	37,077
Compensated absences payable - current	<u>67,677</u>

Total current liabilities **\$ 192,115**

Current liabilities payable from restricted assets

Interest payable	\$ 2,346
Resident trust and security deposits	1,453
General obligation bonds payable - current	<u>30,000</u>

Total current liabilities payable from restricted assets **\$ 33,799**

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
NURSING HOME ENTERPRISE FUND
DECEMBER 31, 2015**

Liabilities (Continued)

Noncurrent liabilities

Compensated absences payable - long-term	\$ 156,612
Net pension liability	2,305,464
General obligation bonds payable - long-term	<u>165,000</u>

Total noncurrent liabilities **\$ 2,627,076**

Total Liabilities **\$ 2,852,990**

Deferred Inflows of Resources

Deferred pension inflows **\$ 462,209**

Net Position

Net investment in capital assets	\$ 373,996
Restricted for donations	9,924
Unrestricted	<u>(2,092,465)</u>

Total Net Position **\$ (1,708,545)**

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

Operating Revenues	
Charges for services	\$ 4,563,655
Miscellaneous	3,825
	<hr/>
Total Operating Revenues	\$ 4,567,480
Operating Expenses	
Employee benefits and payroll taxes	\$ 814,830
Nursing services	1,713,475
Administrative and fiscal services	385,870
Other care-related	135,804
Ancillary services	493,946
Repair and maintenance	197,398
Property and household	160,793
Laundry	84,065
Dietary	382,395
Housekeeping	103,621
Depreciation	38,750
	<hr/>
Total Operating Expenses	\$ 4,510,947
Operating Income (Loss)	\$ 56,533
Nonoperating Revenues (Expenses)	
Interest income	\$ 184
Gifts and contributions	(3,595)
Gain on sale/disposal of capital assets	1,742
Interest expense	(5,700)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (7,369)
Change in Net Position	\$ 49,164
Net Position - January 1, as restated (Note 1.E.)	(1,757,709)
	<hr/>
Net Position - December 31	\$ (1,708,545)
	<hr/> <hr/>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 4,512,657
Payments to suppliers and employees	<u>(4,542,501)</u>
Net cash provided by (used in) operating activities	<u>\$ (29,844)</u>
Cash Flows from Noncapital Financing Activities	
Contributions	<u>\$ (3,595)</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (30,000)
Interest paid on long-term debt	(5,981)
Proceeds from sale of capital assets	<u>2,000</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (33,981)</u>
Cash Flows from Investing Activities	
Investment earnings received	\$ 184
Deposits to restricted assets	<u>(1,051)</u>
Net cash provided by (used in) investing activities	<u>\$ (867)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (68,287)</u>
Cash and Cash Equivalents at January 1	<u>313,190</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 244,903</u></u>
Cash and Cash Equivalents - Exhibit 7	
Cash and pooled investments	\$ 142,313
Petty cash and change funds	400
Restricted cash and pooled investments	<u>102,190</u>
Total Cash and Cash Equivalents	<u><u>\$ 244,903</u></u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

***EXHIBIT 9
(Continued)***

**STATEMENT OF CASH FLOWS
NURSING HOME ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ 56,533</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 38,750
(Increase) decrease in accounts receivable	(54,823)
Increase (decrease) in accounts payable	(18,298)
Increase (decrease) in salaries payable	(100,374)
Increase (decrease) in net pension liability	(245,536)
Increase (decrease) in compensated absences payable	41,751
Increase (decrease) in deferred pension outflows	(210,056)
Increase (decrease) in deferred pension inflows	<u>462,209</u>
Total adjustments	<u>\$ (86,377)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (29,844)</u>

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FIDUCIARY FUNDS

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 10

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

	<u>Cemetery Perpetual Care Private-Purpose Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 11,108	\$ 434,799
Restricted assets		
Cash and pooled investments	1,125	-
Investments	128,825	-
Interest receivable	15	-
	<hr/>	<hr/>
Total Assets	\$ 141,073	\$ 434,799
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable	\$ 10,212	\$ 152,738
Due to other governments	-	282,061
	<hr/>	<hr/>
Total Liabilities	\$ 10,212	\$ 434,799
	<hr/>	<hr/>
<u>Net Position</u>		
Held in trust for other organizations Nonexpendable	\$ 130,861	
	<hr/>	

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Cemetery Perpetual Care Private-Purpose Trust <hr style="border: 0.5px solid black;"/>
<u>Additions</u>	
Investment earnings	
Interest	\$ 5,157
Net increase (decrease) in fair value of investments	<hr style="border: 0.5px solid black;"/> 2,355
Total Additions	\$ 7,512
<u>Deductions</u>	
Distributions to participants	<hr style="border: 0.5px solid black;"/> 5,157
Change in net position	\$ 2,355
Net Position - January 1	<hr style="border: 0.5px solid black;"/> 128,506
Net Position - December 31	<hr style="border: 1.5px solid black;"/> \$ 130,861

**DODGE COUNTY
MANTORVILLE, 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

Dodge County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Dodge 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 Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures which are described in Note 5.C. The County also participates in jointly-governed organizations which are 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 the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 and different business-type 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. The County does not allocate indirect expenses to functions within the financial statements.

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, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

The Road and Bridge 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 Human 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 Capital Improvement Plan Capital Projects Fund accounts for financial resources restricted for capital acquisition, construction, or improvement of capital facilities.

The County reports the following major enterprise fund:

The Nursing Home Fund is used to account for the operations of the County nursing home.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Debt service funds are used to account for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

Private-purpose trust funds are used to account for resources legally held in trust for others.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Dodge County considers all revenues as available if collected within 60 days after the end of the current period. 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County 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 \$64,934.

Dodge County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Accounts receivable is shown net of an allowance for uncollectibles.

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. 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. No provision has been made for an estimated uncollectible amount.

4. Inventories

The supplies inventory in the Road and Bridge Special Revenue Fund is valued at cost using the weighted moving average method. It consists of expendable supplies held for consumption. The cost of the inventory is recorded as an expenditure when purchased rather than when consumed. At the government-wide level, inventories are recorded as expenses when consumed. The County uses the first in, first out method for inventory withdrawals.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20 - 40
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 20

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignations and retirements. The current portion is based on an average of the actual pay out of the previous three years.

8. Unearned Revenue

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

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. 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. Pension liability is liquidated from member and employer contributions by the General Fund, Road and Bridge Special Revenue Fund, Solid Waste Special Revenue Fund, and Nursing Home Enterprise Fund and income from the investment of fund assets as administered by PERA.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. 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, the differences between projected and actual earnings of pension plan investments, and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. No deferred outflows of resources affect the governmental fund financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items, unavailable revenue and deferred

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Deferred Outflows/Inflows of Resources (Continued)

pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that it become available. Deferred pension inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and pension plan changes in proportionate share.

12. 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.

13. Classifications of Fund Balances

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

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classifications of Fund Balances (Continued)

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.

Restricted - amounts for 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.

Unassigned - all spendable amounts not contained in the other fund balance classifications for the General Fund. 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, committed, or assigned to those purposes.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Minimum Fund Balance

Dodge County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds that are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenses.

15. Use of Estimates

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

E. 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, 71, and 82. 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.

**DODGE COUNTY
MANTORVILLE, 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 Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 68*, modifies the measure of payroll that is presented in the required supplementary information schedules.

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.

	Governmental Activities	Business-Type Activities	Total
Net Position, January 1, 2015, as previously reported	\$ 77,302,851	\$ 687,748	\$ 77,990,599
Change in accounting principles	(6,133,144)	(2,445,457)	(8,578,601)
Net Position, January 1, 2015, as restated	\$ 71,169,707	\$ (1,757,709)	\$ 69,411,998

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Solid Waste Special Revenue Fund expenditures of \$2,219,614 exceeded the final budget of \$1,976,187 by \$243,427.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

		Cash and Investments
Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	\$	20,297,491
Petty cash and change funds		3,480
Investments		12,500
Business-type activities		
Cash and pooled investments		142,313
Petty cash and change funds		400
Cash and pooled investments - restricted assets		102,190
Statement of fiduciary net position		
Cash and pooled investments		445,907
Cash and pooled investments – restricted		1,125
Investments - restricted assets		128,825
Total Cash and Investments	\$	21,134,231
		Carrying (Fair) Value
Deposits	\$	4,709,375
Petty cash		3,880
Investments		
Equity investments (stock) AT&T		128,825
Investment pools/mutual funds		
MAGIC Fund	\$	12,796,430
Federated Treasury Cash Series Money		
Market	517,823	13,314,253
Negotiable certificates of deposit		2,977,898
Total Deposits and Investments	\$	21,134,231

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

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. Per the County investment policy, Dodge County is aware of custodial credit risk and attempts to reduce exposure to custodial credit risk by investing the highest percentage of its available cash in deposits or in investments in such a way as to minimize exposure to custodial credit risk as defined by GASB Statement 40. As of December 31, 2015, \$329,353 of the County's deposits were exposed to custodial credit risk.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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;
- (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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 policy is to minimize 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.

Interest rates fixed for long periods subject investments to variability in their fair value as a result of future changes in interest rates. The negotiable certificates of deposit have fixed interest rates. Following is a list of interest rates and maturity dates of the negotiable certificates of deposit.

<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
May 30, 2016	1.60	\$ 44,898
October 20, 2016	1.10	242,000
November 7, 2016	1.10	244,000
November 30, 2016	1.06	244,000
November 30, 2016	0.95	245,000
November 30, 2016	1.00	245,000
November 30, 2016	1.00	245,000
November 30, 2016	1.00	245,000
December 5, 2016	1.05	244,000
January 17, 2017	1.00	245,000
May 2, 2017	1.00	246,000
June 1, 2017	1.11	245,000
October 6, 2017	1.30	243,000
		<hr/>
Total Negotiable Certificates of Deposit		\$ 2,977,898

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, as set by Dodge County's investment policy, to invest only in securities that meet the ratings requirements set by state statute.

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Dodge County invests in the following investment pools/mutual funds:

	<u>Credit Rating</u>	<u>Rating Agency</u>
MAGIC Fund	Not rated	-
Federated Treasury Cash Series Money Market	Not rated	-

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. Per the Dodge County investment policy, the County is aware of custodial credit risk and invests in such a way as to minimize exposure to custodial credit risk, as defined, by investing the highest percentage of its available cash in deposits or investments that fall within category 1 or 2 within GASB Statement 40. As of December 31, 2015, the County does not have any investments exposed to custodial credit risk.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. The County's investment policy states that the County will try to minimize the risk by investing with multiple issuers, but will concentrate funds with an issuer if it maximizes the interest return for the County. Investments that represent five percent or more of Dodge County's investments include only the MAGIC Fund at 78 percent.

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable, gross	\$ 173,216	\$ 480,957
Less: allowance for uncollectible accounts	<u>-</u>	<u>(3,801)</u>
Net Accounts Receivable	<u>\$ 173,216</u>	<u>\$ 477,156</u>

Net receivables for governmental activities and business-type activities are collectible within the year.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Of the loans receivable, \$132,087 were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 and 2010 floods. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses. The loans receivable balance includes \$76,897 in flood loans not scheduled for collection in the subsequent year. The remaining loan receivable, \$148,169, was made to the Agricultural Society, which is not scheduled for collection in the subsequent year.

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Construction in progress	\$ 2,260,762	\$ 6,905,884	\$ 100,609	\$ 9,066,037
Non-depreciable land improvements	19,284	-	-	19,284
Land	1,850,851	200,000	-	2,050,851
Total capital assets not depreciated	\$ 4,130,897	\$ 7,105,884	\$ 100,609	\$ 11,136,172
Capital assets depreciated				
Land improvements	\$ 579,177	\$ -	\$ -	\$ 579,177
Buildings and improvements	8,727,718	-	-	8,727,718
Machinery, vehicles, furniture, and equipment	6,963,994	607,026	555,246	7,015,774
Infrastructure	69,141,354	3,595,248	-	72,736,602
Total capital assets depreciated	\$ 85,412,243	\$ 4,202,274	\$ 555,246	\$ 89,059,271

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 204,019	\$ 28,958	\$ -	\$ 232,977
Buildings and improvements	3,768,136	231,494	-	3,999,630
Machinery, vehicles, furniture, and equipment	4,876,690	501,315	480,819	4,897,186
Infrastructure	19,199,031	1,413,013	-	20,612,044
Total accumulated depreciation	<u>\$ 28,047,876</u>	<u>\$ 2,174,780</u>	<u>\$ 480,819</u>	<u>\$ 29,741,837</u>
Total capital assets depreciated, net	<u>\$ 57,364,367</u>	<u>\$ 2,027,494</u>	<u>\$ 74,427</u>	<u>\$ 59,317,434</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,495,264</u>	<u>\$ 9,133,378</u>	<u>\$ 175,036</u>	<u>\$ 70,453,606</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 15,600	\$ -	\$ -	\$ 15,600
Capital assets depreciated				
Buildings and improvements	\$ 1,545,323	\$ -	\$ -	\$ 1,545,323
Improvements other than buildings	68,588	-	-	68,588
Machinery, vehicles, furniture, and equipment	566,139	-	13,257	552,882
Total capital assets depreciated	<u>\$ 2,180,050</u>	<u>\$ -</u>	<u>\$ 13,257</u>	<u>\$ 2,166,793</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 996,402	\$ 28,530	\$ -	\$ 1,024,932
Improvements other than buildings	68,588	-	-	68,588
Machinery, vehicles, furniture, and equipment	522,656	10,220	12,999	519,877
Total accumulated depreciation	<u>\$ 1,587,646</u>	<u>\$ 38,750</u>	<u>\$ 12,999</u>	<u>\$ 1,613,397</u>
Total capital assets depreciated, net	<u>\$ 592,404</u>	<u>\$ (38,750)</u>	<u>\$ 258</u>	<u>\$ 553,396</u>
Business-Type Activities Capital Assets, Net	<u>\$ 608,004</u>	<u>\$ (38,750)</u>	<u>\$ 258</u>	<u>\$ 568,996</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	240,462
Public safety		177,107
Highways and streets, including depreciation of infrastructure assets		1,602,908
Sanitation		154,303
Total Depreciation Expense - Governmental Activities	\$	2,174,780
Business-Type Activities		
Nursing home	\$	38,750

B. Interfund Receivables, Payables, Advances, and Transfers

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge	General	\$ 6,862

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Human Services	General Fund	\$ 20,280

The advance was for the partial purchase of a phone system and is expected to be eliminated in the subsequent year.

C. Liabilities

1. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of land for environmental services. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2015.

	Maturity	Installment	Payment Amount	Original	Balance
Land	2017	Annually	\$ 70,000	\$ 200,000	\$ 140,000

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	\$ 70,000
2017	70,000
Present Value of Minimum Lease Payments	\$ 140,000

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Bonded Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2008A CIP G.O. Bonds	2016	\$190,000 - \$250,000	3.00 - 4.20	\$ 1,570,000	\$ 250,000
2011A CIP G.O. Bonds	2021	\$210,000 - \$260,000	2.00 - 3.125	2,085,000	1,440,000
2011A Highway Equipment Certificates	2021	\$35,000 - \$45,000	2.00 - 3.125	350,000	245,000
2011A Solid Waste Equipment	2021	\$45,000 - \$55,000	2.00 - 3.125	435,000	300,000
2011A Solid Waste Refunding Bonds	2020	\$15,000 - \$20,000	2.00 - 3.125	145,000	85,000
2014A CIP G.O. Bonds	2030	\$535,000 - \$790,000	0.40 - 3.00	<u>9,900,000</u>	<u>9,900,000</u>
Subtotal				<u>\$ 14,485,000</u>	\$ 12,220,000
Plus: Unamortized premiums					<u>129,487</u>
Total General Obligation Bonds					<u>\$ 12,349,487</u>

The 2008A CIP G.O. Bonds are paid from the Debt Service Fund. All 2011A bonds are paid from the Debt Service Fund and the Solid Waste Special Revenue Fund. The 2014A CIP G.O. Bonds are paid from the Debt Service Fund.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt (Continued)

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
2011A G.O. Nursing Home Bonds	2021	\$25,000 - \$40,000	2.00 - 3.128	<u>\$ 275,000</u>	<u>\$ 195,000</u>

Payments on the 2011A G.O. Nursing Home Bonds are being made from the Nursing Home Enterprise Fund.

3. Debt Service Requirements

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

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,110,000	\$ 283,895
2017	925,000	263,006
2018	935,000	241,875
2019	955,000	219,950
2020	970,000	196,925
2021 - 2025	3,610,000	705,125
2026 - 2030	<u>3,715,000</u>	<u>267,320</u>
Total	<u>\$ 12,220,000</u>	<u>\$ 2,178,096</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 30,000	\$ 5,269
2017	30,000	4,481
2018	30,000	3,656
2019	30,000	2,794
2020	35,000	1,797
2021	40,000	625
Total	<u>\$ 195,000</u>	<u>\$ 18,622</u>

4. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 12,775,000	\$ -	\$ 555,000	\$ 12,220,000	\$ 1,110,000
Plus: deferred amounts for premiums	138,119	-	8,632	129,487	-
Total bonds payable	\$ 12,913,119	-	\$ 563,632	\$ 12,349,487	\$ 1,110,000
Capital leases	-	200,000	60,000	140,000	70,000
Compensated absences	751,250	638,713	727,561	662,402	49,771
Governmental Activities Long-Term Liabilities	<u>\$ 13,664,369</u>	<u>\$ 838,713</u>	<u>\$ 1,351,193</u>	<u>\$ 13,151,889</u>	<u>\$ 1,229,771</u>

Compensated absences liabilities are generally liquidated by the General Fund and Road and Bridge and Solid Waste Special Revenue Funds.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
2011A G.O. Nursing Home Bonds	\$ 225,000	\$ -	\$ 30,000	\$ 195,000	\$ 30,000
Compensated absences	<u>182,538</u>	<u>255,081</u>	<u>213,330</u>	<u>224,289</u>	<u>67,677</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 407,538</u>	<u>\$ 255,081</u>	<u>\$ 243,330</u>	<u>\$ 419,289</u>	<u>\$ 97,677</u>

5. Construction Commitments

Dodge County has an active construction project as of December 31, 2015. The project includes the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities Courthouse/Annex Remodel Project	\$ 7,735,643	\$ 724,051

D. Deferred Outflows of Resources and Unearned Revenue/Deferred Inflows of Resources

1. Deferred Outflows of Resources

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2015.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

3. Detailed Notes on All Funds

D. Deferred Outflows of Resources and Unearned Revenue/Deferred Inflows of Resources
(Continued)

2. Unearned Revenue/Deferred Inflows of Resources

As of December 31, 2015, there were various components of unavailable revenue for governmental funds as follows:

	Unearned Revenue	Unavailable Revenue
Delinquent property taxes	\$ -	\$ 165,776
Special assessment of property taxes	-	17,789
Intergovernmental	119,472	890,509
Charges for services	-	29,936
Miscellaneous	-	100
Total Governmental Funds	\$ 119,472	\$ 1,104,110

There were no unearned revenue or unavailable revenue for the year ended December 31, 2015, for business-type activities.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Dodge 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement 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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

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.

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	\$	531,988
Public Employees Police and Fire Fund		242,276

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

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$6,643,989 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 0.1282 percent. It was 0.1565 percent measured as of June 30, 2014. The County recognized pension expense of \$553,279 for its proportionate share of the General Employees Retirement Fund's pension expense.

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	\$ -	\$ 334,970
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	628,956	-
Changes in proportion	-	997,044
Contributions paid to PERA subsequent to the measurement date	280,550	-
Total	\$ 909,506	\$ 1,332,014

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$280,550 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	\$ (286,766)
2017	(286,766)
2018	(286,766)
2019	157,240

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$1,749,800 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's proportion was 0.154 percent. It was 0.152 percent measured as of June 30, 2014. The County recognized pension expense of \$305,132 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County also recognized \$13,860 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	\$ -	\$ 283,760
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	304,874	-
Changes in proportion	18,001	-
Contributions paid to PERA subsequent to the measurement date	130,882	-
Total	\$ 453,757	\$ 283,760

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$130,882 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	\$ 23,067
2017	23,067
2018	23,067
2019	23,067
2020	(53,153)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$858,411.

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

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

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:

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

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	\$ 10,446,713	\$ 6,643,989	\$ 3,503,524
Public Employees Police and Fire Fund net pension liability	3,410,379	1,749,800	377,873

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

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

One Commissioner of Dodge County is 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. Employees may elect to make member contributions in an amount not to exceed the employer share. 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 the County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,239	\$ 2,239
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a Blue Cross and Blue Shield Medicare Co-Insurance Plan through the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with Southeast Service Cooperative, is the claims administrator. There were 28 retirees on this plan in 2015. The retirees on this plan are a separate group from the active plan participants, and the rates for the retiree Medicare Co-Insurance Plan are based on the claims experience of the retirees on the plan only. This plan receives no implicit rate subsidy from the active employees. The County provides benefits for retirees as required by Minn Stat § 471.61, subd 2b. Active employees between the ages of 62 and 65, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2015, there were two retirees receiving health benefits from the County's health plan. As of year-end, the County has four participants on the County's active employee insurance plan.

The County provides postemployment health insurance for qualified employees for life. Qualified employees consist of:

- employees hired prior to 1983 and employees hired from 1984 through 1986 who have eight years of service at retirement who receive County-paid health insurance on the County's plan,
- employees hired from 1987 through 1991 who receive up to \$50 per month of County-paid health insurance, and
- employees hired after 1991 who receive no paid insurance benefits.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding which, 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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC		\$ 396,049
Interest on net OPEB obligations		55,784
Adjustment to ARC		(79,083)

Annual OPEB cost		\$ 372,750
Contribution during the year		(162,915)

Increase in net OPEB obligation		\$ 209,835
Net OPEB - Beginning of Year		1,394,588

Net OPEB - End of Year		\$ 1,604,423

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	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 331,025	\$ 112,965	34.13%	\$ 1,151,671
December 31, 2014	376,808	133,891	35.53	1,394,588
December 31, 2015	372,750	162,915	43.71	1,604,423

OPEB obligations are generally liquidated by the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and Solid Waste Special Revenue Fund.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status

The County finances the plan on a pay-as-you-go basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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, 2014	\$ -	\$ 3,222,351	\$ 3,222,351	0.0%	\$ 8,095,196	39.81%

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

Actuarial Methods and Assumptions

Projection 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 benefit costs 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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4.0 percent discount rate (net of expenses) and an annual health care cost rate of 7.5 initially, reduced incrementally to an ultimate rate of 5.0 percent in 2023. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed 30-year period beginning in 2010.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies 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 or omissions; injuries to employees; or natural disasters. 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. The County participates in a service cooperative pool for health and dental insurance. For 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.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

In 2006, the Dodge County Mechanical and Agricultural Society entered into a loan agreement with Kasson State Bank for \$150,000. The County co-signed this loan as guarantors for the life of the loan. This loan was refinanced in 2011 for \$147,812 to extend to 2016. The terms of the refinanced loan is level annual payments of \$11,378 from 2012 to 2015 with a final balloon payment of \$133,421 in 2016. The County remains the guarantor for the loan. The principal outstanding as of December 31, 2015, is \$127,660.

C. Joint Ventures

South Central Human Relations Center, Inc.

The South Central Human Relations Center, Inc., is a joint venture between Dodge, Steele, and Waseca Counties. The Center provides community mental health services to the counties' residents. Each individual county's interest in the Center is based on contractual requirements.

Control is vested in a Joint Powers Board, comprised of two representatives of each County Board of Commissioners. All contracted payments made to the South Central Human Relations Center, Inc., come from Minnesota Prairie County Alliance. This is a result of the Dodge, Steele, and Waseca combination of human services departments into the service delivery authority known as Minnesota Prairie County Alliance.

Financial statements are available at South Central Human Relations Center, Inc., 610 Florence Avenue, Owatonna, Minnesota 55060.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Dodge County Family Services Collaborative

The Dodge County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Dodge County and approximately seven other human services-related agencies serving Dodge County residents. The governing board consists of seven members, of which four represent the legally required participants of a collaborative (a school district, the county, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child.

Control of the Collaborative is vested in a Board of Directors. Minnesota Prairie County Alliance acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2015, Dodge County did not provide any funding. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination, shall be distributed by the Dodge County Family Services Collaborative Board of Directors.

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Amy Kunkel, Coordinator, Dodge County Family Services Collaborative.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Crow Wing, and Freeborn Counties elected to opt out of the SCHA, consistent with the terms of the Joint Powers Agreement. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2015, was \$1,604,502. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from the South Country Health Alliance at 110 West Fremont Street, Owatonna, Minnesota 55060, or from its fiscal agent at 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

Southeastern Minnesota Multi-County HRA

Wabasha and Goodhue Counties formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purposes of providing housing and redevelopment services to Southeastern Minnesota counties pursuant to Minn. Stat. § 471.59. Winona and Dodge Counties later joined the HRA. The governing body consists of an eight-member Board of Commissioners. Two Commissioners were appointed by each of the County Boards. The HRA adopts its own budget.

In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Dodge County made no contributions to the operations of the HRA in 2015.

Financial statements for the HRA may be obtained at its office at 134 East 2nd Street, Wabasha, Minnesota 55981.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Minnesota Counties Information System (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

Separate financial information can be obtained from Minnesota Counties Information System, 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

Southeast Minnesota Emergency Communications Board

The Southeast Minnesota Emergency Communications Board was established April 16, 2008, as provided by Minn. Stat. §§ 403.39 and 471.59. This joint powers between Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties and the City of Rochester serves to provide regional administration of enhancement to the Allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications.

Control of the Southeast Minnesota Emergency Communications Board is vested in a Joint Powers Board that is composed of one County Commissioner from each of the participating counties and one City Council member from each participating city.

The financial activities of the Board are accounted for by Olmsted County as fiscal agent. During the year, Dodge County paid \$1,000 to the Emergency Communications Board.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeast Minnesota Violent Crime Enforcement Team (SEMV CET)

Dodge County and other regional counties and cities have formed the Southeast Minnesota Violent Crime Enforcement Team under authority of Minn. Stat. § 471.59, to work cooperatively in the enforcement of controlled substance laws and violent crime-related offenses. The SEMVCET is governed by a governing board made up of members known as “Directors.” The chief law enforcement officer from each member county and member city shall serve as a Director.

Olmsted County has been appointed as the fiscal agent for SEMVCET. During 2015, Dodge County paid \$6,000 to SEMVCET.

D. Jointly-Governed Organizations

Dodge County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

The Minnesota Counties Computer Cooperative (MCCC) was established under the Minnesota Joint Powers Law, Minn. Stat. § 471.59. Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, the County expended \$75,899 to the MCCC.

The Minnesota Workforce Development (MWD) provides various job training services for member organizations. Dodge County made no payments to this organization in 2015. All Dodge County services are paid through Minnesota Prairie County Alliance.

The Southeast Minnesota Emergency Medical Services (SEEMS) joint powers board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member for the joint powers board. During the year, Dodge County did not contribute to SEEMS.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Southeast Minnesota Water Resources Board was formed by Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of this joint powers board is to receive and expend state and nonprofit grants and other related funds for the purpose of comprehensive water management planning. The governing body consists of 18 members. Two Commissioners were appointed from each of the participating County Boards, except for Mower and Wabasha Counties, who each appoint one member. Olmsted County acts as the fiscal agent. During the year, Dodge County paid \$4,500 to the Water Resources Board.

Complete financial statements for the Water Resources Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

The Southeastern Minnesota Library (SELCO) provides regional library services to counties and cities in southeastern Minnesota. During the year, Dodge County contributed \$118,381 to SELCO.

The Southeastern Minnesota Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. During the year, Dodge County made payments of \$24,000 to SEMCAC.

The Southeast Services Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Dodge County made payments of \$5,380 to the Cooperative.

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Dodge County did not contribute to the SEMIC during 2015.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Southeastern Minnesota Recyclers' Exchange (SEMREX) is a joint powers board made up of the City of Red Wing and Blue Earth, Dodge, Freeborn, Mower, Olmsted, Rice, Steele, and Waseca Counties. It is organized to promote regional waste reduction activities through recycling, cooperative marketing ventures, market development strategies, materials exchange efforts, public education, and other projects to protect the environment of southeast Minnesota. During the year, Dodge County made payments of \$900 to SEMREX.

The Region One - Southeast Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the joint powers board. Dodge County's responsibility does not extend beyond making this appointment.

The Minnesota Criminal Justice Data Communications Network joint powers agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Dodge County made no payments to the joint powers.

Dodge County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Dodge County has no operational or financial control over the STS program. Dodge County does not budget for this program.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Zumbro Watershed Partnership is governed by a 25-member Board of Directors who work to address both rural and urban water quality issues to find the best solutions for all the residents of the Watershed. Twelve are elected officials, including a County Commissioner and Soil and Water Conservation District Supervisor from each of the six counties of the Watershed. Thirteen are citizen members who are elected each year at the annual meeting. The six counties included in the Partnership are Dodge, Goodhue, Olmsted, Rice, Steele, and Wabasha Counties. Dodge County did not contribute to the Partnership during 2015.

Dodge-Fillmore-Olmsted (DFO) Community Corrections is governed by a seven-member board composed of three Olmsted County Commissioners, two Fillmore County Commissioners, and two Dodge County Commissioners. The DFO Community Corrections is financed through state grants and contributions from the participating counties. During 2015, Dodge County contributed \$434,122 to this organization.

Minnesota Prairie County Alliance (MN Prairie) is governed by a six-member board composed of two Steele County Commissioners, two Waseca County Commissioners and two Dodge County Commissioners. Minnesota Prairie County Alliance is financed through state and federal grants, fees from clients, and contributions from participating counties. During 2015, Dodge County contributed \$2,095,743 to this organization.

REQUIRED SUPPLEMENTARY INFORMATION

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**DODGE COUNTY
MANTORVILLE, 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	\$ 7,561,595	\$ 7,561,595	\$ 7,227,257	\$ (334,338)
Licenses and permits	17,600	17,600	43,041	25,441
Intergovernmental	1,432,943	1,432,943	1,954,898	521,955
Charges for services	1,869,907	1,869,907	1,389,214	(480,693)
Fines and forfeits	1,000	1,000	1,610	610
Gifts and contributions	-	-	9,058	9,058
Investment earnings	40,385	40,385	64,934	24,549
Miscellaneous	156,900	156,900	175,932	19,032
Total Revenues	\$ 11,080,330	\$ 11,080,330	\$ 10,865,944	\$ (214,386)
Expenditures				
Current				
General government				
Commissioners	\$ 289,447	\$ 289,447	\$ 203,430	\$ 86,017
Court administrator	94,438	94,438	162,357	(67,919)
County administration	208,622	208,622	217,132	(8,510)
Elections	16,617	16,617	5,561	11,056
Finance	552,573	552,573	538,276	14,297
Data processing information systems	387,019	387,019	214,594	172,425
Central services	113,380	113,380	283,158	(169,778)
Human resource coordinator	153,090	153,090	147,416	5,674
County attorney	379,378	379,378	377,386	1,992
County attorney forfeitures	-	-	747	(747)
Law library	17,000	17,000	1,338	15,662
Recorder	329,887	329,887	263,302	66,585
Surveyor	84,550	84,550	52,509	32,041
Assessor	412,494	412,494	398,875	13,619
County recorder equipment fund	70,000	70,000	1,522	68,478
Maintenance	676,816	676,816	491,346	185,470
Veterans service officer	62,420	62,420	65,524	(3,104)
Planning and zoning	198,987	198,987	186,180	12,807
Feedlot	87,441	87,441	75,060	12,381
Other general government	395,270	395,270	337,651	57,619
Total general government	\$ 4,529,429	\$ 4,529,429	\$ 4,023,364	\$ 506,065
Public safety				
Sheriff	\$ 4,340,165	\$ 4,340,165	\$ 4,264,244	\$ 75,921
Coroner	57,254	57,254	57,253	1
E-911 system	93,385	93,385	119,075	(25,690)
Community corrections	429,420	429,420	434,305	(4,885)
Drug court	160,296	160,296	154,075	6,221
DARE program	-	-	6,562	(6,562)
Emergency management	107,117	107,117	111,507	(4,390)
Other public safety	-	-	52,822	(52,822)
Total public safety	\$ 5,187,637	\$ 5,187,637	\$ 5,199,843	\$ (12,206)

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

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**DODGE COUNTY
MANTORVILLE, 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)				
Human services				
Other	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Health				
Nursing services	\$ 1,021,587	\$ 1,021,587	\$ 795,273	\$ 226,314
WIC	87,872	87,872	91,380	(3,508)
Total health	\$ 1,109,459	\$ 1,109,459	\$ 886,653	\$ 222,806
Culture and recreation				
Historical society	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Senior citizens	1,620	1,620	1,620	-
County/regional library	118,381	118,381	118,381	-
Appropriations	20,000	20,000	21,084	(1,084)
Other culture and recreation	350	350	350	-
Total culture and recreation	\$ 147,351	\$ 147,351	\$ 148,435	\$ (1,084)
Conservation of natural resources				
County extension	\$ 133,354	\$ 133,354	\$ 125,252	\$ 8,102
Soil and water conservation	90,000	90,000	90,000	-
Agriculture society/County fair	15,500	15,500	15,500	-
Total conservation of natural resources	\$ 238,854	\$ 238,854	\$ 230,752	\$ 8,102
Economic development				
Economic development	\$ -	\$ -	\$ 25,000	\$ (25,000)
Total Expenditures	\$ 11,216,730	\$ 11,216,730	\$ 10,518,047	\$ 698,683
Excess of Revenues Over (Under)				
Expenditures	\$ (136,400)	\$ (136,400)	\$ 347,897	\$ 484,297
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	10,000	10,000	24,390	14,390
Change in Fund Balance	\$ (126,400)	\$ (126,400)	\$ 372,287	\$ 498,687
Fund Balance - January 1	9,224,294	9,224,294	9,224,294	-
Fund Balance - December 31	\$ 9,097,894	\$ 9,097,894	\$ 9,596,581	\$ 498,687

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE 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	\$ 1,560,478	\$ 1,560,478	\$ 1,538,622	\$ (21,856)
Special assessments	-	-	6,032	6,032
Licenses and permits	5,175	5,175	7,000	1,825
Intergovernmental	3,779,807	3,779,807	6,112,299	2,332,492
Charges for services	109,825	109,825	108,811	(1,014)
Miscellaneous	65,001	65,001	40,856	(24,145)
Total Revenues	\$ 5,520,286	\$ 5,520,286	\$ 7,813,620	\$ 2,293,334
Expenditures				
Current				
Highways and streets				
Administration	\$ 516,247	\$ 516,247	\$ 483,859	\$ 32,388
Maintenance	1,749,910	1,749,910	1,650,619	99,291
Construction	2,710,871	2,710,871	3,713,921	(1,003,050)
Equipment maintenance and shop	747,708	747,708	671,336	76,372
Other	12,550	12,550	9,782	2,768
Total highways and streets	\$ 5,737,286	\$ 5,737,286	\$ 6,529,517	\$ (792,231)
Intergovernmental				
Highways and streets	228,000	228,000	241,245	(13,245)
Total Expenditures	\$ 5,965,286	\$ 5,965,286	\$ 6,770,762	\$ (805,476)
Change in Fund Balance	\$ (445,000)	\$ (445,000)	\$ 1,042,858	\$ 1,487,858
Fund Balance - January 1	1,936,362	1,936,362	1,936,362	-
Increase (decrease) in inventories	-	-	(14,319)	(14,319)
Fund Balance - December 31	\$ 1,491,362	\$ 1,491,362	\$ 2,964,901	\$ 1,473,539

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN 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	\$ 1,992,380	\$ 1,992,380	\$ 1,939,913	\$ (52,467)
Intergovernmental	105,158	105,158	167,306	62,148
Miscellaneous	-	-	6,022	6,022
Total Revenues	\$ 2,097,538	\$ 2,097,538	\$ 2,113,241	\$ 15,703
Expenditures				
Current				
Human services				
Income maintenance	\$ -	\$ -	\$ 39,618	\$ (39,618)
Social services	-	-	63,179	(63,179)
Total human services	\$ -	\$ -	\$ 102,797	\$ (102,797)
Intergovernmental				
Human services	2,097,538	2,097,538	2,095,743	1,795
Total Expenditures	\$ 2,097,538	\$ 2,097,538	\$ 2,198,540	\$ (101,002)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (85,299)	\$ (85,299)
Special Item				
Transfer of human services operations to Minnesota Prairie County Alliance	-	-	(1,528,569)	(1,528,569)
Change in Fund Balance	\$ -	\$ -	\$ (1,613,868)	\$ (1,613,868)
Fund Balance - January 1	4,876,807	4,876,807	4,876,807	-
Fund Balance - December 31	\$ 4,876,807	\$ 4,876,807	\$ 3,262,939	\$ (1,613,868)

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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, 2010	\$ -	\$ 3,866,838	\$ 3,866,838	0.0%	\$ 7,207,144	53.65%
January 1, 2012	-	3,050,912	3,050,912	0.0	7,957,336	38.30
January 1, 2014	-	3,222,351	3,222,351	0.0	8,095,196	39.81

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-5

**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 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	0.1282%	\$ 6,643,989	\$ 7,870,470	84.42%	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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-6

**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 Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 531,988	\$ 531,988	-	\$ 7,093,173	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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-7

**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 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	0.154%	\$ 1,749,800	\$ 1,463,644	119.55%	86.60%

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.

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT A-8

**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 Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 242,276	\$ 242,276	\$ -	\$ 1,495,531	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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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds, except for the Capital Improvement Plan Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

2. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2015:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 6,770,762	\$ 5,965,286	\$ 805,476
Human Services Special Revenue Fund	2,198,540	2,097,538	101,002

3. Other Postemployment Benefits

See Note 4.C. to the financial statements for more information on the County's other postemployment benefits.

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SUPPLEMENTARY INFORMATION

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund accounts for construction, reconstruction, and maintenance of both County and joint County drainage systems. These public improvements and services are deemed to benefit the properties against which special assessments are levied.

The Solid Waste Fund accounts for the financial activities of the solid waste landfill/recycling operations.

DEBT SERVICE FUND

The Courthouse Improvements Fund accounts for the accumulation of resources for and the payment of principal, interest, and related costs of the general obligation bonds.

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-1

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

	Special Revenue Funds		Courthouse Improvements Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Solid Waste		
<u>Assets</u>				
Cash and pooled investments	\$ 42,550	\$ 1,135,025	\$ 1,387,835	\$ 2,565,410
Petty cash and change funds	-	150	-	150
Taxes receivable - delinquent	-	4,449	14,610	19,059
Special assessments receivable - delinquent	41	17,748	-	17,789
Accounts receivable	-	106,116	-	106,116
Due from other governments	5,786	3,845	-	9,631
	\$ 48,377	\$ 1,267,333	\$ 1,402,445	\$ 2,718,155
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 887	\$ 11,745	\$ -	\$ 12,632
Salaries payable	-	8,556	-	8,556
Due to other governments	17,996	76,412	-	94,408
Unearned revenue	-	83,306	-	83,306
	\$ 18,883	\$ 180,019	\$ -	\$ 198,902
 Deferred Inflows of Resources				
Unavailable revenue	\$ 41	\$ 20,901	\$ 9,612	\$ 30,554

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

**EXHIBIT B-1
(Continued)**

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

	Special Revenue Funds		Courthouse Improvements Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Solid Waste		
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
(Continued)				
Fund Balances				
Restricted for				
Natural resources block grant	\$ -	\$ 51,103	\$ -	\$ 51,103
Debt service	-	-	1,392,833	1,392,833
Ditch maintenance and construction	29,453	-	-	29,453
Committed to				
Capital equipment	-	228,774	-	228,774
Change funds	-	150	-	150
Landfill postclosure	-	138,340	-	138,340
Assigned to				
Sanitation	-	648,046	-	648,046
Total Fund Balances	\$ 29,453	\$ 1,066,413	\$ 1,392,833	\$ 2,488,699
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 48,377	\$ 1,267,333	\$ 1,402,445	\$ 2,718,155

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-2

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

	<u>Special Revenue Funds</u>		<u>Courthouse Improvements Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Ditch</u>	<u>Solid Waste</u>		
Revenues				
Taxes	\$ -	\$ 255,808	\$ 1,057,170	\$ 1,312,978
Special assessments	11,991	188,937	-	200,928
Licenses and permits	-	28,100	-	28,100
Intergovernmental	-	199,235	91,460	290,695
Charges for services	-	1,431,848	-	1,431,848
Investment earnings	-	279	191	470
Miscellaneous	-	5,215	-	5,215
Total Revenues	\$ 11,991	\$ 2,109,422	\$ 1,148,821	\$ 3,270,234
Expenditures				
Current				
Sanitation	\$ -	\$ 2,064,704	\$ -	\$ 2,064,704
Conservation of natural resources	32,557	23,155	-	55,712
Debt service				
Principal	-	120,000	495,000	615,000
Interest	-	11,755	227,995	239,750
Administrative (fiscal) charges	-	-	2,645	2,645
Total Expenditures	\$ 32,557	\$ 2,219,614	\$ 725,640	\$ 2,977,811
Excess of Revenues Over (Under) Expenditures	\$ (20,566)	\$ (110,192)	\$ 423,181	\$ 292,423
Other Financing Sources (Uses)				
Capital lease purchase	-	200,000	-	200,000
Change in Fund Balance	\$ (20,566)	\$ 89,808	\$ 423,181	\$ 492,423
Fund Balance - January 1	50,019	976,605	969,652	1,996,276
Fund Balance - December 31	\$ 29,453	\$ 1,066,413	\$ 1,392,833	\$ 2,488,699

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE 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	\$ 260,922	\$ 260,922	\$ 255,808	\$ (5,114)
Special assessments	189,100	189,100	188,937	(163)
Licenses and permits	20,390	20,390	28,100	7,710
Intergovernmental	137,900	137,900	199,235	61,335
Charges for services	1,367,660	1,367,660	1,431,848	64,188
Investment earnings	165	165	279	114
Miscellaneous	50	50	5,215	5,165
Total Revenues	\$ 1,976,187	\$ 1,976,187	\$ 2,109,422	\$ 133,235
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,336,075	\$ 1,336,075	\$ 1,552,940	\$ (216,865)
Recycling	403,068	403,068	351,726	51,342
Hazardous waste	25,787	25,787	24,142	1,645
Wastewater treatment	134,500	134,500	135,896	(1,396)
Total sanitation	\$ 1,899,430	\$ 1,899,430	\$ 2,064,704	\$ (165,274)
Conservation of natural resources				
Water planning	-	-	23,155	(23,155)
Debt service				
Principal	65,000	65,000	120,000	(55,000)
Interest	11,757	11,757	11,755	2
Total Expenditures	\$ 1,976,187	\$ 1,976,187	\$ 2,219,614	\$ (243,427)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (110,192)	\$ (110,192)
Other Financing Sources (Uses)				
Capital lease purchase	-	-	200,000	200,000
Change in Fund Balance	\$ -	\$ -	\$ 89,808	\$ 89,808
Fund Balance - January 1	976,605	976,605	976,605	-
Fund Balance - December 31	\$ 976,605	\$ 976,605	\$ 1,066,413	\$ 89,808

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENTS 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	\$ 1,089,150	\$ 1,089,150	\$ 1,057,170	\$ (31,980)
Intergovernmental	57,486	57,486	91,460	33,974
Investment earnings	-	-	191	191
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 1,146,636	\$ 1,146,636	\$ 1,148,821	\$ 2,185
Expenditures				
Debt service				
Principal	\$ 1,102,500	\$ 1,102,500	\$ 495,000	\$ 607,500
Interest	338,349	338,349	227,995	110,354
Administrative - fiscal charges	1,650	1,650	2,645	(995)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 1,442,499	\$ 1,442,499	\$ 725,640	\$ 716,859
Change in Fund Balance	\$ (295,863)	\$ (295,863)	\$ 423,181	\$ 719,044
Fund Balance - January 1	<u>969,652</u>	<u>969,652</u>	<u>969,652</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 673,789</u></u>	<u><u>\$ 673,789</u></u>	<u><u>\$ 1,392,833</u></u>	<u><u>\$ 719,044</u></u>

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FIDUCIARY FUNDS

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

AGENCY FUNDS

The EDA/HRA Fund accounts for transactions of the Dodge County Economic Development Authority for which the County is the fiscal agent.

The Settlement Fund accounts for the collection and distribution of all property taxes to County funds and local towns, cities, and school districts.

The Revolving Fund accounts for the transfer of fines through various local governments and transfers of the following items to the state: assurance, fines and surcharges, licenses, and sales tax.

The Agency Cluster Fund accounts for the transactions for the regional/agency cluster for which Dodge County is the fiscal agent.

The Minnesota Prairie County Alliance Fund accounts for transactions of the Service Delivery Authority for which the County is the fiscal agent. This fund was closed at year-end.

The Family Services Collaborative Fund accounts for monies received and expended by the Family Services Collaborative. This fund was closed at year-end.

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**DODGE COUNTY
MANTORVILLE, 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>EDA/HRA</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>128,657</u>	\$ <u>27,328</u>	\$ <u>50,474</u>	\$ <u>105,511</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>128,657</u>	\$ <u>27,328</u>	\$ <u>50,474</u>	\$ <u>105,511</u>
 <u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>216,877</u>	\$ <u>30,386,841</u>	\$ <u>30,359,607</u>	\$ <u>244,111</u>
<u>Liabilities</u>				
Accounts payable	\$ 42,986	\$ 4,241	\$ -	\$ 47,227
Due to other funds	-	12,067,326	12,067,326	-
Due to other governments	<u>173,891</u>	<u>18,315,274</u>	<u>18,292,281</u>	<u>196,884</u>
Total Liabilities	\$ <u>216,877</u>	\$ <u>30,386,841</u>	\$ <u>30,359,607</u>	\$ <u>244,111</u>
 <u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>131,653</u>	\$ <u>3,521,619</u>	\$ <u>3,568,657</u>	\$ <u>84,615</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>131,653</u>	\$ <u>3,521,619</u>	\$ <u>3,568,657</u>	\$ <u>84,615</u>

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**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>AGENCY CLUSTER</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 562	\$ -	\$ -	\$ 562
<u>Liabilities</u>				
Due to other governments	\$ 562	\$ -	\$ -	\$ 562
 <u>MINNESOTA PRAIRIE COUNTY ALLIANCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,031,376	\$ -	\$ 2,031,376	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 2,031,376	\$ -	\$ 2,031,376	\$ -
 <u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 225,498	\$ -	\$ 225,498	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 225,498	\$ -	\$ 225,498	\$ -

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**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>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 2,734,623</u>	<u>\$ 33,935,788</u>	<u>\$ 36,235,612</u>	<u>\$ 434,799</u>
<u>Liabilities</u>				
Accounts payable	\$ 171,643	\$ 31,569	\$ 50,474	\$ 152,738
Due to other funds	-	12,067,326	12,067,326	-
Due to other governments	<u>2,562,980</u>	<u>21,836,893</u>	<u>24,117,812</u>	<u>282,061</u>
Total Liabilities	<u>\$ 2,734,623</u>	<u>\$ 33,935,788</u>	<u>\$ 36,235,612</u>	<u>\$ 434,799</u>

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OTHER SCHEDULE

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**DODGE COUNTY
MANTORVILLE, MINNESOTA**

EXHIBIT D-1

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

	Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 5,994,758
PERA rate reimbursement	30,670
Disparity reduction aid	158,283
SCORE	105,520
Police aid	164,165
County program aid	638,229
Market value credit - residential	151
Market value credit - agricultural	204,633
Enhanced 911	94,194
	\$ 7,390,603
 Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 257,891
 Payments	
Local	
Local grants	\$ 122,708
Payments in lieu of taxes	22,583
	\$ 145,291
 Grants	
State	
Minnesota Department/Board of	
Health	\$ 159,918
Human Services	61,569
Natural Resources	31,159
Transportation	492
Water and Soil Resources	109,559
Pollution Control Agency	1,020
Peace Officer Standards and Training Board	8,663
Trial Courts	36,000
	\$ 408,380

**DODGE COUNTY
MANTORVILLE, MINNESOTA**

***EXHIBIT D-1
(Continued)***

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

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 105,118
Transportation	22,218
Education	2,492
Health and Human Services	170,285
Homeland Security	21,778
Environmental Protection Agency	1,142
	<hr/>
Total federal	\$ 323,033
	<hr/>
Total state and federal grants	\$ 731,413
	<hr/>
Total Intergovernmental Revenue	\$ 8,525,198
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**DODGE COUNTY
MANTORVILLE, 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 ITEMS NOT RESOLVED

Finding 2006-002

Audit Adjustments

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 a material misstatement of the County's financial statements will not be prevented, or detected and corrected, in a timely basis.

Condition: During our audit, we identified material adjustments which resulted in significant changes to the County's financial statements. The adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Context: The County provides trial balances which convert the cash basis general ledger to the modified accrual basis necessary for preparing fund level and government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood the financial statements would not be fairly presented.

Effect: The following audit adjustments were recorded for December 31, 2015:

Road and Bridge Special Revenue Fund

- Unavailable revenue was increased by \$1,680,878 to properly record unavailable revenue that, when originally entered, erroneously decreased the account; and

Solid Waste Special Revenue Fund

- to record capital lease proceeds as other financing sources in the amount of \$200,000.

Cause: Errors occurred during the financial statement process that were not discovered during review.

Recommendation: We recommend County staff review the County's financial statement closing procedures, trial balances, and journal entries in detail to ensure the County's financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

The County will more closely review the financial statements for clerical errors. The County will continue to refine its processes to more accurately prepare our financials and complete the work earlier allowing for time to more thoroughly review audit work before it is submitted.

Finding 2012-002

Investment Oversight

Criteria: Internal controls should provide adequate segregation of functions and responsibilities so no one person has incompatible duties that would permit the perpetration and concealment of material irregularities.

Condition: The Finance Director and Accounting Services Director are able to exchange, renew, purchase, and sell investments. The County's investment policy indicates the investment committee is to review the County's investment activity. That committee did not convene in 2015 to review the investment activity.

Context: The duties of purchasing investments and selling/exchanging investments are considered incompatible duties because it provides an opportunity for errors or irregularities to occur without being detected in a timely basis. A review of the investment activity by the investment committee would allow oversight of the investing process.

Effect: Investment activity was not reviewed, providing an opportunity for errors or irregularities to occur without being detected in a timely manner.

Cause: The County indicated the investment committee did not meet during 2015 due to the majority of investments being certificates of deposit.

Recommendation: We recommend Dodge County follow its investment policy by having the investment committee review investments made by the Finance Director and Accounting Services Director.

Client's Response:

Investment committee meetings will be scheduled quarterly during Committee of the Whole on regularly scheduled board meeting days.

Finding 2014-002

Timeliness of Preparation of Financial Statements

Criteria: Management is responsible for preparing the County's financial statements in accordance with generally accepted accounting principles (GAAP). The financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (that is, maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Condition: Information needed for financial reporting was not prepared by the County staff in advance of the audit. Although County staff attempted to provide information as timely as possible during the audit, there were delays in obtaining information requested.

Context: Preparation of information included in the County's financial statements is performed by the Finance Department. That information is to be provided to the Office of the State Auditor in the time, form, and manner to finalize the audit in a timely fashion.

Effect: Delays in receiving information from the County result in additional audit hours in order to complete the audit.

Cause: Competing work assignments and poor time management were the cause for delays in preparation.

Recommendation: We recommend the Board of County Commissioners and management implement procedures to ensure the necessary financial information is prepared in a timely manner which allows the auditors an adequate amount of time to complete the audit.

Client's Response:

The County will actively manage deadlines for audit preparation by using Outlook reminders and regular meetings with staff to track individual and group progress.

Finding 2014-003

Reconciliation of Treasurer's Cash Book to the General Ledger

Criteria: Internal controls in place over operations should be designed to provide reasonable assurance material errors will be prevented and detected in a timely manner.

Condition: The County is not reconciling the Treasurer's cash book to the general ledger on a regular basis. All four months tested for 2015 were not reconciled in a timely manner.

Context: Reconciliations between the Treasurer's cash book and the general ledger is a tool to help ensure cash records are complete and accurate, and is a control designed to detect, and allow for correction of, errors or irregularities on a timely basis.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk errors or irregularities will not be detected in a timely manner.

Cause: The County indicated the reconciliation of the Treasurer's cash book to the general ledger was significantly behind due to other priorities.

Recommendation: We recommend the Treasurer's cash book be reconciled to the general ledger on a monthly basis and in a timely manner.

Client's Response:

The Accounting Services Director will work to have balanced the Treasurer's Cash Book and the General Ledger on a monthly basis. The Finance Director will work more closely with the Accounting Services Director to reconcile the two systems on a timely basis.

Finding 2014-004

Bank Reconciliations

Criteria: Internal controls in place over operations should be designed to provide reasonable assurance material errors will be prevented or detected in a timely manner.

Condition: County procedures indicate bank reconciliations are to be reviewed and approved by someone independent of preparation. In all four monthly bank reconciliations tested, review and approval was not performed in a timely manner.

Context: An individual independent of preparation is reviewing and approving bank reconciliations. This reconciliation is not always occurring in a timely manner.

Effect: When established internal control procedures are not followed, there is an increased risk errors or irregularities will not be detected in a timely manner.

Cause: The County indicated the review and approval of bank reconciliations was behind due to other priorities.

Recommendation: We recommend bank reconciliations be reviewed and approved by someone independent of preparation in a timely manner.

Client's Response:

The Finance Director will work with staff to complete bank reconciliations in a more timely manner.

ITEMS ARISING THIS YEAR

Finding 2015-001

IFS - General Ledger System Security Controls

Criteria: Internal controls should provide adequate segregation of functions and responsibilities so no one person has incompatible duties that would permit the perpetration and concealment of material irregularities.

Condition: During our review of general ledger security access, we noted an individual assigned to the County user maintenance function is also involved in the County general ledger accounting functions.

Context: The duties assigned to the County user maintenance function are incompatible with duties assigned to the general ledger accounting function because that individual has unlimited access to make changes to the accounting records.

Effect: Personnel assigned to the County user maintenance function should be segregated from personnel assigned to general ledger accounting functions to ensure the integrity of the data stored in the County's information system.

Cause: The County was not aware that the individual had this access in a previous profile that should have been deleted.

Recommendation: We recommend personnel assigned to the County user maintenance function be segregated from personnel assigned to the general ledger accounting functions.

Client's Response:

The User Account Maintenance security is only granted to Information Technology personnel. User accounts and permissions are now reviewed periodically to verify that permissions are still correct. Deleting accounts is now part of the employee exit process to more actively manage the pool of users.

Finding 2015-002

Segregation of Duties/Vendor Setup

Criteria: Internal controls should be designed to provide for an adequate segregation of duties so that no one individual has the ability to both process disbursements and set up new vendors. If segregation of duties is limited due to staff size, procedures should be implemented to include someone independent of the vendor payment process to review, verify, and approve new vendors on a timely basis.

Condition: During our review of the vendor set-up and disbursement process in the Integrated Financial System, we noted that one employee who was adding new vendors and making changes to existing vendors had the ability to process disbursements.

Context: Segregation of duties between processing vendor payments and establishing a new vendor or making changes to an existing vendor on the accounting system is limited due to the number of office personnel within the County. Departments are provided general ledger reports for review on a monthly basis.

Effect: Inadequate segregation of duties could adversely affect the County's ability to prevent, or detect and correct, misstatements in a timely manner.

Cause: This issue was caused through lack of profile maintenance by Information Technology. The employee had a current user profile with proper permissions and an old profile with significantly more permissions than that employee should have. In setting up a new user identification and profile due to a name change, Information Technology accidentally used the older user profile with too many permissions. Once this was discovered, the employee was restricted to what was proper for her position, and Information Technology now reviews user identifications throughout the year and deletes accounts as part of the employee exit process.

Recommendation: We recommend duties of personnel who have the ability to process payments be segregated from the duties of personnel who have the ability to add new vendors or change existing vendor files. If this segregation is not feasible, we recommend personnel independent of the vendor payment process review new vendors or changes to existing vendors.

Client's Response:

The ability to add/change vendors has now been restricted to two finance employees who do not have the authority to process disbursements. Their vendor additions and changes will be reviewed monthly by the Finance Director.

PREVIOUSLY REPORTED ITEM RESOLVED

Segregation of Duties - County Departments (2014-001)

Several of the County's departments that collect fees lacked proper segregation of duties.

Resolution

In the current year, the County implemented procedures to ensure proper segregation of staff responsibilities at the department level.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-007

Unsecured Deposits

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. Minn. Stat. § 118A.03, subd. 3, requires that the market value of collateral be at least ten percent more than the uninsured and unbonded amount on deposit.

Condition: During our 2015 testing, we found that the fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for two financial institutions in May and one in December.

Context: In May, the County's deposits were undercollateralized by \$12,853,659 at one bank and \$9,773 at the other bank. In December, the County's deposits were undercollateralized by \$329,353 at one of those same banks.

Effect: The County was not in compliance with Minnesota statutes and exposed County deposits to custodial credit risk.

Cause: The County indicated this was an oversight.

Recommendation: We recommend the County monitor all County deposits to ensure there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

The Finance Director will work actively with the County's banks to maintain proper collateral pledges.

PREVIOUSLY REPORTED ITEM RESOLVED

Prompt Payment of Invoices (2014-008)

In the prior year, three of 25 invoices tested for compliance with Minn. Stat. § 471.25 were not paid within 35 days, and interest was not calculated or paid.

Resolution

During the current year, there were no instances of violation of Minn. Stat. § 471.425 noted.

B. OTHER MATTERS

PREVIOUSLY REPORTED ITEMS RESOLVED

Program Eligibility Intake Function (CFDA No. 93.778) (2014-005)

During our review of the Medical Assistance Program in the previous audit, the asset information in the MAXIS system did not match the supporting documentation provided by the client in 2 of the 60 case files tested, and income information in the MAXIS system did not match the supporting documentation provided by the client in 2 of the 60 case files tested. Also, in 2 of the 60 case files tested, the individual did not meet the asset requirements per the Health Care Program Manual Chapter 3 Eligibility Groups and Bases of Eligibility.

Resolution

In 2015, the County transferred its human services operations to Minnesota Prairie County Alliance and is no longer responsible for the eligibility intake function.

Reimbursement Request Review (CFDA 93.778) (2014-006)

During our previous audit, we noted that the Local Collaborative Time Study Cost Schedule (DHS-3220) reimbursement requests did not contain evidence of review and approval by an individual independent of preparation.

Resolution

In 2015, the County transferred its human services operations to Minnesota Prairie County Alliance and is no longer responsible for the reimbursement requests.



REBECCA OTTO
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
Dodge County
Mantorville, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Dodge 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 February 9, 2017. Our report includes references to other auditors who audited the financial statements of the Dodge County Nursing Home and the South Country Health Alliance joint venture, as described in our report on Dodge County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dodge 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 and other items that we consider to be significant deficiencies.

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 2006-002 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 2012-002, 2014-002, 2014-003, 2014-004, 2015-001, and 2015-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dodge 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 in connection with the audit of the County's financial statements: 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 Dodge County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Dodge County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as item 2014-007. 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.

Dodge County's Response to Findings

Dodge County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control 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

February 9, 2017