

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

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 160 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 730 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

For the Year Ended December 31, 2013



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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY
2013**

Office	Name	Term Expires
Commissioners		
1st District	Todd Patzer	January 2017
2nd District	DeRon Brehmer	January 2015
3rd District	Graylen Carlson*	January 2017
4th District	Terrence Overlander**	January 2015
5th District	Roy Marihart	January 2017
Officers		
Elected		
Attorney	Richard Stulz	January 2015
Coroner	Ralph Gerbig, M.D.	January 2015
Sheriff	Rick Halvorson	January 2015
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2017
Commissioner	DeRon Brehmer	January 2015
Commissioner	Graylen Carlson	January 2017
Commissioner	Terrence Overlander	January 2015
Commissioner	Roy Marihart	January 2017
Member	Ann Jenson	July 2015
Member	Mary Wodrich	July 2016
Director	Joel Churness	Indefinite

*Chair 2013

**Chair 2014

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BOARD OF MANAGERS
2013**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Manager		
Chair	Darrel Ellefson	March 2015
Vice Chair	Willis Beecher	March 2015
Treasurer	David Ludvigson	March 2014
Secretary	David Craigmile	March 2016
Publicity Chair	John Cornell	March 2015
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite
Clean Water Coordinator	Mary Homan	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lac qui Parle County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2013, 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 Lac qui Parle County Economic Development Authority, which represents 4 percent, 3 percent, and 31 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lac qui Parle County Economic Development Authority, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 report 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes 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 Lac qui Parle 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 September 22, 2014, on our consideration of Lac qui Parle 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 Lac qui Parle County's internal control over financial reporting and compliance. It does not include the Lac qui Parle County Economic Development Authority which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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. The 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 22, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$55,918,876, of which \$46,408,557 represents investment in capital assets, and \$2,555,059 is restricted to specific purposes. The \$6,955,260 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$1,544,587 for the year ended December 31, 2013. A large part of the increase is attributable to the County's investment in capital assets.
- The net cost of governmental activities for the current fiscal year was \$3,910,774. The net cost was funded by general revenues and other items totaling \$5,455,361.
- The fund balances of the governmental funds increased by \$406,784. The most significant portion of the increase was due to greater than expected intergovernmental shared construction revenues and an increase in inventories in the Road and Bridge Special Revenue Fund.
- For the year ended December 31, 2013, the unassigned, assigned, and committed fund balance of the General Fund was \$1,544,790, or 38.2 percent of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$2,368,475, or 39.2 percent of the total Road and Bridge Special Revenue Fund expenditures for the year.
- The assigned and committed fund balance of the Family Services Special Revenue Fund was \$2,783,755, or 111.5 percent of the total Family Services Special Revenue Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, 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. The County has no business-type activities for which the County is legally accountable. The County has two component units for which it is legally accountable.

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

Fund Financial Statements

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

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

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Special Revenue Fund. A budgetary comparison schedule has been provided as required supplementary information for each of these funds to demonstrate compliance with this budget.

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

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

The County presents the Lac qui Parle County Economic Development Authority as a discretely presented component unit. The Lac qui Parle County Economic Development Authority has separately issued financial statements.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 72 of this report.

Other Information

Other information is provided as supplementary information regarding Lac qui Parle County's intergovernmental revenue and federal awards programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$55,918,876 at the close of 2013. The largest portion of Lac qui Parle County's net position (83.0 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending.

Net Position

	2013	2012
Assets		
Current and other assets	\$ 10,834,508	\$ 10,435,919
Capital assets	46,408,557	45,333,991
Total Assets	\$ 57,243,065	\$ 55,769,910
Liabilities		
Long-term liabilities	\$ 447,944	\$ 401,105
Other liabilities	876,245	994,516
Total Liabilities	\$ 1,324,189	\$ 1,395,621
Net Position		
Investment in capital assets	\$ 46,408,557	\$ 45,333,991
Restricted	2,555,059	2,101,733
Unrestricted	6,955,260	6,938,565
Total Net Position	\$ 55,918,876	\$ 54,374,289

Unrestricted net position in the amount of \$6,955,260--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--is 12.4 percent of the net position.

Governmental Activities

The County's activities increased net position by 2.8 percent (\$55,918,876 for 2013 compared to \$54,374,289 for 2012). Key elements in this increase in net position are as follows for 2013, with comparative data for 2012.

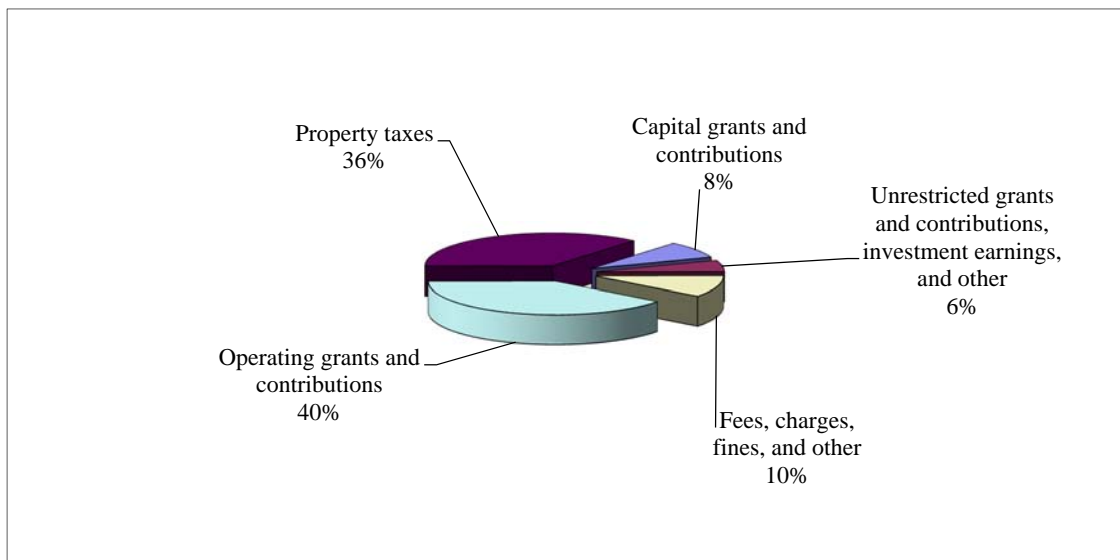
Changes in Net Position

	2013	2012
Revenues		
Program revenues		
Charges for services	\$ 1,370,363	\$ 1,476,895
Operating grants and contributions	5,175,650	5,028,642
Capital grants and contributions	1,072,101	848,166
General revenues		
Property taxes	4,731,805	4,341,690
Other	723,556	638,738
Total Revenues	\$ 13,073,475	\$ 12,334,131

	2013	2012
Expenses		
General government	\$ 1,928,439	\$ 1,755,555
Public safety	1,386,135	1,237,166
Highways and streets	4,779,428	4,066,183
Sanitation	204,211	156,228
Human services	2,503,181	2,155,322
Health	72,804	71,376
Culture and recreation	137,566	140,470
Conservation of natural resources	483,419	580,024
Economic development	33,705	236,288
Total Expenses	<u>\$ 11,528,888</u>	<u>\$ 10,398,612</u>
Increase in Net Position	\$ 1,544,587	\$ 1,935,519
Net Position - January 1	<u>54,374,289</u>	<u>52,438,770</u>
Net Position - December 31	<u>\$ 55,918,876</u>	<u>\$ 54,374,289</u>

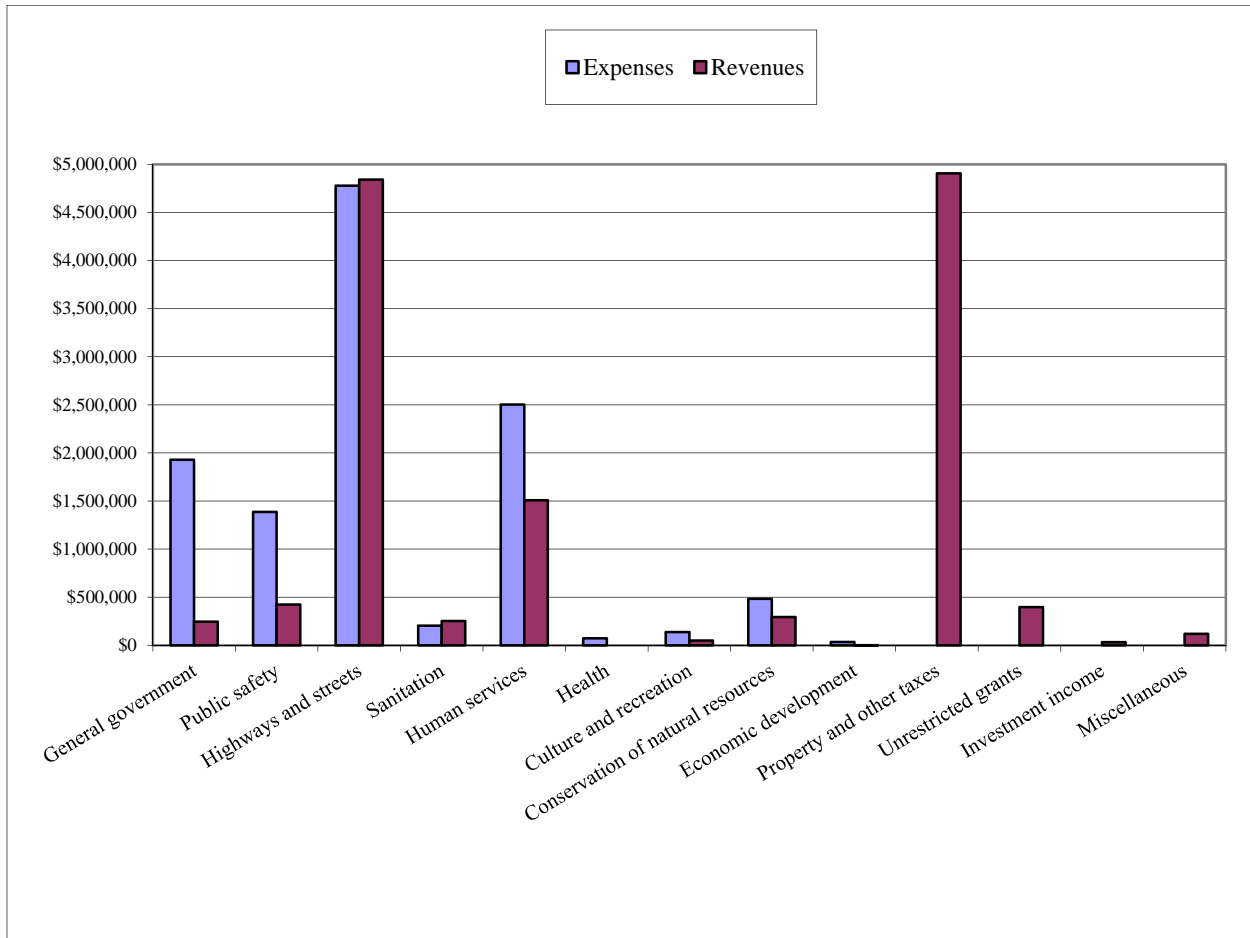
The County's total revenues were \$13,073,475. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2013.

**Table 1
Total County Revenues**



Total expenses were \$11,528,888, while total revenues were \$13,073,475. This reflects a \$1,544,587 increase in net position for the year ended December 31, 2013. Table 2 presents the cost and revenues of each program, as well as the County’s general revenues.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was \$11,528,888. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,731,805 because some of the costs were paid by those who directly benefited from the programs (\$1,370,363) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,247,751). The County paid for the remaining “public benefit” portion of governmental activities with \$723,556 in general revenues such as grants and contributions not restricted to specific programs, and investment income.

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

**Table 3
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013
Highways and streets	\$ 4,779,428	\$ (62,386)
Human services	2,503,181	994,477
General government	1,928,439	1,682,161
Public safety	1,386,135	962,425
All others	931,705	334,097
Totals	<u>\$ 11,528,888</u>	<u>\$ 3,910,774</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,814,521, an increase of \$406,784 in comparison with the prior year. Of the combined ending fund balances, \$6,697,020 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$1,544,790. As a measure of the General Fund’s liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund’s unrestricted fund balance represents 38.2 percent of total General Fund expenditures. During 2013, the ending fund balance decreased by \$215,672. The primary reasons for this decrease were related to greater than expected expenditures in the County’s general government and law enforcement department categories. More information on these expenditures can be found in the General Fund Budgetary Highlights section.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$2,368,475 at fiscal year-end, representing 39.2 percent of its annual expenditures. The ending fund balance increased \$477,830 during 2013. The 2013 budget for this fund had projected a decrease in fund balance of \$258,615. The actual increase of \$477,830 was much higher, primarily due to intergovernmental revenues exceeding the budgeted amount by \$746,431 for unanticipated bridge bonding revenues and greater than expected town bridge fund revenues.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$2,783,755 at fiscal year-end, representing 111.5 percent of its annual expenditures. The ending fund balance increased \$99,104 during 2013, primarily due to greater than expected revenues from intergovernmental revenues and reimbursements for services provided.

The Ditch Special Revenue Fund had a restricted fund balance of \$842,769 at fiscal year-end. The ending fund balance increased \$45,522 during 2013, primarily due to the 103 ditches needing less maintenance than was anticipated.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$261,714 higher than the final budget amounts. The most significant departmental variances occurred in the general government and law enforcement departments.

Operating costs of the County jail increased significantly from previous years. The jail was often at full capacity during 2013, which increased direct expenses for prisoner meals and reduced the jail's ability to generate revenues by housing prisoners from other counties. Huber fee and Board of Prisoners revenues totaled \$8,295, compared to budgeted revenues of \$27,000. Several prisoners incurred significant medical costs; expenditures for this category totaled over \$20,500, compared to \$10,000 budgeted. Also, the County was forced to house several prisoners at outside facilities for significant periods of time for various reasons. Payments to outside facilities totaled over \$47,000, which was 13 times higher than the budgeted expenditures of \$3,500.

The County joined a joint powers agreement for the West Central Area S.W.A.T. Team in 2013, and approximately \$10,000 in unbudgeted expenditures were incurred related to purchase of S.W.A.T. equipment for staff volunteering for S.W.A.T. duty. Sheriff staff costs were greater than budgeted by nearly \$27,500, mostly relating to overtime costs. Costs for the purchase of two new County Sheriff squad vehicles in 2013 were also greater than originally budgeted by just under \$25,700.

Investment revenues of \$25,566 were lower than the budgeted \$57,000, mostly due to decreased interest rates. Funds available for investment were also decreased due to budget deficits and unbudgeted capital outlays over the past several years.

Expenditures were greater than originally budgeted for several general government departments. Children in Need of Protection (CHIP) costs exceeded budget by nearly \$16,000, related to legal representation costs for parents involved with CHIP cases. In the County IT Department, consultant costs were greater than budget by just over \$11,000, due to several special projects. The Auditor-Treasurer's Office staff duties were reorganized to create and incorporate the role of central administration in the form of a County Coordinator, resulting in wage expenses exceeding budget by approximately \$8,600. The County's appropriation to the Minnesota Counties Information Systems (MCIS) joint powers agreement was increased by over \$17,000 for the County's share of a project to modernize MCIS' property tax software. An appropriation of nearly \$17,000 was made to the Upper Minnesota Valley Regional Development Commission to fund the local match for a federal grant to recapitalize the revolving loan fund program. Finally, a transfer of \$72,328 was made to the Lac qui Parle County Economic Development Authority to fund advances for a line of credit extended to Farmer's Mutual Telephone Company.

CAPITAL ASSETS

The County's capital assets at December 31, 2013, totaled \$46,408,557 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

	Capital Assets at Year-End (Net of Depreciation)			
	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	115,094	2,066,769	-	2,181,863
Total capital assets not depreciated	<u>\$ 750,195</u>	<u>\$ 2,066,769</u>	<u>\$ -</u>	<u>\$ 2,816,964</u>
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ -	\$ -	\$ 3,202,388
Improvements other than building	81,405	-	-	81,405
Machinery, furniture, and equipment	5,172,942	265,438	60,686	5,377,694
Infrastructure	55,190,699	286,785	-	55,477,484
Total capital assets depreciated	<u>\$ 63,647,434</u>	<u>\$ 552,223</u>	<u>\$ 60,686</u>	<u>\$ 64,138,971</u>
Less: accumulated depreciation for				
Buildings	\$ 701,048	\$ 71,767	\$ -	\$ 772,815
Improvements other than building	5,233	2,326	-	7,559
Machinery, furniture, and equipment	3,183,329	360,783	60,686	3,483,426
Infrastructure	15,174,028	1,109,550	-	16,283,578
Total accumulated depreciation	<u>\$ 19,063,638</u>	<u>\$ 1,544,426</u>	<u>\$ 60,686</u>	<u>\$ 20,547,378</u>
Total capital assets depreciated, net	<u>\$ 44,583,796</u>	<u>\$ (992,203)</u>	<u>\$ -</u>	<u>\$ 43,591,593</u>
Capital Assets, Net	<u><u>\$ 45,333,991</u></u>	<u><u>\$ 1,074,566</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,408,557</u></u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2014 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2013 was 4.9 percent. This is comparable with the state unemployment rate of 4.6 percent and shows a 0.7 percent increase from the County's 4.2 percent rate of one year ago. This could impact the level of services requested by County residents.
- Tillable agricultural land values have increased significantly over the past several years but appear to be leveling off. Strong land values can be considered an indicator of a strong local agriculture economy and a strong local economy overall. However, the dominance of the agriculture sector in the local economy suggests a possible risk associated with a lack of economic diversification. Moreover, the historical volatility of commodity prices adds an additional dimension of economic risk to the County's financial health.
- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's surplus fund balances have in the past been used to generate investment revenues which are used to offset necessary property tax levy dollars.
- Budget crises at the state level in recent years have resulted in tremendous uncertainty for Minnesota counties regarding expected aids, operating grants, and reimbursement revenues. As most services and programs administered by these counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on county finances. Furthermore, recent efforts to address the state budget issues have only succeeded to manage the problems on a short-term basis. This likely means that this uncertainty will continue into the foreseeable future.
- The 2014 property tax levy for the County increased 4.14 percent from 2013, which followed increases of 8.76 percent in 2013, 8.8 percent in 2012, and 9.8 percent in 2011. These increases are higher than historical trends for Lac qui Parle County, but the County Board of Commissioners has chosen to approve these levy increases to counter the effects of decreased state aid and investment revenues, increasing employee health insurance costs, and to eliminate the budget deficits carried forward from the previous years. One of the main reasons for these deficits was the abrupt reduction of County Program Aid funds received from the state, which were \$663,236 in 2009, but dropped to \$125,562 by 2011.

- The County approved a 2014 budget which was balanced in the General Fund and Family Services Special Revenue Fund, ending a three-year trend of deficit budgets. The County's unrestricted fund balances were significantly reduced during that period. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized.

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

The Lac qui Parle-Yellow Bank Watershed District is a component unit of the County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

FINANCIAL HIGHLIGHTS

Governmental activities' total net position is \$5,867,587, of which \$5,070,352 represents the District's investment in capital assets, \$227,043 is restricted, and \$570,192 is unrestricted. The District's net position increased by \$62,229 for the year ended December 31, 2013.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,867,587 at the close of 2013. The largest portion of the net position (86.4 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

	Net Position	
	2013	2012
Assets		
Current and other assets	\$ 1,627,932	\$ 1,518,601
Capital assets	5,070,352	5,113,589
Total Assets	\$ 6,698,284	\$ 6,632,190
Liabilities		
Long-term liabilities	\$ 502,717	\$ 415,770
Other liabilities	327,980	411,062
Total Liabilities	\$ 830,697	\$ 826,832
Net Position		
Investment in capital assets	\$ 5,070,352	\$ 5,113,589
Restricted	227,043	199,671
Unrestricted	570,192	492,098
Total Net Position	\$ 5,867,587	\$ 5,805,358

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lac qui Parle County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Jake Sieg, the County's Auditor-Treasurer-Coordinator, Lac qui Parle County Courthouse, 600 - 6th Street, Suite 6, Madison, Minnesota 56256.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>	
		<u>Lac qui Parle- Yellow Bank Watershed District</u>	<u>Lac qui Parle County Economic Development Authority</u>
<u>Assets</u>			
Cash and pooled investments	\$ 3,814,690	\$ 1,225,439	\$ 185,541
Investments	5,100,000	-	-
Receivables	1,699,136	402,493	91,000
Inventories	220,601	-	-
Prepaid items	81	-	12,765
Capital assets			
Non-depreciable	2,816,964	628,458	-
Depreciable - net of accumulated depreciation	43,591,593	4,441,894	10,365
Total Assets	\$ 57,243,065	\$ 6,698,284	\$ 299,671
<u>Liabilities</u>			
Accounts payable and other current liabilities	\$ 656,495	\$ 32,208	\$ 11,231
Unearned revenue	219,750	295,772	-
Long-term liabilities			
Due within one year	-	43,965	-
Due in more than one year	447,944	458,752	78,374
Total Liabilities	\$ 1,324,189	\$ 830,697	\$ 89,605
<u>Net Position</u>			
Investment in capital assets	\$ 46,408,557	\$ 5,070,352	\$ 10,365
Restricted for			
General government	92,005	-	-
Public safety	478,180	-	-
Highways and streets	981,597	-	-
Conservation of natural resources	842,769	227,043	-
Economic development	153,919	-	-
Other purposes	6,589	-	-
Unrestricted	6,955,260	570,192	199,701
Total Net Position	\$ 55,918,876	\$ 5,867,587	\$ 210,066

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 1,928,439	\$ 205,824
Public safety	1,386,135	248,661
Highways and streets	4,779,428	152,557
Sanitation	204,211	195,937
Human services	2,503,181	346,774
Health	72,804	-
Culture and recreation	137,566	1,450
Conservation of natural resources	483,419	219,160
Economic development	33,705	-
Total Governmental Activities	\$ 11,528,888	\$ 1,370,363
Component units		
Lac qui Parle-Yellow Bank Watershed District	\$ 663,607	\$ 237,671
Lac qui Parle County Economic Development Authority	349,565	-
Total Component Units	\$ 1,013,172	\$ 237,671

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

<u>Program Revenues</u> <u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
				<u>Primary Governmental Activities</u>	<u>Discretely Presented Component Units</u>	
			<u>Lac qui Parle- Yellow Bank Watershed District</u>		<u>Lac qui Parle- County Economic Development Authority</u>	
\$ 40,454	\$ -	\$ (1,682,161)				
175,049	-	(962,425)				
3,627,174	1,062,083	62,386				
55,950	-	47,676				
1,161,930	-	(994,477)				
-	-	(72,804)				
48,349	-	(87,767)				
65,314	10,018	(188,927)				
1,430	-	(32,275)				
\$ 5,175,650	\$ 1,072,101	\$ (3,910,774)				
\$ 164,717	\$ -		\$ (261,219)	\$ -		
137,371	-		-	(212,194)		
\$ 302,088	\$ -		\$ (261,219)	\$ (212,194)		
		\$ 4,731,805	\$ 291,882	\$ 156,578		
		6,604	-	-		
		168,055	-	-		
		397,530	6,801	34,004		
		32,821	4,567	1,299		
		118,546	20,198	1,535		
		\$ 5,455,361	\$ 323,448	\$ 193,416		
		\$ 1,544,587	\$ 62,229	\$ (18,778)		
		54,374,289	5,805,358	228,844		
		\$ 55,918,876	\$ 5,867,587	\$ 210,066		

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 2,153,368	\$ 217,919	\$ 369,247	\$ 849,084	\$ 3,589,618
Undistributed cash in agency funds	100,037	72,579	45,802	2,404	220,822
Petty cash and change funds	4,150	-	100	-	4,250
Investments	275,000	2,400,000	2,425,000	-	5,100,000
Taxes receivable					
Prior	26,306	18,100	12,068	-	56,474
Special assessments receivable					
Prior	-	-	-	158,287	158,287
Noncurrent	11,645	-	-	1,909	13,554
Accounts receivable	63	309	32,032	476	32,880
Accrued interest receivable	5,796	57	-	-	5,853
Due from other governments	38,905	1,104,926	95,024	24,626	1,263,481
Advance to component unit	72,328	-	-	-	72,328
Loans receivable	96,279	-	-	-	96,279
Inventories	-	220,601	-	-	220,601
Prepaid items	81	-	-	-	81
Total Assets	\$ 2,783,958	\$ 4,034,491	\$ 2,979,273	\$ 1,036,786	\$ 10,834,508
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 113,018	\$ 116,543	\$ 102,220	\$ 33,821	\$ 365,602
Salaries payable	50,910	33,099	34,912	-	118,921
Contracts payable	-	134,248	-	-	134,248
Due to other governments	13,007	4,655	20,062	-	37,724
Unearned revenue	219,750	-	-	-	219,750
Total Liabilities	\$ 396,685	\$ 288,545	\$ 157,194	\$ 33,821	\$ 876,245
Deferred Inflows of Resources					
Unavailable revenue	\$ 37,951	\$ 907,271	\$ 38,324	\$ 160,196	\$ 1,143,742

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 220,601	\$ -	\$ -	\$ 220,601
Prepaid items	81	-	-	-	81
Advance to component unit	72,328	-	-	-	72,328
Restricted for					
Highway allotments	-	249,599	-	-	249,599
Missing heirs	5,589	-	-	-	5,589
Recorder's compliance	52,131	-	-	-	52,131
Recorder's technology	33,087	-	-	-	33,087
E-911	478,180	-	-	-	478,180
Forfeitures	6,787	-	-	-	6,787
Cemetery	1,000	-	-	-	1,000
Loans receivable	96,279	-	-	-	96,279
EDA loans	57,640	-	-	-	57,640
Ditch repairs and maintenance	-	-	-	842,769	842,769
Small cities development program	1,430	-	-	-	1,430
Committed to					
Solid waste assessments	288,753	-	-	-	288,753
Capital equipment	-	524,576	-	-	524,576
Buildings and grounds	-	45,100	-	-	45,100
Out-of-home placements	-	-	325,000	-	325,000
Assigned to					
Poor relief	-	-	300,000	-	300,000
Administration	-	-	150,000	-	150,000
Out-of-home placements	-	-	250,000	-	250,000
Recorder's enhancement	12,560	-	-	-	12,560
Contracts issued	32,400	-	-	-	32,400
Sheriff's forfeiture	18,923	-	-	-	18,923
Sheriff's contingency	750	-	-	-	750
County park board	6,311	-	-	-	6,311
Road and bridge	-	1,798,799	-	-	1,798,799
Human services	-	-	1,758,755	-	1,758,755
Unassigned	1,185,093	-	-	-	1,185,093
Total Fund Balances	\$ 2,349,322	\$ 2,838,675	\$ 2,783,755	\$ 842,769	\$ 8,814,521
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,783,958	\$ 4,034,491	\$ 2,979,273	\$ 1,036,786	\$ 10,834,508

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds (Exhibit 3)	\$ 8,814,521
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.	46,408,557
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	1,143,742
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	\$ (369,155)
Net OPEB obligation	(78,789)
	<u>(447,944)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 55,918,876</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,311,742	\$ 1,421,493	\$ 989,946	\$ -	\$ 4,723,181
Other taxes	4,671	-	-	-	4,671
Special assessments	131,574	-	-	191,130	322,704
Licenses and permits	21,380	-	-	-	21,380
Intergovernmental	715,353	4,783,531	1,253,640	-	6,752,524
Charges for services	393,267	-	256,050	-	649,317
Fines and forfeits	5,965	-	-	-	5,965
Gifts and contributions	1,450	-	-	-	1,450
Investment earnings	25,566	2,926	4,329	-	32,821
Miscellaneous	203,852	152,557	90,724	320	447,453
Total Revenues	\$ 3,814,820	\$ 6,360,507	\$ 2,594,689	\$ 191,450	\$ 12,961,466
Expenditures					
Current					
General government	\$ 1,857,760	\$ -	\$ -	\$ -	\$ 1,857,760
Public safety	1,259,020	-	-	-	1,259,020
Highways and streets	-	5,597,007	-	-	5,597,007
Sanitation	204,211	-	-	-	204,211
Human services	-	-	2,495,585	-	2,495,585
Culture and recreation	137,566	-	-	-	137,566
Conservation of natural resources	343,109	-	-	139,250	482,359
Economic development	33,705	-	-	-	33,705
Intergovernmental	203,732	452,210	-	-	655,942
Total Expenditures	\$ 4,039,103	\$ 6,049,217	\$ 2,495,585	\$ 139,250	\$ 12,723,155
Excess of Revenues Over (Under) Expenditures	\$ (224,283)	\$ 311,290	\$ 99,104	\$ 52,200	\$ 238,311
Other Financing Sources (Uses)					
Transfers in	\$ 10,000	\$ -	\$ -	\$ 3,322	\$ 13,322
Transfers out	(3,322)	-	-	(10,000)	(13,322)
Proceeds from the sale of capital assets	1,933	-	-	-	1,933
Total Other Financing Sources (Uses)	\$ 8,611	\$ -	\$ -	\$ (6,678)	\$ 1,933
Net Change in Fund Balance	\$ (215,672)	\$ 311,290	\$ 99,104	\$ 45,522	\$ 240,244
Fund Balance - January 1	2,564,994	2,360,845	2,684,651	797,247	8,407,737
Increase (decrease) in inventories	-	166,540	-	-	166,540
Fund Balance - December 31	\$ 2,349,322	\$ 2,838,675	\$ 2,783,755	\$ 842,769	\$ 8,814,521

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 240,244

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

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

Deferred inflows of resources - December 31	\$ 1,143,742	
Deferred inflows of resources - January 1	<u>(1,033,666)</u>	110,076

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

Expenditures for general capital assets and infrastructure	\$ 2,618,992	
Current year depreciation	<u>(1,544,426)</u>	1,074,566

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 compensated absences	\$ (7,717)	
Change in OPEB obligation	(39,122)	
Change in inventories	<u>166,540</u>	<u>119,701</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,544,587

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FIDUCIARY FUNDS

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013

Assets

Cash and pooled investments	\$ <u>358,645</u>
-----------------------------	-------------------

Liabilities

Accounts payable	\$ 5,097
Due to other governments	<u>353,548</u>

Total Liabilities	\$ <u>358,645</u>
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Lac qui Parle County was established in 1871 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 Lac qui Parle County (primary government) and its component units for which the County is financially accountable. 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, discretely presently component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Lac qui Parle County are discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Lac qui Parle-Yellow Bank Watershed District	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements are not prepared.
Lac qui Parle County Economic Development Authority	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements can be obtained at: 600 - 6th Street, Suite 10 Madison, Minnesota 56256

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

Joint Ventures

The County participates in several joint ventures which are described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

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 and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- 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 Family Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. Lac qui Parle County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the Auditor-Treasurer-Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, 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 2013 were \$20,631.

2. 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."

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

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

4. Capital Assets

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	30 - 66
Land improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	5 - 25

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide statements.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. At December 31, 2013, Lac qui Parle County reported no bonded debt.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Classification of Net Position

Net position in the government-wide and the component unit 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. At December 31, 2013, Lac qui Parle County reported no debt related to acquisition, construction, or improvement of capital 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- 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 or the Auditor-Treasurer-Coordinator, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

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

10. Minimum Fund Balance

Lac qui Parle County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2013, unrestricted fund balance for the General Fund was below the minimum fund balance level.

11. Use of Estimates

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Budget

The General Fund and Family Services Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2013, as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 4,039,103	\$ 3,777,389	\$ 261,714
Family Services Special Revenue	2,495,585	2,305,722	189,863

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	\$ 3,814,690	
Investments	5,100,000	
Statement of fiduciary net position		
Cash and pooled investments	358,645	
Total Cash and Investments	\$ 9,273,335	
Petty cash and change funds		\$ 4,250
Checking	298,662	
Money market savings	8,470,423	
Certificates of deposit	500,000	
Total Deposits and Investments	\$ 9,273,335	

**LAC QUI PARLE COUNTY
MADISON, 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. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

**LAC QUI PARLE COUNTY
MADISON, 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 rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**LAC QUI PARLE COUNTY
MADISON, 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

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. At December 31, 2013, the County had no investments; therefore, no investment custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Lac qui Parle County mitigates the concentration of credit risk by purchasing certificates of deposit from multiple banks.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 56,474	\$ -
Special assessments	171,841	-
Accounts receivable	32,880	-
Accrued interest receivable	5,853	-
Due from other governments	1,263,481	-
Advance to component unit	72,328	72,328
Loans receivable	96,279	41,174
Total Governmental Activities	\$ 1,699,136	\$ 113,502

Loans Receivable

The County received funds from the Minnesota Investment Fund in 2008 for Noah's Ark Holding, LLC, of Dawson. The grant agreement states these funds are to be repaid to the County and used under specific conditions. At December 31, 2013, the County has a loan receivable from Noah's Ark Holding, LLC, with a balance remaining of \$96,279, which is to be repaid in monthly installments of \$4,770.

Advance to Component Unit

The Lac qui Parle County Economic Development Authority (EDA) has a balance due to the Lac qui Parle County General Fund at December 31, 2013, of \$72,328. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement.

Original Loan Date	Loan Amount	Due Date
December 31, 2013	\$ 72,328	2023

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	115,094	2,066,769	-	2,181,863
Total capital assets not depreciated	<u>\$ 750,195</u>	<u>\$ 2,066,769</u>	<u>\$ -</u>	<u>\$ 2,816,964</u>
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ -	\$ -	\$ 3,202,388
Improvements other than building	81,405	-	-	81,405
Machinery, furniture, and equipment	5,172,942	265,438	60,686	5,377,694
Infrastructure	55,190,699	286,785	-	55,477,484
Total capital assets depreciated	<u>\$ 63,647,434</u>	<u>\$ 552,223</u>	<u>\$ 60,686</u>	<u>\$ 64,138,971</u>
Less: accumulated depreciation for				
Buildings	\$ 701,048	\$ 71,767	\$ -	\$ 772,815
Improvements other than building	5,233	2,326	-	7,559
Machinery, furniture, and equipment	3,183,329	360,783	60,686	3,483,426
Infrastructure	15,174,028	1,109,550	-	16,283,578
Total accumulated depreciation	<u>\$ 19,063,638</u>	<u>\$ 1,544,426</u>	<u>\$ 60,686</u>	<u>\$ 20,547,378</u>
Total capital assets depreciated, net	<u>\$ 44,583,796</u>	<u>\$ (992,203)</u>	<u>\$ -</u>	<u>\$ 43,591,593</u>
Capital Assets, Net	<u>\$ 45,333,991</u>	<u>\$ 1,074,566</u>	<u>\$ -</u>	<u>\$ 46,408,557</u>

Construction in progress consists of amounts completed on an open road project.

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

Governmental Activities	
General government	\$ 72,162
Public safety	77,898
Highways and streets, including depreciation of infrastructure assets	1,391,541
Human services	1,765
Conservation	1,060
Total Depreciation Expense - Governmental Activities	<u>\$ 1,544,426</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

During 2013, the General Fund transferred \$3,322 to the Ditch Special Revenue Fund for its share of interest earnings.

During 2013, the Ditch Special Revenue Fund transferred \$10,000 to the General Fund for County ditch administrative and accounting services provided.

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

	<u>Governmental Activities</u>
Accounts payable	\$ 365,602
Salaries payable	118,921
Contracts payable	134,248
Due to other governments	<u>37,724</u>
Total Payables	<u>\$ 656,495</u>

2. Construction Commitments

Lac qui Parle County did not have any active construction projects except for highway projects that are state-funded and, therefore, not obligations of the County at December 31, 2013.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 361,438	\$ 165,051	\$ 157,334	\$ 369,155	\$ -
Other postemployment benefits	39,667	66,554	27,432	78,789	-
Governmental Activities Long-Term Liabilities	<u>\$ 401,105</u>	<u>\$ 231,605</u>	<u>\$ 184,766</u>	<u>\$ 447,944</u>	<u>\$ -</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

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. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

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. Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District make annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

The County and the Lac qui Parle-Yellow Bank Watershed District are required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

Lac qui Parle County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 169,299	\$ 163,560	\$ 163,770
Public Employees Police and Fire Fund	70,664	69,182	52,016
Public Employees Correctional Fund	13,140	9,665	9,326

The Lac qui Parle-Yellow Bank Watershed District's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	\$ 9,580	\$ 9,236	\$ 9,220

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,037	\$ 5,037
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2013.

The County pays the health insurance for qualified former elected officials. This is a single-employer defined benefit health care plan. To be eligible, elected officials must have been serving on or after the date of November 2, 2004, and must have served a minimum of eight years and one day as an elected official in Lac qui Parle County. Elected officials eligible for this benefit are limited to the County Attorney, County Sheriff, Auditor-Treasurer-Coordinator, County Recorder, and County Commissioners. Those eligible are entitled to one year of individual health insurance coverage for each four-year term in an elected position, with additional coverage provided on a pro rata basis for partial terms served. If the former elected official becomes eligible for Medicare benefits, then that official is no longer eligible for this benefit. The County has two eligible participants and no active participants. The County finances the program on a pay-as-you-go basis.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has two current elected officials eligible, but no former elected officials receiving or eligible for this benefit in 2013.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	67,099
Interest on net OPEB obligation		1,785
Adjustment to ARC		<u>(2,330)</u>
 Annual OPEB cost (expense)	 \$	 66,554
Contributions made during the year		<u>(27,432)</u>
 Increase in net OPEB obligation	 \$	 39,122
Net OPEB Obligation - Beginning of Year		<u>39,667</u>
 Net OPEB Obligation - End of Year	 \$	 <u>78,789</u>

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, 2012 and 2013, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 67,099	\$ 27,432	40.9%	\$ 39,667
December 31, 2013	66,554	27,432	41.2	78,789

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$498,400, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$498,400. The covered payroll (annual payroll of active employees covered by the plan) was \$2,632,510, and the ratio of the UAAL to the covered payroll was 18.9 percent.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Lac qui Parle County's implicit rate of return on the General Fund.

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 28 years.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Risk Management

Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the County and District carry commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County retains risk for the deductible portions of the insurance. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risk, the County 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 \$470,000 per claim in 2013 and \$480,000 in 2014. 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.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for \$2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through July 7, 2014, \$127,877 has been advanced from the County's General Fund through the Economic Development Authority to Farmers Mutual Telephone Company as part of this agreement.

Lincoln-Pipestone Rural Water System

At December 31, 2013, the Lincoln-Pipestone Rural Water System had \$37,928,505 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefitted by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

In 2013, Lincoln County and Nobles County issued General Obligation Water System Refunding Bonds, Series 2013A, for \$3,055,000 and General Obligation Water Revenue Refunding Bonds, Series 2013A, \$2,910,000, respectively, on behalf of the Lincoln-Pipestone Rural Water System to crossover advance refund the General Obligation Water System Refunding Bonds, Series 2005 and 2007.

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

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

Countryside Public Health Service

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

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

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2013 was \$72,804.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Countryside Public Health Service (Continued)

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Lac qui Parle County participates with Chippewa, Swift, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

The County Boards of the participating counties have direct authority over and responsibility for the Community Corrections' activities.

Lac qui Parle County's contribution for 2013, was \$130,928. Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Prairie Lakes Youth Programs (Kandiyohi - Region 6W Community Corrections
Agencies Detention Center)

The County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs (PLYP)), pursuant to Minn. Stat. § 471.59. The PLYP provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the PLYP is vested in a joint board composed of one Commissioner from each participating county. An advisory board has also been established, composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections and the directors of the family services or human services departments of the counties participating in the agreement. The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Youth Programs (Kandiyohi - Region 6W Community Corrections Agencies Detention Center) (Continued)

Financing for the PLYP is provided by charges for services to member and nonmember counties. Kandiyohi County, under a separate agreement with the PLYP, provides accounting and payroll services and, in an agent capacity, reports the cash transactions of the PLYP as an agency fund on its financial statements. Complete financial information can be obtained from the Kandiyohi County Auditor/Treasurer's Office or the PLYP's office, P. O. Box 894, Willmar, Minnesota 56201.

Lincoln-Pipestone Rural Water System

Lac qui Parle County, along with Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minn. Stat. ch. 116A. The Rural Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges.

The Lincoln-Pipestone Rural Water System is governed by a Board appointed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2013, were \$37,928,505.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southwest Minnesota Regional Radio Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2013, Lac qui Parle County contributed \$1,716 to the Joint Powers Board.

Minnesota Counties Information Systems (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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

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

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2013, Lac qui Parle County did not make a contribution to the Partnership as a contribution was made by the Countryside Public Health Service.

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

Southwest Minnesota Private Industry Council, Inc.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwest Minnesota Private Industry Council, Inc. (Continued)

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county.

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

Southwest Regional Solid Waste Commission

Lac qui Parle County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation, pursuant to Minn. Stat. chs. 400 and 115A, to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares up to \$1,000 per county per year. The current assessment is \$500.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items (Continued)

C. Jointly-Governed Organizations

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Lac qui Parle County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During 2013, Lac qui Parle County contributed \$1,632 to the Joint Powers Board.

A vote was taken on December 16, 2013, to terminate the Joint Powers Agreement. The County was asked to pass a resolution of termination at its February 18, 2014, Board meeting, which the County voted to do. Effective February 18, 2014, the County is no longer a member of the Minnesota River Board.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at Administrative Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

Pioneerland Library System

Lac qui Parle County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, the County contributed \$75,697 to the System.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of six County Sheriff's offices and seven police departments including Big Stone, Lac qui Parle, Pope, Stevens, Swift, and Traverse Counties, along with the Appleton, Benson, Glenwood, Hancock, Montevideo, Morris, Starbuck, University of Minnesota Morris, and Wheaton Police Departments. The purpose of the Team is to create a feasible economical way, by sharing the costs, to protect the citizens of the cities and counties involved. During the year, the County contributed \$770 to the Team.

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$11,833 to the Project.

D. Subsequent Event

On June 17, 2014, the County Board approved the first of several contracts for a building remodel project at the Family Services location. The total project is estimated to cost \$250,000.

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle-Yellow Bank Watershed District has the following significant accounting policies.

Reporting Entity

The Lac qui Parle-Yellow Bank Watershed District is governed by a five-member Board of Managers, with three members appointed by the Lac qui Parle County Board, one member appointed by the Yellow Medicine County Board, and one member appointed by the Lincoln County Board.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies

Reporting Entity (Continued)

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

The Lac qui Parle-Yellow Bank Watershed District does not prepare separate financial statements. The District has the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefitted property.

Deposits and Investments

Deposits and investments are reported at their fair value at December 31, 2013, based on market price.

B. Stewardship, Compliance, and Accountability

The General Fund had expenditures in excess of budget for the year ended December 31, 2013, as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 662,994	\$ 378,625	\$ 284,369

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District (Continued)

C. Detailed Notes on All Funds

1. Assets

Deposits and Investments

Reconciliation of the District's total deposits, cash on hand, and investments to the basic financial statements follows:

Cash and pooled investments	<u>\$ 1,225,439</u>
Checking	\$ 635,935
Money market savings	374,504
Certificates of deposit	<u>215,000</u>
Total Deposits and Investments	<u>\$ 1,225,439</u>

The District 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. At December 31, 2013, undercollateralized deposits of the District were \$40,365.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

C. Detailed Notes on All Funds

1. Assets (Continued)

Receivables

Receivables as of December 31, 2013, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 1,360	\$ -
Special assessments	370,520	312,671
Accounts receivable	450	-
Accrued interest receivable	866	-
Due from other governments	29,297	-
Total Receivables	\$ 402,493	\$ 312,671

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Capital assets depreciated				
Buildings	\$ 229,885	\$ -	\$ -	\$ 229,885
Machinery, furniture, and equipment	64,816	-	-	64,816
Land improvements	270,004	28,203	-	298,207
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,898,912	\$ 28,203	\$ -	\$ 5,927,115

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

C. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 54,099	\$ 5,151	\$ -	\$ 59,250
Machinery, furniture, and equipment	48,354	2,593	-	50,947
Land improvements	112,731	10,354	-	123,085
Infrastructure	1,198,597	53,342	-	1,251,939
Total accumulated depreciation	\$ 1,413,781	\$ 71,440	\$ -	\$ 1,485,221
Total capital assets depreciated, net	\$ 4,485,131	\$ (43,237)	\$ -	\$ 4,441,894
Capital Assets, Net	\$ 5,113,589	\$ (43,237)	\$ -	\$ 5,070,352

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

Conservation of natural resources	\$ 58,493
Culture and recreation	12,947
Total Depreciation Expense	\$ 71,440

2. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

There were no interfund balances as of December 31, 2013.

Interfund Transfers

During 2013, the General Fund transferred \$17,823 to the Ditch Special Revenue Fund for ditch special assessment revenue receipted in the General Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

C. Detailed Notes on All Funds (Continued)

3. Liabilities

Payables

Payables at December 31, 2013, were as follows:

Accounts payable	\$ 24,056
Salaries payable	<u>8,152</u>
Total Payables	<u>\$ 32,208</u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2013.

Long-Term Debt – Loans Payable

The Lac qui Parle-Yellow Bank Watershed District entered into a loan agreement with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

C. Detailed Notes on All Funds

3. Liabilities

Long-Term Debt – Loans Payable (Continued)

Long-term debt outstanding at December 31, 2013, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate	Original Issue Amount	Remaining Commitment
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 183,082
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	136,179
North and South Fork Yellow Bank River	Not finalized	Not finalized	Not finalized	177,512	177,512
Total Loans Payable				<u>\$ 620,911</u>	<u>\$ 496,773</u>

Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2014	\$ 42,971	\$ 6,171
2015	43,834	5,308
2016	44,716	4,427
2017	45,614	3,528
2018	46,531	2,611
2019 - 2022	95,595	3,374
Total	<u>\$ 319,261</u>	<u>\$ 25,419</u>

Clean water loans of \$177,512 for the North and South Fork Yellow Bank River were not included in the debt service requirements because fixed repayment schedules are not available.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

C. Detailed Notes on All Funds

3. Liabilities (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2013, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Loans payable	\$ 408,566	\$ 130,331	\$ 42,124	\$ 496,773	\$ 42,971
Compensated absences	7,204	11,632	12,892	5,944	994
Total	<u>\$ 415,770</u>	<u>\$ 141,963</u>	<u>\$ 55,016</u>	<u>\$ 502,717</u>	<u>\$ 43,965</u>

8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle County Economic Development Authority has the following significant accounting policies.

1. Reporting Entity

The Lac qui Parle County Economic Development Authority is a public body politic and corporate and a political subdivision of the State of Minnesota. The primary purpose of the Authority is to serve as an Economic Development Authority pursuant to Minn. Stat. ch. 469. The Authority is governed by a Board of Commissioners consisting of seven members. Two members are from the County Board of Commissioners, three members are “at large” from within the County, and two members are appointed--one from the City of Dawson and one from the City of Madison.

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation

The Lac qui Parle County Economic Development Authority prepares separate financial statements. The District presents the following major governmental fund:

- The General Fund includes all transactions relating to the Authority.

3. Deposits and Investments

Cash and temporary investments include balances invested to the extent available in various securities as authorized by state law. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

B. Detailed Notes

1. Assets

Receivables

Receivables as of December 31, 2013, for the Lac qui Parle County Economic Development Authority follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 9,799	\$ -
Accounts receivable	8,873	-
Loan receivable - Farmers Mutual Telephone Company	72,328	72,328
Total Governmental Activities	\$ 91,000	\$ 72,328

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

B. Detailed Notes

1. Assets (Continued)

Capital Assets

The Lac qui Parle County Economic Development Authority capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 15,168	\$ -	\$ -	\$ 15,168
Less: accumulated depreciation for Machinery, furniture, and equipment	<u>3,286</u>	<u>1,517</u>	<u>-</u>	<u>4,803</u>
Capital Assets, Net	<u>\$ 11,882</u>	<u>\$ (1,517)</u>	<u>\$ -</u>	<u>\$ 10,365</u>

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

Economic Development	<u>\$ 1,517</u>
----------------------	-----------------

2. Liabilities

Payables

Payables at December 31, 2013, were as follows:

Accounts payable	\$ 3,336
Salaries payable	1,877
Due to other governments	<u>6,018</u>
Total Payables	<u>\$ 11,231</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle County Economic Development Authority for the year ended December 31, 2013, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Advance from primary government	\$ -	\$ 72,328	\$ -	\$ 72,328	\$ -
Compensated absences	5,710	336	-	6,046	-
Total	<u>\$ 5,710</u>	<u>\$ 72,664</u>	<u>\$ -</u>	<u>\$ 78,374</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,412,080	\$ 2,412,080	\$ 2,311,742	\$ (100,338)
Other taxes	5,000	5,000	4,671	(329)
Special assessments	136,200	136,200	131,574	(4,626)
Licenses and permits	15,440	15,440	21,380	5,940
Intergovernmental	615,920	615,920	715,353	99,433
Charges for services	397,868	397,868	393,267	(4,601)
Fines and forfeits	2,200	2,200	5,965	3,765
Gifts and contributions	-	-	1,450	1,450
Investment earnings	57,000	57,000	25,566	(31,434)
Miscellaneous	151,605	151,605	203,852	52,247
Total Revenues	\$ 3,793,313	\$ 3,793,313	\$ 3,814,820	\$ 21,507
Expenditures				
Current				
General government				
Commissioners	\$ 211,136	\$ 211,136	\$ 210,304	\$ 832
Courts	10,000	10,000	27,326	(17,326)
Jury manager	-	-	683	(683)
Auditor-Treasurer	372,271	372,271	386,211	(13,940)
Data processing	191,863	191,863	216,008	(24,145)
Elections	12,550	12,550	10,280	2,270
County car	530	530	183	347
Attorney	175,930	175,930	180,688	(4,758)
Recorder	183,056	183,056	182,844	212
Assessor	157,981	157,981	149,933	8,048
GIS	9,000	9,000	21,715	(12,715)
Planning and zoning	35,012	35,012	34,734	278
Buildings and plant	129,619	129,619	126,004	3,615
Veterans service officer	113,167	113,167	109,445	3,722
Extension	-	-	5	(5)
Other general government	89,537	89,537	201,397	(111,860)
Total general government	\$ 1,691,652	\$ 1,691,652	\$ 1,857,760	\$ (166,108)
Public safety				
Sheriff	\$ 768,828	\$ 768,828	\$ 810,844	\$ (42,016)
Safety/AWAIR	4,500	4,500	4,142	358
Sheriff's forfeiture activity	-	-	2,259	(2,259)
County sheriff (city)	189,718	189,718	210,871	(21,153)
Boat and water safety	2,550	2,550	6,276	(3,726)
Snowmobile safety	3,819	3,819	1,003	2,816

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Public safety (Continued)				
Coroner	7,100	7,100	9,792	(2,692)
Federal safe and sober	13,845	13,845	4,347	9,498
E-911 system	81,670	81,670	22,141	59,529
County jail	49,650	49,650	107,287	(57,637)
Civil defense	60,256	60,256	76,494	(16,238)
Ambulance	3,000	3,000	3,000	-
Other	4,700	4,700	564	4,136
Total public safety	\$ 1,189,636	\$ 1,189,636	\$ 1,259,020	\$ (69,384)
Sanitation				
Solid waste	\$ 56,279	\$ 56,279	\$ 72,608	\$ (16,329)
Recycling	163,350	163,350	131,603	31,747
Total sanitation	\$ 219,629	\$ 219,629	\$ 204,211	\$ 15,418
Culture and recreation				
Historical society	\$ 10,300	\$ 10,300	\$ 10,300	\$ -
Parks	1,329	1,329	3,837	(2,508)
Senior citizens	500	500	500	-
County/regional library	75,697	75,697	75,697	-
Other	52,480	52,480	47,232	5,248
Total culture and recreation	\$ 140,306	\$ 140,306	\$ 137,566	\$ 2,740
Conservation of natural resources				
Extension	\$ 118,176	\$ 118,176	\$ 126,393	\$ (8,217)
Soil and water conservation	102,140	102,140	102,401	(261)
Water quality	23,823	23,823	24,231	(408)
Agricultural society/County fair	9,550	9,550	9,550	-
E-waste	-	-	242	(242)
Environmental officer	28,537	28,537	27,451	1,086
Planning and zoning	-	-	10,018	(10,018)
Feedlot administration	29,287	29,287	28,797	490
Minnesota river basin	12,921	12,921	13,465	(544)
Other	1,000	1,000	561	439
Total conservation of natural resources	\$ 325,434	\$ 325,434	\$ 343,109	\$ (17,675)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Economic development	-	-	26,705	(26,705)
Total economic development	\$ 7,000	\$ 7,000	\$ 33,705	\$ (26,705)
Intergovernmental				
Public Safety	\$ 130,928	\$ 130,928	\$ 130,928	\$ -
Health	72,804	72,804	72,804	-
Total intergovernmental	\$ 203,732	\$ 203,732	\$ 203,732	\$ -
Total Expenditures	\$ 3,777,389	\$ 3,777,389	\$ 4,039,103	\$ (261,714)
Excess of Revenues Over (Under)				
Expenditures	\$ 15,924	\$ 15,924	\$ (224,283)	\$ (240,207)
Other Financing Sources (Uses)				
Transfers in	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000
Transfers out	-	-	(3,322)	(3,322)
Proceeds from the sale of capital assets	-	-	1,933	1,933
Total Other Financing Sources (Uses)	\$ 5,000	\$ 5,000	\$ 8,611	\$ 3,611
Net Change in Fund Balance	\$ 20,924	\$ 20,924	\$ (215,672)	\$ (236,596)
Fund Balance - January 1	2,564,994	2,564,994	2,564,994	-
Fund Balance - December 31	\$ 2,585,918	\$ 2,585,918	\$ 2,349,322	\$ (236,596)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,540,025	\$ 1,540,025	\$ 1,421,493	\$ (118,532)
Intergovernmental	4,037,100	4,037,100	4,783,531	746,431
Investment earnings	60,700	60,700	2,926	(57,774)
Miscellaneous	159,200	159,200	152,557	(6,643)
Total Revenues	\$ 5,797,025	\$ 5,797,025	\$ 6,360,507	\$ 563,482
Expenditures				
Current				
Highways and streets				
Administration	\$ 170,450	\$ 170,450	\$ 179,173	\$ (8,723)
Construction	2,943,290	2,943,290	3,116,402	(173,112)
Maintenance	2,244,725	2,244,725	2,089,850	154,875
Equipment and maintenance shops	242,175	242,175	211,582	30,593
Total highways and streets	\$ 5,600,640	\$ 5,600,640	\$ 5,597,007	\$ 3,633
Intergovernmental				
Highways and streets	455,000	455,000	452,210	2,790
Total Expenditures	\$ 6,055,640	\$ 6,055,640	\$ 6,049,217	\$ 6,423
Net Change in Fund Balance	\$ (258,615)	\$ (258,615)	\$ 311,290	\$ 569,905
Fund Balance - January 1	2,360,845	2,360,845	2,360,845	-
Increase (decrease) in inventories	-	-	166,540	166,540
Fund Balance - December 31	\$ 2,102,230	\$ 2,102,230	\$ 2,838,675	\$ 736,445

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,073,141	\$ 1,073,141	\$ 989,946	\$ (83,195)
Intergovernmental	945,473	945,473	1,253,640	308,167
Charges for services	203,399	203,399	256,050	52,651
Investment earnings	18,000	18,000	4,329	(13,671)
Miscellaneous	65,709	65,709	90,724	25,015
Total Revenues	<u>\$ 2,305,722</u>	<u>\$ 2,305,722</u>	<u>\$ 2,594,689</u>	<u>\$ 288,967</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 661,671	\$ 661,671	\$ 690,453	\$ (28,782)
Administration	-	-	(16,403)	16,403
Social services	1,644,051	1,644,051	1,821,535	(177,484)
Total Expenditures	<u>\$ 2,305,722</u>	<u>\$ 2,305,722</u>	<u>\$ 2,495,585</u>	<u>\$ (189,863)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 99,104	\$ 99,104
Fund Balance - January 1	<u>2,684,651</u>	<u>2,684,651</u>	<u>2,684,651</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,684,651</u></u>	<u><u>\$ 2,684,651</u></u>	<u><u>\$ 2,783,755</u></u>	<u><u>\$ 99,104</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 206,955	\$ 206,955	\$ 191,130	\$ (15,825)
Investment earnings	10,000	10,000	-	(10,000)
Miscellaneous	-	-	320	320
Total Revenues	\$ 216,955	\$ 216,955	\$ 191,450	\$ (25,505)
Expenditures				
Current				
Conservation of natural resources				
Other	211,955	211,955	139,250	72,705
Excess of Revenues Over (Under)				
Expenditures	\$ 5,000	\$ 5,000	\$ 52,200	\$ 47,200
Other Financing Sources (Uses)				
Transfers in	-	-	3,322	3,322
Transfers out	(5,000)	(5,000)	(10,000)	(5,000)
Total Other Financing Sources (Uses)	\$ (5,000)	\$ (5,000)	\$ (6,678)	\$ (1,678)
Net Change in Fund Balance	\$ -	\$ -	\$ 45,522	\$ 45,522
Fund Balance - January 1	797,247	797,247	797,247	-
Fund Balance - December 31	\$ 797,247	\$ 797,247	\$ 842,769	\$ 45,522

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

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, 2012	\$ -	\$ 498,400	\$ 498,400	0.0%	\$ 2,632,510	18.9%

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

The County did not amend the budgets for the General Fund or any of the special revenue funds.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Final Budget	Excess
General	\$ 4,039,103	\$ 3,777,389	\$ 261,714
Family Services Special Revenue	2,495,585	2,305,722	189,863

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Other Postemployment Benefits - Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. Currently, only one actuarial valuation is available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

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

SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

AGENCY FUNDS

Children's Mental Health Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Forfeited Tax - to account for all funds received from the sale of lands forfeited for unpaid taxes and the subsequent disbursement to the various agencies.

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

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

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S MENTAL HEALTH COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 207,307	\$ 64,701	\$ 103,654	\$ 168,354
<u>Liabilities</u>				
Due to other governments	\$ 207,307	\$ 64,701	\$ 103,654	\$ 168,354
 <u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,641	\$ 17,178	\$ 10,052	\$ 15,767
<u>Liabilities</u>				
Due to other governments	\$ 8,641	\$ 17,178	\$ 10,052	\$ 15,767
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,395	\$ 59,728	\$ 56,026	\$ 5,097
<u>Liabilities</u>				
Accounts payable	\$ 1,395	\$ 59,728	\$ 56,026	\$ 5,097

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT B-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 66,358</u>	<u>\$ 1,144,991</u>	<u>\$ 1,198,556</u>	<u>\$ 12,793</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 66,358</u>	<u>\$ 1,144,991</u>	<u>\$ 1,198,556</u>	<u>\$ 12,793</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 159,101</u>	<u>\$ 11,943,183</u>	<u>\$ 11,945,650</u>	<u>\$ 156,634</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 159,101</u>	<u>\$ 11,943,183</u>	<u>\$ 11,945,650</u>	<u>\$ 156,634</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 442,802</u>	<u>\$ 13,229,781</u>	<u>\$ 13,313,938</u>	<u>\$ 358,645</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,395	\$ 59,728	\$ 56,026	\$ 5,097
Due to other governments	<u>441,407</u>	<u>13,170,053</u>	<u>13,257,912</u>	<u>353,548</u>
Total Liabilities	<u>\$ 442,802</u>	<u>\$ 13,229,781</u>	<u>\$ 13,313,938</u>	<u>\$ 358,645</u>

OTHER SCHEDULES

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
Shared Revenue		
State		
Highway users tax	\$ 3,963,375	\$ -
Market value credit	126,220	6,669
PERA rate reimbursement	12,442	132
Disparity reduction aid	51,195	-
County program aid	207,673	-
Police aid	62,130	-
E-911	73,798	-
Total shared revenue	<u>\$ 4,496,833</u>	<u>\$ 6,801</u>
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 268,928	\$ -
Minnesota Department of Public Safety	2,734	-
Local		
Economic Development Authority	12,429	-
Countryside Public Health	28,204	-
Yellow Medicine County	-	250
Lac qui Parle County	-	22,984
Lincoln County	-	60,788
Total reimbursement for services	<u>\$ 312,295</u>	<u>\$ 84,022</u>
Payments		
Local		
Local contributions	\$ -	\$ 3,500
Payments in lieu of taxes	168,055	-
Total payments	<u>\$ 168,055</u>	<u>\$ 3,500</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Primary Government	Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	\$ 1,005	\$ -
Human Services	419,930	-
Natural Resources	51,486	-
Transportation	650,693	-
Water and Soil Resources	75,332	17,910
Veterans Affairs	7,500	-
Pollution Control Agency	55,950	59,285
Total state	\$ 1,261,896	\$ 77,195
Federal		
Department of		
Agriculture	\$ 42,789	\$ -
Housing and Urban Development	1,430	-
Transportation	11,837	-
Health and Human Services	435,662	-
Homeland Security	21,727	-
Total federal	\$ 513,445	\$ -
Total state and federal grants	\$ 1,775,341	\$ 77,195
Total Intergovernmental Revenue	\$ 6,752,524	\$ 171,518

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 53,349
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 1,430
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 7,270
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	4,567
Total U.S. Department of Transportation		\$ 11,837
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 1,500
Temporary Assistance for Needy Families Cluster Temporary Assistance for Needy Families	93.558	41,768
Emergency Contingency Fund for TANF State Program - ARRA	93.714	131
Child Support Enforcement	93.563	77,137
Refugee and Entrant Assistance - State-Administered Programs	93.566	165
Child Care and Development Block Grant	93.575	1,273
Stephanie Tubbs Jones Child Welfare Services Program	93.645	750
Foster Care - Title IV-E	93.658	73,866
Social Services Block Grant	93.667	57,850
Children's Health Insurance Program	93.767	25
Medical Assistance Program	93.778	196,013
Total U.S. Department of Health and Human Services		\$ 450,478

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

***EXHIBIT C-2
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 5,423
Passed Through United Way Emergency Food and Shelter National Board Program	97.024	1,319
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	<u>14,985</u>
Total U.S. Department of Homeland Security		\$ <u>21,727</u>
Total Federal Awards		\$ <u><u>538,821</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Lac qui Parle County and its discretely presented component unit, the Lac qui Parle-Yellow Bank Watershed District, but not the discretely presented component unit, the Lac qui Parle County Economic Development Authority, which was audited by other auditors. The County's reporting entity is defined in Note 1 to the basic financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lac qui Parle County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lac qui Parle County, it is not intended to and does not present the financial position or changes in net position of Lac qui Parle County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Temporary Assistance for Needy Families Cluster	\$ 41,899
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 513,445
Grants received more than 60 days after year-end, considered unavailable revenue in 2013	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)	10,560
Temporary Assistance for Needy Families (CFDA #93.558)	3,375
Child Support Enforcement (CFDA #93.563)	<u>11,441</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 538,821</u>

6. Subrecipients

Of the expenditures presented in the schedule, Lac qui Parle County provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
20.600	State and Community Highway Safety	\$ 3,511

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

**LAC QUI PARLE-YELLOW BANK
WATERSHED DISTRICT**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-1

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,225,439
Taxes receivable	
Prior	1,360
Special assessments receivable	
Noncurrent	370,520
Accounts receivable	450
Accrued interest receivable	866
Due from other governments	29,297
Capital assets	
Non-depreciable	628,458
Depreciable - net of accumulated depreciation	4,441,894
	\$ 6,698,284
<u>Liabilities</u>	
Accounts payable	\$ 24,056
Salaries payable	8,152
Unearned revenue	295,772
ISTS loans	
Due in one year	42,971
Due in more than one year	453,802
Compensated absences	
Due within one year	994
Due in more than one year	4,950
	\$ 830,697
<u>Net Position</u>	
Investment in capital assets	\$ 5,070,352
Restricted for conservation of natural resources	227,043
Unrestricted	570,192
	\$ 5,867,587

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-2

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Governmental activities				
Culture and recreation	\$ 102,183	\$ 92,442	\$ -	\$ -
Conservation of natural resources	554,406	145,229	164,717	-
Interest	7,018	-	-	-
	\$ 663,607	\$ 237,671	\$ 164,717	\$ -
Total Governmental Activities	\$ 663,607	\$ 237,671	\$ 164,717	\$ -
 General Revenues				
Property taxes				\$ 291,882
Grants and contributions not restricted to specific programs				6,801
Investment income				4,567
Miscellaneous				20,198
				\$ 323,448
Total general revenues				\$ 323,448
Change in net position				\$ 62,229
Net Position - Beginning				5,805,358
Net Position - Ending				\$ 5,867,587

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-3

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2013**

	General	Ditch Special Revenue	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,124,649	\$ 100,790	\$ 1,225,439
Taxes receivable			
Prior	1,360	-	1,360
Special assessments receivable			
Noncurrent	370,520	-	370,520
Accounts receivable	450	-	450
Accrued interest receivable	866	-	866
Due from other governments	29,297	-	29,297
	\$ 1,527,142	\$ 100,790	\$ 1,627,932
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 24,056	\$ -	\$ 24,056
Salaries payable	8,152	-	8,152
Unearned revenue	295,772	-	295,772
	\$ 327,980	\$ -	\$ 327,980
Deferred Inflows of Resources			
Unavailable revenue	\$ 371,880	\$ -	\$ 371,880
Fund Balances			
Restricted for			
Septic/sewer loans	\$ 126,253	\$ -	\$ 126,253
Ditch repairs and maintenance	-	100,790	100,790
Assigned to			
Flood control	430,426	-	430,426
Unassigned	270,603	-	270,603
	\$ 827,282	\$ 100,790	\$ 928,072
	\$ 1,527,142	\$ 100,790	\$ 1,627,932

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-4

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balance - total governmental funds	\$ 928,072
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.	5,070,352
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	371,880
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	(496,773)
Compensated absences	(5,944)
	<hr/>
Net Position of Governmental Activities	<u><u>\$ 5,867,587</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-5

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Ditch Special Revenue	Total
Revenues			
Taxes	\$ 292,442	\$ -	\$ 292,442
Special assessments	56,534	-	56,534
Intergovernmental	171,518	-	171,518
Charges for services	92,442	-	92,442
Investment earnings	4,010	557	4,567
Miscellaneous	48,262	-	48,262
	\$ 665,208	\$ 557	\$ 665,765
Expenditures			
Current			
Culture and recreation	\$ 117,439	\$ -	\$ 117,439
Conservation of natural resources	496,413	760	497,173
Debt service			
Principal	42,124	-	42,124
Interest	7,018	-	7,018
	\$ 662,994	\$ 760	\$ 663,754
Excess of Revenues Over (Under)			
Expenditures	\$ 2,214	\$ (203)	\$ 2,011
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 17,823	\$ 17,823
Transfers out	(17,823)	-	(17,823)
Loans issued	130,331	-	130,331
	\$ 112,508	\$ 17,823	\$ 130,331
Net Change in Fund Balance	\$ 114,722	\$ 17,620	\$ 132,342
Fund Balance - January 1	712,560	83,170	795,730
Fund Balance - December 31	\$ 827,282	\$ 100,790	\$ 928,072

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-6

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -- GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds (Exhibit D-5) \$ 132,342

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

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

Deferred inflows of resources - December 31	\$ 371,880	
Deferred inflows of resources - January 1	<u>(311,809)</u>	60,071

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 28,203	
Current year depreciation	<u>(71,440)</u>	(43,237)

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability.		(130,331)
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Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level.		42,124
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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 compensated absences		<u>1,260</u>
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Change in Net Position of Governmental Activities (Exhibit D-2) \$ 62,229

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-7

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 292,442	\$ 292,442
Special assessments	-	-	56,534	56,534
Intergovernmental	-	-	171,518	171,518
Charges for services	105,200	105,200	92,442	(12,758)
Investment earnings	-	-	4,010	4,010
Miscellaneous	-	-	48,262	48,262
Total Revenues	\$ 105,200	\$ 105,200	\$ 665,208	\$ 560,008
Expenditures				
Current				
Culture and recreation				
Parks	\$ 103,625	\$ 103,625	\$ 117,439	\$ (13,814)
Conservation of natural resources				
Watershed	275,000	275,000	496,413	(221,413)
Debt service				
Principal	-	-	42,124	(42,124)
Interest	-	-	7,018	(7,018)
Total Expenditures	\$ 378,625	\$ 378,625	\$ 662,994	\$ (284,369)
Excess of Revenues Over (Under)				
Expenditures	\$ (273,425)	\$ (273,425)	\$ 2,214	\$ 275,639
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (17,823)	\$ (17,823)
Loans issued	-	-	130,331	130,331
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 112,508	\$ 112,508
Net Change in Fund Balance	\$ (273,425)	\$ (273,425)	\$ 114,722	\$ 388,147
Fund Balance - January 1	712,560	712,560	712,560	-
Fund Balance - December 31	\$ 439,135	\$ 439,135	\$ 827,282	\$ 388,147

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-8

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 557	\$ 557
Expenditures				
Current				
Conservation of natural resources				
Conservation - other	5,000	5,000	760	4,240
Excess of Revenues Over (Under) Expenditures	\$ (5,000)	\$ (5,000)	\$ (203)	\$ 4,797
Other Financing Sources (Uses)				
Transfers in	-	-	17,823	17,823
Net Change in Fund Balance	\$ (5,000)	\$ (5,000)	\$ 17,620	\$ 22,620
Fund Balance - January 1	83,170	83,170	83,170	-
Fund Balance - December 31	\$ 78,170	\$ 78,170	\$ 100,790	\$ 22,620

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

Lac qui Parle County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1999-001

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Lac qui Parle County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County indicated to us that it is a small-sized County, and trying to achieve efficiency through a small staff size is not always conducive to appropriate segregation of duties.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

Client's Response:

The County Board has been advised and is well aware of the lack of segregation of the accounting functions. Lac qui Parle County will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

Finding 2006-007

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

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

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

Effect: The following audit adjustments were necessary:

Governmental Activities

- Decreased infrastructure assets and increased highways and streets expenses by \$557,928 for township assets incorrectly capitalized by the County.

Ditch Special Revenue Fund

- Increased special assessments receivable - noncurrent and unavailable revenue by \$49,481 for amounts approved in 2013 to be assessed to landowners.

The adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Cause: Procedures were not in place to consider the full extent of all entries needed for financial reporting.

Recommendation: We recommend County staff review the financial statements' closing procedures to ensure that all significant adjustments have been made that are considered necessary to fairly state the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The County believes that the accounting staff has put forth significant effort to reduce the quantity and magnitude of audit adjustments necessary. As a result of that effort, many of the recurring adjustments made by auditors each year have been eliminated. The Auditor-Treasurer-Coordinator will continue to work with management and accounting staff to review and understand the sources of the auditor adjustments and change accounting practices accordingly in order to alleviate the need for future adjustments.

Finding 2011-001

Network/Application Password Controls

Criteria: County management is responsible for the County's internal controls over its information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

Condition: In 2011, Lac qui Parle County updated to a new version of the Integrated Financial System (IFS) application software. This application was written as a web-based application and may be run on a server or a mainframe system. Lac qui Parle County contracts with another government for use of space on a mainframe IBM I Series system. For an employee of Lac qui Parle County to access the new IFS application, the user must be signed on to the County network and have a current sign-on for the IFS application. The sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Lac qui Parle County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

Context: The IFS application is the general ledger for Lac qui Parle County. Detailed receipt and disbursement transactions as well as budget information are maintained on the IFS application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS application is the key source of information used for the preparation of the County's annual financial statements.

Effect: Normal password controls in place in the IBM I Series system are not effective for the IFS application, so a review of the IFS application controls and County network controls is imperative to ensure passwords are working as intended.

Cause: During 2012, the County implemented stronger password controls. However, after employee resistance, the County reverted back to the former password controls. The County's IT Committee is consulting with its IT vendor on the issue and has not yet developed a policy related to passwords, including locking computer workstations.

Recommendation: We recommend Lac qui Parle County management review password controls in place that limit access to the IFS application to ensure they are appropriate to protect the County data as prescribed by management.

Client's Response:

The County Auditor-Treasurer-Coordinator has contacted the IFS software developers, who have indicated that enhancement of IFS password controls is not likely in the near future. However, in July 2014, the Lac qui Parle County Board of Commissioners approved a Network Password Policy. The policy enhances the security through more stringent password controls for all users accessing the County's primary Courthouse server.

PREVIOUSLY REPORTED ITEMS RESOLVED

Assessing and Monitoring Internal Controls (2009-004)

A risk assessment of controls over significant functions of the accounting system used to produce financial information had not been completed. Audit procedures detected areas and responsibilities performed by County staff with little or no documentation of the monitoring taking place by management or other staff members.

Resolution

During the current audit, we noted monitoring improvement in the areas of journal entries, tax levy input, payroll, and reviewing capital asset additions, deletions, and balances.

Timeliness of Preparation of Financial Statements (2011-002)

For the 2012 audit, financial information for the Lac qui Parle-Yellow Bank Watershed District, a component unit, was provided to the Office of the State Auditor more than two weeks later than scheduled. In addition, the information that was submitted required numerous revisions affecting both the financial statements and related notes. Office of the State Auditor staff were required to complete the financial statement process including converting the modified accrual to full accrual in order to complete the government-wide financial statements for that component unit.

Resolution

Financial information was received for the component unit in a timely manner for the current audit.

Itemized Receipts for Credit Card Purchases (2012-001)

Two fuel credit card claims paid by Lac qui Parle County did not include itemized vendor receipts to support all charges on the monthly billing.

Resolution

All fuel credit card claims tested during the current audit were supported by itemized vendor receipts.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS RESOLVED

Reporting - State Energy Program - ARRA (CFDA No. 81.041) (2012-002)

The County did not comply with, nor maintain adequate internal controls over, monthly and quarterly reporting requirements for this program. The County did not meet the due dates for monthly or quarterly reporting requirements for the two monthly and two quarterly reports tested.

Resolution

This program was complete as of December 31, 2012. During 2013, the County was not required to submit any reports for this program to the Minnesota Department of Commerce.

Procurement and Suspension and Debarment (CFDA No. 81.041) (2012-003)

The County entered into contracts with two vendors for projects that were federally funded by this program. These contracts did not include suspension and debarment language, nor was verification performed to determine these vendors were not suspended or debarred at the time the contracts were awarded. Compliance testing performed during the federal program audit did not indicate that either contractor was suspended or debarred at the time the testing was performed.

Resolution

This program was complete as of December 31, 2012. During 2013, the County did not enter into any vendor contracts for this program.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Ditch Fund Cash Deficits

Criteria: As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest.

Condition: Six of the 103 individual ditch systems had deficit cash balances totaling \$47,769 at December 31, 2013. This amount decreased from the prior year when we reported that six of the 103 individual ditch systems had deficit cash balances totaling \$76,860.

Context: If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

Effect: Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

Cause: Ditch expenditures were necessary; the ditch levies were not sufficient, and no loans were formally made between ditches.

Recommendation: We recommend that the County eliminate the ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

The County continues to levy ditch assessments in an effort to bring all ditch accounts to a positive balance.

Finding 2012-005

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements.

Condition: The County Auditor-Treasurer-Coordinator did not publish the financial statements for 2011 or 2012.

Context: The County typically defers publishing its financial statements until the audit of its financial statements is complete.

Effect: The County is not in compliance with Minn. Stat. § 375.17.

Cause: In lieu of publishing the financial statements, the County published a notice in the official newspaper notifying readers where the financial statements could be obtained.

Recommendation: We recommend the County Auditor-Treasurer-Coordinator publish the County's financial statements annually as required by Minn. Stat. § 375.17.

Client's Response:

The County Auditor-Treasurer-Coordinator will discuss with the County Board the potential benefits of compliance with financial statement publication requirements in comparison to the significant publication costs that would be incurred.

Finding 2012-006

Publication of Board Minutes

Criteria: County Board minutes are required by Minn. Stat. § 375.12 to be published within 30 days of the meeting.

Condition: We reviewed the affidavits of publication related to the publishing of a summary of the County Board minutes for 2013 and found that some of the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the seven published summaries reviewed, none were published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board minutes are not prepared and presented to the County Board for review and approval in time to meet the publication within the 30-day requirement.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

Client's Response:

Compliance with this statute is difficult due to the fact that the County Board typically only meets twice per month. Full compliance with this statute requires that the Board approve the minutes of the previous meeting at every regular board meeting. Nonetheless, the County agrees that delayed publication of the Board minutes is not in compliance with statute, and the Auditor-Treasurer-Coordinator will continue to prioritize this task accordingly.

ITEMS ARISING THIS YEAR

Finding 2013-001

Alternative Dissemination of Bids

Criteria: Pursuant to Minn. Stat. § 331A.03, subd. 3 (b), “A political subdivision may use its Web site or recognized industry trade journals as an alternative means of dissemination. A dissemination by alternative means must be in substantially the same format and for the same period of time as a publication required by this chapter.” Further, Minn. Stat. § 331A.03, subd. 3 (a), allows a political subdivision to “. . . disseminate solicitations of bids, requests for information, and requests for proposals by a means authorized in paragraph (b), if the political subdivision simultaneously publishes, either as part of the minutes of a regular meeting of the governing body or in a separate notice published in the official newspaper, a description of all solicitations or requests so disseminated, along with the means by which the dissemination occurred.”

Condition: Lac qui Parle County solicited bids for highway projects via the County website, but did not simultaneously provide notice in the official newspaper during 2013.

Context: All bids solicited by the County during 2013 were solicited via the County website. The County does not publish notice of solicitations or requests in the official newspaper for any solicitation of bids, requests for information, or requests for proposals.

Effect: The County is not in compliance with Minn. Stat. § 331A.03 as it relates to publishing requirements.

Cause: The County was not aware that statutes required ongoing simultaneous publishing in the newspaper after approving the County website as the official method of notification.

Recommendation: We recommend the County comply with Minnesota law regarding publication of bid solicitations. Please note that Minn. Stat. § 331A.12 (Web Site Advertisement for Transportation Project Bids) was amended by the legislature in 2014, and now applies to counties.

Client’s Response:

The Auditor-Treasurer-Cordinator will bring this finding to the attention of the County Board of Commissioners and the County Engineer. If the County Board wishes to continue designating the web site for dissemination of transportation bid information, the County will publish public notice in a qualified newspaper information indicating the County's intentions accordingly, per Minn. Stat. § 331A.12.

Finding 2013-002

Depository Pledge Agreements and Pledge Receipts

Criteria: According to Minn. Stat. § 118A.03A, subd. 4, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

Condition: Lac qui Parle County could not provide a depository pledge agreement for the State Bank of Bellingham where deposits were held at year-end. In addition, the County did not have all pledge receipts on file to identify collateral pledged at December 31, 2013.

Context: At December 31, 2013, the County had \$980,159 in deposits with the State Bank of Bellingham.

Effect: The County was not in compliance with Minnesota statutes regarding depository pledge agreements.

Cause: The County provided a “Securities Control Agreement” with Wells Fargo Investors for the State Bank of Bellingham which the County believed met the statutory requirements.

Recommendation: We recommend the County Auditor-Treasurer-Coordinator obtain collateral assignments from every bank. Any new assignment should be reviewed to make sure it includes the statutory language required by Minn. Stat. § 118A.03, subd. 4, and is approved by the Bank’s Board of Directors or loan committee. In addition, pledge receipts should be maintained for all collateral pledged.

Client’s Response:

Lac qui Parle County has since obtained a depository pledge agreement with the State Bank of Bellingham. In the future, Auditor-Treasurer-Coordinator staff will work to ensure that collateral assignments are obtained from every financial institution in which County funds are held.

PREVIOUSLY REPORTED ITEM RESOLVED

Safe Driving Class (2012-004)

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the statute states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999. Lac qui Parle County established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Motorists were provided with brochures and given the option of paying \$75 and attending a two-hour Driver Awareness Class in lieu of having their citations prosecuted.

Resolution

After being notified of the issue in August 2013, the County discontinued the Driver Awareness Class.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Lac qui Parle County

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 22, 2014. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Lac qui Parle County Economic Development Authority as described in our report on Lac qui Parle County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lac qui Parle 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 Questioned Costs, 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 Questioned Costs as item 2006-007 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 Questioned Costs as items 1999-001 and 2011-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lac qui Parle 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 Political Subdivisions*, 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 public indebtedness because the County does not have debt, and we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Lac qui Parle County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001, 2012-005, 2012-006, 2013-001, and 2013-002. 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.

Lac qui Parle County's Response to Findings

Lac qui Parle County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. 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 Political Subdivisions* 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

September 22, 2014

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Lac qui Parle County

Report on Compliance for Each Major Federal Program

We have audited Lac qui Parle County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Lac qui Parle County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Lac qui Parle County's basic financial statements include the operations of the Lac qui Parle County Economic Development Authority component unit, whose federal awards, if any, are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Lac qui Parle County Economic Development Authority because the Authority was audited by other auditors.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lac qui Parle County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lac qui Parle County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lac qui Parle County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 22, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR