

**MOWER COUNTY
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2013

**MOWER COUNTY
AUSTIN, MINNESOTA
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YEAR ENDED DECEMBER 31, 2013**

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INTRODUCTORY SECTION

**MOWER COUNTY
AUSTIN, MINNESOTA
ORGANIZATION
DECEMBER 31, 2013**

Elected		<u>Term Expires</u>
Commissioners		
Chair	Jerry F. Reinartz	District 3 January 2015
Vice-Chair	Anthony Bennett	District 4 January 2015
Board Member	Tim Gabrielson	District 1 January 2017
Board Member	Polly Glynn	District 2 January 2017
Board Member	Mike Ankeny	District 5 January 2015
County Attorney	Kristen Nelsen	January 2015
County Auditor-Treasurer	Doug Groh	January 2015
County Recorder	Jill Cordes	January 2015
County Sheriff	Terese Amazi	January 2015
Appointed		
Assessor	Joy Kanne	December 2016
Coroner	Dr. David Strobel	December 2014
Coordinator	Craig Oscarson	Indefinite
Engineer	Michal Hanson	May 2015
Finance Director	Donna Welsh	Indefinite
Human Services Director	Julie Stevermer	Indefinite
Veterans Service Officer	Wayne Madson	Indefinite

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Mower County
Austin, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County (the County), 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower 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 a Matter

As discussed in Note 9 to the basic financial statements, an error resulting in an understatement of deferred outflows of resources and net position as of December 31, 2012 was discovered by management and beginning deferred outflows of resources and net position were restated for governmental activities.

Other Matters

Required Supplementary Information

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

Other Information

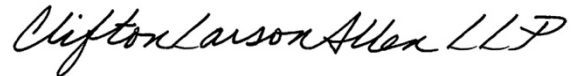
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mower County's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedule – Ditch Fund, Budgetary Comparison Schedule – Sewer Improvement Fund, Combining Statement of Changes in Assets and Liabilities – All Agency Funds, Schedule of Intergovernmental Revenues, and Schedule of Expenditures of Federal Awards, as required by OMB Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information consisting of the Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedule – Ditch Fund, Budgetary Comparison Schedule – Sewer Improvement Fund, Combining Statement of Changes in Assets and Liabilities – All Agency Funds, Schedule of Intergovernmental Revenues, and Schedule of Expenditures of Federal Awards 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of County Commissioners
Mower County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of Mower 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mower County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
September 23, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

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**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

This section of Mower County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2013. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (2013) and the prior year (2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal years include the following:

- ◆ County-wide net position increased 2.5 percent over the prior year; this is primarily due to additional tax levy, additional intergovernmental revenue and the prior period adjustment for deferred outflows of resources.
- ◆ Overall fund-level revenues totaled \$44,257,609 and were \$3,720,752 less than expenditures; this is primarily due to the increase in expenditures related to capital outlay.
- ◆ In the current year, there was an increase in intergovernmental funding due mainly to an increase in road and bridge funding from the State of Minnesota.
- ◆ The General Fund's fund balance decreased by \$391,075 from the prior year; this is primarily due to loss on interest on investments, which is being seen statewide.
- ◆ The Road and Bridge Fund's fund balance increased \$645,289 from the prior year before the impact of the change in inventories due to increase in intergovernmental revenue.
- ◆ The Social Service Fund's fund balance increased by \$59,890 primarily due to increased tax revenue and intergovernmental revenue.
- ◆ The Capital Projects Fund reflects a decrease of \$3,584,150 in fund balance. The decrease in this fund is primarily due to capital outlay expenditures related to the LEC remodel.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

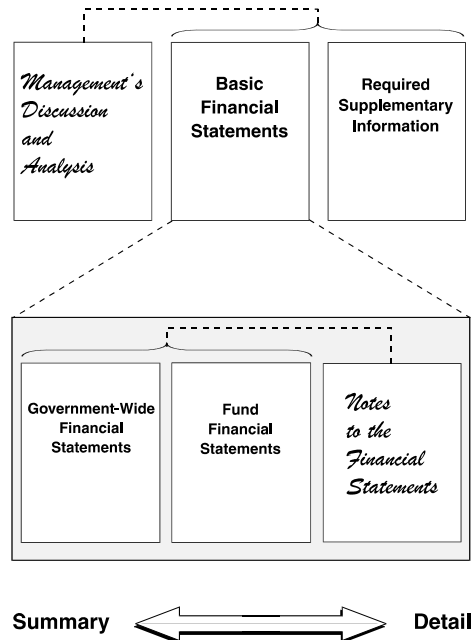
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

**Figure A-1
Annual Report Format**



**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, deferred inflows of resources, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

COUNTY-WIDE STATEMENTS

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- ◆ Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

COUNTY-WIDE STATEMENTS (CONTINUED)

- ◆ To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

In the County-wide financial statements, the County's activities are shown in one category:

- ◆ Governmental activities – The County's basic services are included here. Property taxes and intergovernmental revenues finance most of these activities.

FUND FINANCIAL STATEMENTS

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

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

THE COUNTY HAS TWO KINDS OF FUNDS:

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

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

NET POSITION

The County's net position was \$133,425,166 on December 31, 2013. (See Table A-1).

**Table A-1
The County's Net Position**

	Governmental Activities		Percentage Change
	2013	2012	
Current and Other Assets	\$ 45,978,947	\$ 51,852,431	(11.3)%
Capital Assets	120,274,290	112,612,732	6.8
Total Assets	166,253,237	164,465,163	1.1
Deferred Outflows of Resources	1,448,164	-	100.0
Current Liabilities	4,575,378	4,287,156	6.7
Long-Term Liabilities, Due in More Than One Year	29,700,857	30,052,021	(1.2)
Total Liabilities	34,276,235	34,339,177	(0.2)
Net Position			
Net Investment in Capital Assets	99,357,316	90,038,117	10.4
Restricted	5,695,095	8,162,288	(30.2)
Unrestricted	28,372,755	31,925,581	(11.1)
Total Net Position	\$ 133,425,166	\$ 130,125,986	2.5

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION

The County-wide total revenues were \$41,039,513 for the year ended December 31, 2013. Property taxes and intergovernmental revenues accounted for 88 percent of total revenues for the year. (See Table A-2).

**CHANGE IN NET POSITION
Table A-2**

	Governmental Activities for the Fiscal Year Ended December 31,		Percentage Change
	2013	2012	
REVENUES			
Program Revenues			
Charges for Services	\$ 5,094,113	\$ 3,831,494	33.0 %
Operating Grants and Contributions	7,753,189	7,413,778	4.6
Capital Grants and Contributions	5,694,448	6,894,233	(17.4)
General Revenues			
Property Taxes	18,097,429	17,146,429	5.5
Other Taxes	100,418	102,054	(1.6)
Unrestricted Grants and Contributions	4,342,300	4,751,991	(8.6)
Unrestricted Investment Earnings	(525,860)	396,874	(232.5)
Miscellaneous	483,476	617,339	(21.7)
Total Revenues	41,039,513	41,154,192	(0.3)
EXPENSES			
General Government	7,828,541	6,519,534	20.1
Public Safety	9,480,136	8,794,815	7.8
Highways and Streets	8,195,082	6,617,388	23.8
Sanitation	641,827	625,022	2.7
Human Services	9,621,938	8,986,663	7.1
Health	1,709,707	1,424,546	20.0
Culture and Recreation	300,299	311,417	(3.6)
Conservation of Natural Resources	484,305	288,697	67.8
Economic Development	23,235	11,910	95.1
Interest	1,006,867	2,194,871	(54.1)
Total Expenses	39,291,937	35,774,863	9.8
CHANGE IN NET POSITION	1,747,576	5,379,329	(67.5)
Net Position - Beginning of Year	130,125,986	124,746,657	4.3
Prior Period Adjustment	1,551,604	-	100.0
Net Position - Beginning of Year, As Restated	131,677,590	124,746,657	
NET POSITION - END OF YEAR	\$ 133,425,166	\$ 130,125,986	2.5

Total revenues surpassed expenses, increasing net position \$1,747,576 over last year.

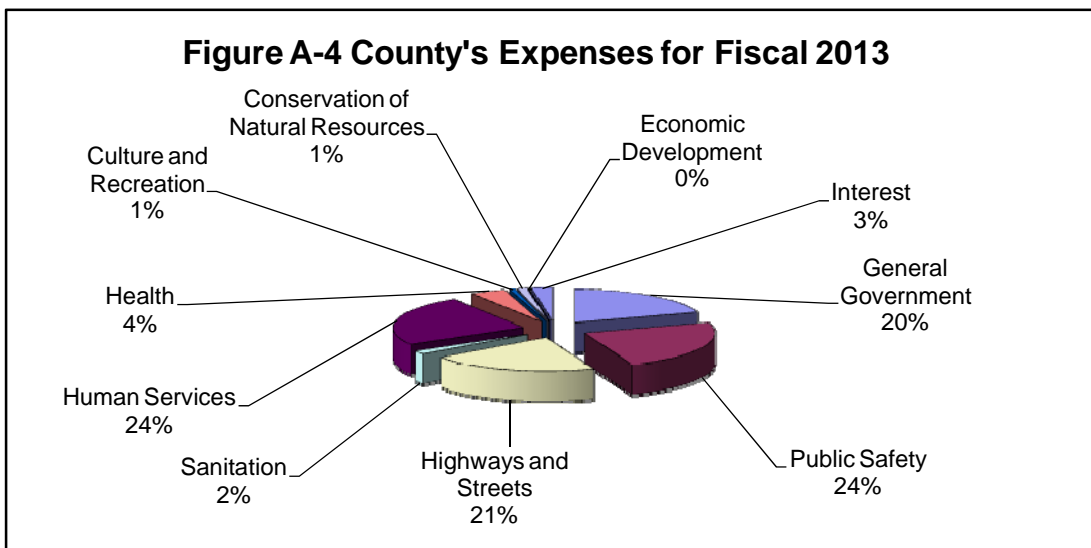
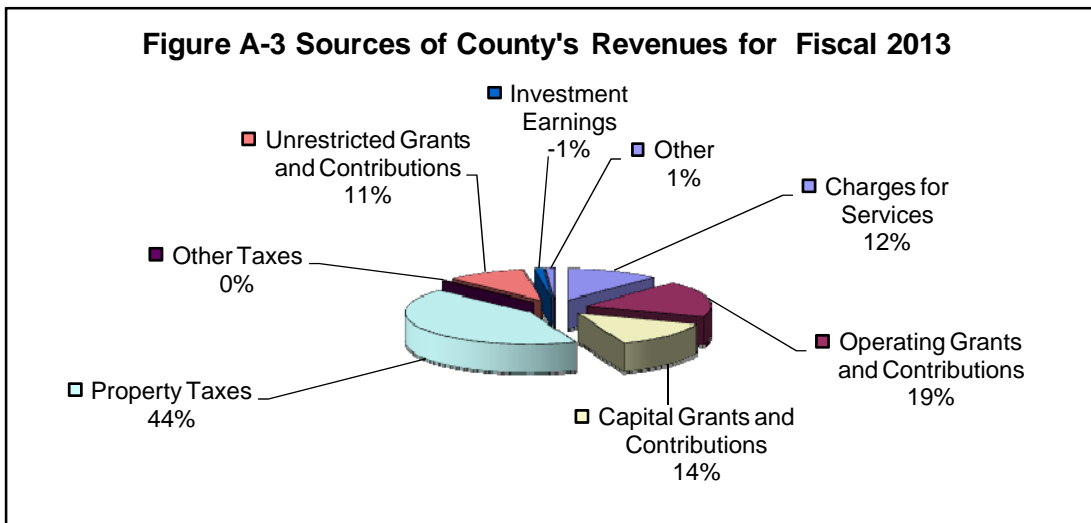
**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION (CONTINUED)

The County-wide cost of all governmental activities this year was \$39,291,937.

- ◆ Some of the cost was paid by the users of the County's programs (\$5,094,113).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$13,447,637).
- ◆ Most of the County's remaining costs (\$20,750,187), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,097,429 in property taxes, \$100,418 of other taxes, \$4,342,300 of state aid, and with a deficit of \$42,384 of investment earnings and other general revenues.



**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION (CONTINUED)

**Table A-3
Total and Net Cost of Services**

	Total Cost of Services			Net Revenue (Cost) of Services		
	2013	2012	Change	2013	2012	Change
General Government	\$ 7,828,541	\$ 6,519,534	20.1 %	\$ (5,802,079)	\$ (5,013,152)	(15.7)%
Public Safety	9,480,136	8,794,815	7.8	(6,988,196)	(7,264,448)	3.8
Highways and Streets	8,195,082	6,617,388	23.8	(1,940,764)	651,090	(398.1)
Sanitation	641,827	625,022	2.7	(378,223)	(333,065)	(13.6)
Human Services	9,621,938	8,986,663	7.1	(3,661,380)	(2,910,691)	(25.8)
Health	1,709,707	1,424,546	20.0	(573,296)	(309,619)	(85.2)
Culture and Recreation	300,299	311,417	(3.6)	(300,299)	(311,417)	3.6
Conservation of						
Natural Resources	484,305	288,697	67.8	(269,063)	(151,676)	(77.4)
Economic Development	23,235	11,910	95.1	(23,235)	(11,910)	(95.1)
Interest	1,006,867	2,194,871	(54.1)	(813,652)	(1,980,470)	58.9
	<u>\$ 39,291,937</u>	<u>\$ 35,774,863</u>	9.8	<u>\$ (20,750,187)</u>	<u>\$ (17,635,358)</u>	(17.7)

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$39,529,495.

Revenues for the County's governmental funds were \$44,257,609, while total expenditures were \$47,978,361.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
Taxes	\$ 9,699,298	\$ 9,473,240	\$ 226,058	2.4 %
Special Assessments	374,938	383,980	(9,042)	(2.4)
Intergovernmental	2,855,185	2,654,277	200,908	7.6
Charges for Services	1,109,057	1,178,827	(69,770)	(5.9)
Investment Earnings	(643,025)	613,955	(1,256,980)	(204.7)
Miscellaneous and Other	1,491,566	1,708,590	(217,024)	(12.7)
Total General Fund Revenue	<u>\$ 14,887,019</u>	<u>\$ 16,012,869</u>	<u>\$ (1,125,850)</u>	<u>(7.0)</u>

Total General Fund revenue decreased by \$1,125,850 or 7.0 percent, from the previous year. Investment earnings and miscellaneous revenue reductions were not fully offset by increases in taxes and intergovernmental revenues. In addition, other financing sources (uses) totaled \$493 in 2013 and \$(260,384) in 2012.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
General Government	\$ 5,007,881	\$ 4,987,807	\$ 20,074	0.4 %
Public Safety	8,503,896	8,089,823	414,073	5.1
Sanitation	605,827	573,643	32,184	5.6
Culture and Recreation	384,627	408,963	(24,336)	(6.0)
Conservation of Natural Resources	337,087	330,393	6,694	2.0
Economic Development	23,235	11,910	11,325	95.1
Capital Outlay	415,853	212,280	203,573	95.9
Debt Service	181	291	(110)	(37.8)
Total General Fund Expenditures	<u>\$ 15,278,587</u>	<u>\$ 14,615,110</u>	<u>\$ 663,477</u>	<u>4.5</u>

The General Fund had total fund balance of \$24,209,711 at the end of the current fiscal year. The fund balance of the General Fund decreased \$391,075 during the current fiscal year primarily due to the loss on investments in the current year.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of \$8,413,483 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$679,374 (including the change in inventory) during the current fiscal year primarily due to an increase in intergovernmental revenue.

The Social Services Fund had total fund balance of \$1,521,433 at the end of the current fiscal year. The fund balance of the Social Services Fund increased \$59,890, this is primarily due to increased tax revenue and intergovernmental revenue.

The Capital Projects Fund had a total fund balance of \$2,713,835 at the end of the current fiscal year. The fund balance of the Capital Projects fund decreased \$3,584,150 primarily due to capital outlay for the LEC remodel project.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ◆ Actual revenues were \$180,077 more than expected resulting primarily from increased intergovernmental and miscellaneous revenues.
- ◆ The actual expenditures were \$12,059 less than budget and relate largely to less general government expenditures than was expected offset by more public safety expenditures than expected.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund is currently being used to track the capital improvement projects approved by the board over the past years. The majority of construction expenditures are for construction and remodel of buildings needed to provide services that come with growth, particularly in health and public safety functions.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)

CAPITAL ASSETS

By the end of 2013, the County had invested approximately \$176,700,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6). (More detailed information about capital assets can be found in Note 3.A.4 to the financial statements.) Total depreciation expense for the year was \$3,321,644.

**Capital Assets
Table A-6
The County's Capital Assets**

	Governmental Activities		Percentage Change
	2013	2012	
Land and Right of Way	\$ 16,500,176	\$ 16,649,196	(0.9)%
Construction in Progress	5,803,684	2,780,312	108.7
Buildings	33,056,923	37,424,412	(11.7)
Improvements Other than Buildings	957,179	957,179	-
Machinery and Equipment	9,178,255	9,489,480	(3.3)
Software	247,479	295,839	(16.3)
Infrastructure	110,952,853	102,829,186	7.9
Accumulated Depreciation	(56,422,259)	(57,812,872)	(2.4)
Total	<u>\$ 120,274,290</u>	<u>\$ 112,612,732</u>	6.8

LONG-TERM LIABILITIES

At year-end, the County had \$31,747,678 in long-term liabilities outstanding.

- ◆ The County's total debt decreased \$349,447 due largely to scheduled bond payments.

**Governmental Activities Outstanding Long-Term Liabilities
Table A-7
The County's Long-term Liabilities**

	Governmental Activities		Percentage Change
	2013	2012	
Loans Payable	\$ 1,189,126	\$ 973,449	22.2 %
Bonds Payable	20,960,000	22,815,000	(8.1)
Compensated Absences Payable	1,050,528	943,906	11.3
Other Postemployment Benefits Payable	8,548,024	7,364,770	16.1
Total	<u>\$ 31,747,678</u>	<u>\$ 32,097,125</u>	(1.1)

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FACTORS BEARING ON THE COUNTY'S FUTURE AND 2014 BUDGET

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent trends indicate the State of Minnesota will continue to decrease state aids in the future.

The County has set the 2014 expenditure budget at \$45,899,473, a decrease of \$7,070,476 from the 2013 expenditure budget due to the planned renovation of the government center and 800 MHz system upgrade.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the county's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Oscarson, County Coordinator, or Donna Welsh, Finance Director at (507) 437-9549.

BASIC FINANCIAL STATEMENTS

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	<u>Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and Pooled Investments	\$ 37,620,552	\$ 880,348
Petty Cash and Change Funds	1,360	-
Cash with Fiscal Agent	6,991	-
Cash with Escrow Agent	-	28,049
Taxes Receivable		
Delinquent	352,162	41,035
Special Assessments Receivable		
Delinquent	38,249	-
Noncurrent	448,106	-
Accounts Receivable - Net	167,702	12,276
Notes Receivable	98,500	-
Accrued Interest Receivable	223,098	323
Loans Receivable	911,056	-
Due from Other Governments	5,789,901	1,297
Inventories	291,657	-
Restricted Investments - Temporary	29,613	911,917
Prepaid Items	-	23,086
Non-Depreciable Capital Assets		
Land and Right of Way	16,500,176	42,304
Construction in Progress	5,803,684	-
Depreciable Capital Assets		
Buildings (Net)	27,015,865	1,547,550
Improvements Other Than Buildings (Net)	652,803	79,811
Machinery, Vehicles, Furniture, and Equipment (Net)	2,728,037	128,859
Software (Net)	85,847	-
Infrastructure (Net)	67,487,878	-
	166,253,237	3,696,855
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Loss on Refunding	1,448,164	-

See accompanying Notes to the Financial Statements.

	Governmental Activities	Discretely Presented Component Unit
LIABILITIES		
Accounts Payable	\$ 646,187	\$ 22,618
Salaries Payable	586,128	9,741
Claims and Judgments Payable	6,991	-
Contracts Payable	719,092	-
Due to Other Governments	258,636	-
Accrued Expenses	-	10,289
Accrued Interest Payable	306,778	1,849
Unearned Revenue	47,771	1,867
Compensated Absences Payable - Due within One Year	80,983	15,000
General Obligation Bonds Payable - Due within One Year	1,820,000	-
Loans Payable - Due within One Year	102,812	42,613
Tenant Deposits Payable	-	28,049
Compensated Absences Payable - Due in More Than One Year	969,545	17,796
Other Postemployment Benefits Plan Payable - Due in More than One Year	8,548,024	-
General Obligation Bonds Payable - Due in More Than One Year	19,096,974	-
Loans Payable - Due in More Than One Year	1,086,314	357,218
	<u>34,276,235</u>	<u>507,040</u>
Total Liabilities		
NET POSITION		
Net Investment in Capital Assets	99,357,316	1,398,693
Restricted for:		
General Government	811,808	-
Highways and Streets	2,968,004	-
Public Safety	44,218	-
HRA Housing	-	926,337
Conservation	1,457,457	-
Debt Service	413,608	-
Unrestricted	28,372,755	864,785
	<u>133,425,166</u>	<u>3,189,815</u>
Total Net Position		

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**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position	Discretely Presented Component Unit
					Governmental Activities	Component Unit
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General Government	\$ 7,828,541	\$ 1,604,668	\$ 421,794	\$ -	\$ (5,802,079)	
Public Safety	9,480,136	1,191,429	1,029,363	271,148	(6,988,196)	
Highways and Streets	8,195,082	514,324	316,694	5,423,300	(1,940,764)	
Sanitation	641,827	159,507	104,097	-	(378,223)	
Human Services	9,621,938	517,953	5,442,605	-	(3,661,380)	
Health	1,709,707	697,775	438,636	-	(573,296)	
Culture and Recreation	300,299	-	-	-	(300,299)	
Conservation of Natural Resources	484,305	215,242	-	-	(269,063)	
Economic Development	23,235	-	-	-	(23,235)	
Interest	1,006,867	193,215	-	-	(813,652)	
Total Governmental Activities	39,291,937	5,094,113	7,753,189	5,694,448	(20,750,187)	
COMPONENT UNIT						
Housing and Redevelopment Authority	1,401,234	666,393	433,843	31,230	-	\$ (269,768)
Total Reporting Entity	<u>\$ 40,693,171</u>	<u>\$ 5,760,506</u>	<u>\$ 8,187,032</u>	<u>\$ 5,725,678</u>	(20,750,187)	(269,768)
GENERAL REVENUES						
Property Taxes					18,097,429	88,229
Mortgage Registry and Deed Tax					23,223	-
Payments in Lieu of Tax					77,195	-
Grants and Contributions not Restricted for a Particular Purpose					4,342,300	1,297
Unrestricted Investment Earnings					(525,860)	8,233
Miscellaneous					483,476	7,974
Total General Revenues					<u>22,497,763</u>	<u>105,733</u>
CHANGE IN NET POSITION						
					1,747,576	(164,035)
Net Position - Beginning of Year, As Originally Stated					130,125,986	3,353,850
Prior Period Adjustment (See Note 9)					1,551,604	-
Net Position - Beginning of Year, as Restated					<u>131,677,590</u>	<u>3,353,850</u>
NET POSITION - END OF YEAR						
					<u>\$ 133,425,166</u>	<u>\$ 3,189,815</u>

See accompanying Notes to the Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Social Services
ASSETS			
Cash and Pooled Investments	\$ 23,798,121	\$ 8,518,684	\$ 1,421,690
Petty Cash and Change Funds	730	30	600
Cash with Fiscal Agent	6,991	-	-
Taxes Receivable - Delinquent	171,980	54,048	67,472
Special Assessments Receivable - Delinquent	37,089	-	-
Special Assessments Receivable - Noncurrent	269,251	-	-
Accounts Receivable	24,316	47,511	95,834
Notes Receivable	98,500	-	-
Accrued Interest Receivable	223,098	-	-
Loans Receivable	-	-	-
Due from Other Governments	874,700	3,535,660	637,576
Inventories	-	291,657	-
Restricted Cash - Temporary	-	-	-
Total Assets	\$ 25,504,776	\$ 12,447,590	\$ 2,223,172
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 356,999	\$ 84,622	\$ 188,735
Salaries Payable	313,279	69,252	203,597
Claims and Judgments Payable	6,991	-	-
Contracts Payable	-	544,888	-
Due to Other Governments	122,372	20,598	113,450
Unearned Revenue	47,771	-	-
Total Liabilities	847,412	719,360	505,782

See accompanying Notes to the Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,160,138	\$ 1,721,919	\$ 37,620,552
-	-	1,360
-	-	6,991
11,198	47,464	352,162
-	1,160	38,249
-	178,855	448,106
41	-	167,702
-	-	98,500
-	-	223,098
-	911,056	911,056
741,965	-	5,789,901
-	-	291,657
-	29,613	29,613
<u>\$ 2,913,342</u>	<u>\$ 2,890,067</u>	<u>\$ 45,978,947</u>

\$ 15,831	\$ -	\$ 646,187
-	-	586,128
-	-	6,991
174,204	-	719,092
-	2,216	258,636
-	-	47,771
<u>190,035</u>	<u>2,216</u>	<u>2,264,805</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Social Services
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	\$ 137,222	\$ 43,478	\$ 53,331
Unavailable Special Assessments	299,877	-	-
Unavailable Grants	10,554	3,165,488	142,626
Unavailable Receivables	-	105,781	-
Total Deferred Inflows of Resources	447,653	3,314,747	195,957
FUND BALANCES			
Nonspendable For			
Inventories	-	291,657	-
Restricted For			
Law Library	67,817	-	-
Recorder Equipment	429,615	-	-
Canteen	43,103	-	-
SSTS Grant	-	6,173	-
Debt Service	-	-	-
Attorney Forfeited Property	51,349	-	-
Sheriff's Conceal	44,218	-	-
Missing Heirs	18,152	-	-
DARE	2,440	-	-
Mentoring	6,084	-	-
Land Records	244,875	-	-
Sewer Improvements	-	-	-
Ditch Projects	-	-	-
Committed For			
Wind Tower	3,000	-	-
LEC Remodel Project	-	-	-
Health/Human Services Building	-	-	-
Oakland Bridge	-	250,000	-
Assigned For			
Veterans	25,417	-	-
Economic Development	1,613,027	-	-
EDMS Software	-	-	150,000
GIS	75,919	-	-
Compensated Absences	480,574	137,045	347,298
Medical Insurance Claims	7,394,823	-	-
5 Year Capital Improvement Plan	400,000	2,000,000	-
Human Services Operations	-	-	1,024,135
Road and Bridge Operations	-	5,728,608	-
Sewer Improvements	-	-	-
Unassigned	13,309,298	-	-
Total Fund Balance	24,209,711	8,413,483	1,521,433
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 25,504,776	\$ 12,447,590	\$ 2,223,172

See accompanying Notes to the Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 9,472	\$ 37,741	\$ 281,244
-	179,077	478,954
-	-	3,318,668
-	-	105,781
<u>9,472</u>	<u>216,818</u>	<u>4,184,647</u>
-	-	291,657
-	-	67,817
-	-	429,615
-	-	43,103
-	-	6,173
-	682,645	682,645
-	-	51,349
-	-	44,218
-	-	18,152
-	-	2,440
-	-	6,084
-	-	244,875
-	837,857	837,857
-	434,350	434,350
-	-	3,000
800,000	-	800,000
1,913,835	-	1,913,835
-	-	250,000
-	-	25,417
-	-	1,613,027
-	-	150,000
-	-	75,919
-	-	964,917
-	-	7,394,823
-	-	2,400,000
-	-	1,024,135
-	-	5,728,608
-	716,181	716,181
-	-	13,309,298
<u>2,713,835</u>	<u>2,671,033</u>	<u>39,529,495</u>
<u>\$ 2,913,342</u>	<u>\$ 2,890,067</u>	<u>\$ 45,978,947</u>

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 39,529,495

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. 120,274,290

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. 4,184,647

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loans Payable	\$ (1,189,126)	
Deferred Outflows of Resources	1,448,164	
General Obligation Bonds Payable	(20,960,000)	
Discount on Bonds and Notes Issued	107,020	
Premiums on Bonds and Notes Issued	(63,994)	
Accrued Interest Payable	(306,778)	
Compensated Absences	(1,050,528)	
Other Postemployment Benefits Payable	(8,548,024)	<u>(30,563,266)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 133,425,166

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	General	Road and Bridge	Social Services
REVENUES			
Taxes	\$ 9,699,298	\$ 2,482,628	\$ 3,403,417
Special Assessments	374,938	-	-
Licenses and Permits	75,546	73,715	-
Intergovernmental	2,855,185	11,523,844	5,802,803
Charges for Services	1,109,057	156,832	961,615
Fines and Forfeits	48,517	-	-
Gifts and Contributions	15,351	-	-
Interest on Investments	(643,025)	-	182
Miscellaneous	1,352,152	197,774	498,741
Total Revenues	<u>14,887,019</u>	<u>14,434,793</u>	<u>10,666,758</u>
EXPENDITURES			
CURRENT			
General Government	5,007,881	-	-
Public Safety	8,503,896	-	-
Highways and Streets	-	12,741,928	-
Sanitation	605,827	-	-
Human Services	-	-	9,002,709
Health	-	-	1,589,466
Culture and Recreation	384,627	-	-
Conservation	337,087	-	-
Economic Development	23,235	-	-
Total Current	<u>14,862,553</u>	<u>12,741,928</u>	<u>10,592,175</u>
INTERGOVERNMENTAL	-	422,113	-
CAPITAL OUTLAY			
General Government	70,514	-	-
Public Safety	344,539	-	-
Sanitation	760	582,890	-
Human Services	-	-	17,793
Culture and Recreation	40	-	-
Conservation	-	278,509	-
Total Capital Outlay	<u>415,853</u>	<u>861,399</u>	<u>17,793</u>
DEBT SERVICE			
Principal	-	-	-
Interest	181	-	-
Total Debt Service	<u>181</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>15,278,587</u>	<u>14,025,440</u>	<u>10,609,968</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(391,568)	409,353	56,790
OTHER FINANCING SOURCES (USES)			
Transfers In	-	30	3,100
Transfers Out	(3,130)	-	-
Proceeds from Loan	-	-	-
Proceeds from the Sale of Capital Assets	3,623	235,906	-
Total Other Financing Sources (Uses)	<u>493</u>	<u>235,936</u>	<u>3,100</u>
NET CHANGE IN FUND BALANCES	(391,075)	645,289	59,890
Fund Balance - Beginning of Year	24,600,786	7,734,109	1,461,543
Change in Inventories	-	34,085	-
FUND BALANCE - END OF YEAR	<u>\$ 24,209,711</u>	<u>\$ 8,413,483</u>	<u>\$ 1,521,433</u>

See accompanying Notes to the Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 361,683	\$ 2,363,494	\$ 18,310,520
-	471,597	846,535
-	-	149,261
278,300	214,190	20,674,322
-	4,884	2,232,388
-	-	48,517
-	-	15,351
-	(24,074)	(666,917)
598,965	-	2,647,632
<u>1,238,948</u>	<u>3,030,091</u>	<u>44,257,609</u>
-	-	5,007,881
-	-	8,503,896
-	-	12,741,928
-	-	605,827
-	-	9,002,709
-	-	1,589,466
-	-	384,627
-	299,771	636,858
-	-	23,235
-	<u>299,771</u>	<u>38,496,427</u>
-	-	422,113
807,555	-	878,069
3,945,804	-	4,290,343
-	-	583,650
309,739	-	327,532
-	-	40
-	-	278,509
<u>5,063,098</u>	<u>-</u>	<u>6,358,143</u>
-	1,920,835	1,920,835
-	780,662	780,843
-	<u>2,701,497</u>	<u>2,701,678</u>
<u>5,063,098</u>	<u>3,001,268</u>	<u>47,978,361</u>
(3,824,150)	28,823	(3,720,752)
-	-	3,130
-	-	(3,130)
-	281,512	281,512
240,000	-	479,529
<u>240,000</u>	<u>281,512</u>	<u>761,041</u>
(3,584,150)	310,335	(2,959,711)
6,297,985	2,360,698	42,455,121
-	-	34,085
<u>\$ 2,713,835</u>	<u>\$ 2,671,033</u>	<u>\$ 39,529,495</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ (2,959,711)

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

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 General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	\$ 12,758,692	
Net Book Value of Capital Assets Disposed	(1,775,490)	
Current Year Depreciation	<u>(3,321,644)</u>	7,661,558

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,111,598)

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Loans Issued		(281,512)
--------------	--	-----------

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

Principal Repayments		
Loans Payable	65,835	
General Obligation Bonds	<u>1,855,000</u>	1,920,835

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	50,327	
Amortization of Deferred Outflows of Resources	(103,440)	
Amortization of Premiums and Discounts	(8,696)	
Elimination of Deferred Charges under GASB 65	(164,396)	
Change in Accrued Compensated Absences	(106,622)	
Change in Other Postemployment Benefits Payable	(1,183,254)	
Change in Inventories	<u>34,085</u>	<u>(1,481,996)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,747,576**

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	Agency
ASSETS	
Cash and Pooled Investments	\$ 1,337,809
LIABILITIES	
Funds Held in Trust	\$ 523,493
Salaries Payable	11,537
Due to Other Governments	802,779
Total Liabilities	\$ 1,337,809

See accompanying Notes to the Financial Statements.

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**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mower County's (County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) 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.

A. Financial Reporting Entity

Mower County was established February 20, 1855 and is an organized county having the powers, duties, and privileges granted counties by *Minnesota Statutes* ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Mower County (Primary Government) and its component units for which the County is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the County reports the Mower County Housing and Redevelopment Authority (HRA) as a discrete component unit. The HRA information is reported as of September 30, 2013. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Coordinator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Mower County Housing and Redevelopment Auth. (HRA) provides services pursuant to <i>Minnesota Statutes</i> §469.001-.047.	The County appoints members, and the HRA is a financial burden.	Mower County HRA 59039 – 200 th Street Austin, MN 55912

Joint Ventures

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Mower County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director 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 *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

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

2. Receivables and Payables

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

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

Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories

All inventories are valued at cost using the weighted average 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.

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 for land, \$25,000 for improvements other than buildings, buildings, and building improvements, as well as \$5,000 for all other capital assets, 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 market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items it was able to identify since 1927. Costs were estimated based upon a conversion from current construction converted to 2001 dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Improvements other than Buildings	5-20
Buildings	20-125
Building Improvements	20-50
Public Domain Infrastructure	50-75
Machinery, Furniture, Equipment, and Vehicles	2-20
Software	2-5

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated Absences

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

7. Deferred Outflows of Resources

The County reports decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs.

8. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has one type of item which occurs relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The County does not have deferred inflows of resources to report in its governmental activities in the current year.

9. Long-Term Obligations

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

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance

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

Mower County receives a majority of its property tax payments based on the property tax calendar as discussed in Note 1.D.2. As a result of the unequal timing of the tax receipts, it is necessary for the County to maintain adequate fund balances to meet the operational expenditure needs of the County. It is the County's policy to maintain a minimum unassigned fund balance, equal to 50 percent of the subsequent year's tax levy for the General Fund and the Road and Bridge and Social Services Special Revenue Funds, plus an additional \$5,000,000, for cash flow purposes in the General Fund. The failure to maintain these fund balance levels could result in the need for short-term borrowing. As of December 31, 2013, the required minimum fund balance is \$12,372,661.

11. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The government-wide statement of net position reports \$5,695,095 of restricted net position, of which \$5,281,487 is restricted by enabling legislation.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget for the year ended December 31, 2013:

	Actual	Budget	Excess
Sewer Improvements	\$ 300,610	\$ 247,000	\$ 53,610

The excess of expenditures over budget was funded by greater than anticipated revenues and loan proceeds.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Minnesota Statutes §§118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. *Minnesota Statutes* §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issue of U.S. government agencies; general obligations rated "A" or better, 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 that is not owned or controlled by the financial institution furnishing the collateral.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

In the case of deposits, 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 does not have a policy for deposit custodial credit risk but rather follows *Minnesota Statutes* for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2013, the County's deposits in banks were entirely covered by federal deposit insurance or collateral held as described in the preceding paragraph.

Investments

The funds of the County shall be deposited or invested in accordance with *Minnesota Statutes* §118A, any other applicable laws, and the County investment policy. The objectives, in order of priority, will be to preserve principal, maintain liquidity, and earn the optimum rate of return.

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

- (a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118A.04, subd. 6;
- (b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) bankers' acceptances of United States banks;

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with the County's investment policy, investments will be sufficiently diverse to avoid risk and enhance return.

As of December 31, 2013, the County had the following investments:

Investment Type	Fair Value	Maturity			
		Less Than 2 Years	2-5 Years	5-10 Years	10+ Years
Federal Home Loan Bank	\$ 3,008,680	\$ -	\$ -	\$ 2,540,795	\$ 467,885
Fannie Mae	2,311,200	-	486,035	1,124,719	700,446
Municipal Bonds	22,285,523	6,274,242	8,208,988	5,569,505	2,232,788
Money Markets	43,478	43,478	-	-	-
MAGIC Fund	2,238,041	2,238,041	-	-	-
Negotiable Certificates of Deposit	7,751,438	1,959,161	4,989,529	802,748	-
Total	<u>\$ 37,638,360</u>	<u>\$ 10,514,922</u>	<u>\$ 13,684,552</u>	<u>\$ 10,037,767</u>	<u>\$ 3,401,119</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk

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

Following is a summary of the credit risk and fair values as of December 31, 2013:

Investment Type	S&P/Moody's Rating	Fair Value
Money Markets	NR	\$ 43,478
Municipal Bonds	AAA - Aaa	5,918,846
Municipal Bonds	Aa3 - AA	11,762,984
Municipal Bonds	A+ - A-	3,375,473
Municipal Bonds	SP-1+	1,027,560
Municipal Bonds	D	200,660
Negotiable Certificates of Deposit	NR	7,751,438
Fannie Mae	AA+	2,311,200
MN Association of Governments Investing for Counties (MAGIC) Fund	NR	2,238,041
Federal Home Loan Bank	AA+	3,008,680
Totals		<u>\$ 37,638,360</u>

NR - Not Rated

At December 31, 2013, the County was holding one investment that no longer meets the requirements of *Minnesota Statutes* §118A. The municipal bond with a par value of \$500,000 and a market value of \$200,660, declined from an original credit rating of AA- to D as of year-end.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2013, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. Agency Securities, obligations backed by U.S. Treasury and/or U.S. Agency securities, and investments held by Trustees, may be held without limit.

Investments in any one issuer that represent five percent or more of the County's investments are:

Issuer	Reported Amount	Percentage
Municipal Bonds	\$ 22,285,523	59 %
Negotiable Certificates of Deposit	7,751,438	21 %
Federal Home Loan Bank	3,008,680	8 %
Fannie Mae	2,506,847	7 %
MN Association of Governments Investing for Counties (MAGIC) Fund	2,238,041	6 %
Fannie Mae	2,311,200	6 %
Total	<u>\$ 40,101,729</u>	

It should be noted that investments in municipal bonds and negotiable certificates of deposits did not exceed 5% of total investments with any one issuer.

Balance Sheet Presentation

Total County cash and investments at December 31, 2013 consisted of:

Deposits	\$ 1,356,105
Petty Cash and Change Funds	1,860
Investments	37,638,360
Total	<u>\$ 38,996,325</u>

Deposits and investments are reported in the County's financial statements as follows:

Cash and Pooled Investments	\$ 37,620,552
Petty Cash and Change Funds	1,360
Restricted Cash	29,613
Cash with Escrow Agent	6,991
Agency Fund Cash and Investments	1,337,809
Total	<u>\$ 38,996,325</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 352,162	\$ -
Special Assessments	486,355	448,106
Accounts	167,702	-
Interest	223,098	-
Notes	98,500	86,200
Loans	911,056	808,244
Due from Other Governments	5,789,901	-
Total Governmental Activities, Net	\$ 8,028,774	\$ 1,342,550

3. Loans and Notes Receivable

The County has made various economic development and other loans to businesses and other governmental entities under a variety of repayment terms. In addition, the County has made loans to individuals under a sewer improvement loan program. Repayment of these loans is over ten years, with interest at three percent. Delinquent sewer improvement loans are added to the special assessment tax rolls. The funds for the sewer improvement revolving loan program were originally received from the State of Minnesota in the form of a loan to the County.

Activity in these loans and notes receivable is as follows for the year ended December 31, 2013:

	Beginning Balance	Additional Loans Made	Collections	Ending Balance
Economic Development Loans	\$ 1,190,165	\$ -	\$ 1,190,165	\$ -
Sewer Improvement Loans	864,317	260,512	213,773	911,056
Notes Receivable	113,900	-	15,400	98,500
Total	\$ 2,168,382	\$ 260,512	\$ 1,419,338	\$ 1,009,556

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 6,138,873	\$ -	\$ 156,664	\$ 5,982,209
Right of Way	10,510,323	7,644	-	10,517,967
Construction in Progress	2,780,312	11,286,737	8,263,365	5,803,684
Total Capital Assets, Not Depreciated	<u>19,429,508</u>	<u>11,294,381</u>	<u>8,420,029</u>	<u>22,303,860</u>
Capital Assets Being Depreciated				
Buildings	32,535,846	707,318	488,679	32,754,485
Buildings Improvements	4,888,566	35,554	4,621,682	302,438
Improvements Other Than Building	957,179	-	-	957,179
Machinery, Furniture, Equipment, and Vehicles	9,489,480	712,049	1,023,274	9,178,255
Software	295,839	-	48,360	247,479
Infrastructure	102,829,186	8,272,755	149,088	110,952,853
Total Capital Assets Being Depreciated	<u>150,996,096</u>	<u>9,727,676</u>	<u>6,331,083</u>	<u>154,392,689</u>
Less: Accumulated Depreciation for				
Buildings	5,209,492	692,593	59,456	5,842,629
Buildings Improvements	3,802,108	106,040	3,709,719	198,429
Improvements Other Than Building	259,604	44,772	-	304,376
Machinery, Furniture, Equipment, and Vehicles	6,698,456	612,212	860,450	6,450,218
Software	136,753	45,231	20,352	161,632
Infrastructure	41,706,459	1,820,796	62,280	43,464,975
Total Accumulated Depreciation	<u>57,812,872</u>	<u>3,321,644</u>	<u>4,712,257</u>	<u>56,422,259</u>
Total Capital Assets, Depreciated, Net	<u>93,183,224</u>	<u>6,406,032</u>	<u>1,618,826</u>	<u>97,970,430</u>
Governmental Activities Capital Assets, Net	<u>\$ 112,612,732</u>	<u>\$ 17,700,413</u>	<u>\$ 10,038,855</u>	<u>\$ 120,274,290</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

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

Governmental Activities		
General Government	\$	763,097
Public Safety		238,631
Highways and Streets, Including Infrastructure		2,216,211
Sanitation		30,296
Human Services		6,820
Culture and Recreation		65,567
Conservation of Natural Resources		<u>1,022</u>
Depreciation Expense - Governmental Activities	\$	<u><u>3,321,644</u></u>

B. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

<u>Transfer</u>	<u>Amount</u>	<u>Reason</u>
Transfer from the General Fund to the Social Services Fund	\$ 3,100	Budget Amendment for Public Health and Move Pubic Health Change Fund
Transfer from the General Fund to the Road and Bridge Fund	30	Transfer of Environmental Services Department
Total Interfund Transfers	<u><u>\$ 3,130</u></u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2013. The projects include the following:

	Original Contract Amount	Remaining Commitment
Governmental Activities		
General Government	\$ 2,875,638	\$ 145,515

2. Leases

Operating Leases

The County leases space for Social Services under a long-term operating lease, in addition to other miscellaneous equipment leases. Total cost for the leases was \$146,666 for the year ended December 31, 2013. There are no future minimum lease payments.

3. Other Postemployment Benefits

a) Plan Description and Funding Policy

Retirees:

The County provides postemployment health care benefits for retirees and their dependents under a single-employer fully-insured plan. This benefit is provided based on Board of County Commissioners motion dated January 5, 1999. Mower County offers various levels of retiree health insurance coverage based upon the date of hire, retirement date, and years of service. The County has three basic groups as follows:

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

a) Plan Description and Funding Policy (Continued)

Retirees (Continued):

- (1) Employees who retired prior to July 18, 1989, who meet the eligibility requirements are eligible to be included as a member of the County's group medical insurance program until death. The County pays the full single (\$743 per month) or family (\$1,980 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2013, there were eight participants in this plan at a cost of \$117,162.
- (2) Employees who retire after October 31, 1992, and were hired before that date, and meet other eligibility requirements, are qualified to receive the same health insurance benefits as current County employees. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2013, there were 107 participants in the plan at a cost of \$789,247.
- (3) Employees who were hired after October 31, 1992, and meet other eligibility requirements are qualified to receive employer contribution to health insurance capped at the dollar amount being paid at the date of retirement. The retiree is responsible for all premium increases. Benefits terminate when the retiree qualifies for full Social Security benefits. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2013, there was one participant in the plan at a cost of \$19,200.

Elected Officials

After their County Service, elected County officials are entitled to the same benefits listed above. They must meet the age and years of service qualifying conditions to be eligible for health insurance benefits.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

b) Annual OPEB Cost and Net OPEB Obligation

An entity's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), 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 cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 2,618,210
Interest on Net OPEB Obligation	294,591
Adjustment to Annual Required Contribution	<u>(649,532)</u>
Annual OPEB Cost (Expense)	2,263,269
Contributions Made	(1,080,015)
Net OPEB Obligation - Beginning of Year	<u>7,364,770</u>
 Net OPEB Obligation, End of Year	 <u><u>\$ 8,548,024</u></u>

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Fiscal Year End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 2,263,269	\$ 1,080,015	47.7 %	8,548,024
December 31, 2012	2,320,727	1,128,510	48.6	7,364,770
December 31, 2011	2,926,308	962,224	32.9	6,172,553

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

c) Funded Status and Funding Progress

Funded Status

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
January 1, 2012	\$ -	\$ 25,543,999	\$ 25,543,999	-	\$ 11,728,771	217.8 %

Funding Progress

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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

d) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

d) Actuarial Methods and Assumptions (Continued)

In the County's January 1, 2012 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a four percent discount rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The UAAL is being amortized as a level percentage of projected payrolls on a 20-year closed basis. The remaining amortization period at December 31, 2013 was 17 years.

4. Long-Term Debt

Loans Payable

In 1996, the County started a program that resulted in entering into several loan agreements with the Minnesota Department of Agriculture and the Minnesota Department of Employment and Economic Development for financing failing septic systems. The revolving loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. The loans are to be repaid in amounts ranging from \$2,500 to \$14,736 with zero percent interest and final maturity of 2026. The loans are repaid with the proceeds that are collected on the related loans receivable in the Sewer Improvement Special Revenue Fund.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

General Obligation Bonds Payable

On July 15, 2009, the County issued \$16,660,000 General Obligation Taxable Jail Bonds, Series 2009A (Build America Bonds). The proceeds were used to construct a law enforcement center. The County is eligible to receive a credit from the federal government in the amount of thirty-five percent of the interest payable on each interest payment date.

Debt Summary

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2013
Loans Payable:					
1998 and 2001 Septic Loans	2020	\$5,000 - \$10,000	-%	\$ 100,000	\$ 30,275
2004 Septic Loans	2024	\$2,500 - \$14,736	-	124,712	124,712
2005 Septic Loans	2025	\$2,500 - \$5,400	-	54,000	54,000
2006 Septic Loans	2025	\$2,500 - \$5,400	-	60,000	60,000
2007 Septic Loans	2025	\$2,500 - \$5,400	-	40,169	40,169
2008 Septic Loans	2025	\$2,500 - \$5,400	-	10,500	10,500
2009 Septic Loans	2025	\$2,500 - \$5,400	-	7,000	7,000
2010 Septic Loans	2026	\$2,500 - \$5,400	-	118,839	118,839
2011 Septic Loans	2026	\$2,500 - \$5,400	-	52,500	52,500
2012 Septic Loans	2026	\$2,500 - \$5,400	-	409,619	409,619
2013 Septic Loans	2026	\$2,500 - \$5,400	-	281,512	281,512
Total Loans Payable				1,258,851	1,189,126
Bonds:					
General Obligation Taxable					
Jail Bonds, Series 2009A	2022	\$425,000 - \$1,560,000	1.25%-5.4%	16,660,000	11,620,000
Capital Improvement Plan Bonds, 2012A	2028	\$615,000 - \$715,000	1.5%-2.7%	9,955,000	9,340,000
Total Bonds Payable				26,615,000	20,960,000
Total Long-Term Debt				<u>\$ 27,873,851</u>	<u>\$ 22,149,126</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

Debt Service Requirements

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

Year Ending December 31	State Loans		Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 102,812	\$ -	\$ 1,820,000	\$ 708,070
2015	126,756	-	1,855,000	649,125
2016	140,638	-	1,900,000	583,513
2017	146,354	-	1,950,000	511,418
2018	112,796	-	2,000,000	434,513
2019-2023	509,623	-	8,030,000	1,003,709
2024-2028	50,147	-	3,405,000	220,145
Totals	<u>\$ 1,189,126</u>	<u>\$ -</u>	<u>\$ 20,960,000</u>	<u>\$ 4,110,493</u>

Changes in 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
Loans Payable	\$ 973,449	\$ 281,512	\$ 65,835	\$ 1,189,126	\$ 102,812
Bonds Payable	22,815,000	-	1,855,000	20,960,000	1,820,000
Compensated Absences	943,906	1,048,157	941,535	1,050,528	80,983
Other Postemployment Benefits Payable	7,364,770	2,263,269	1,080,015	8,548,024	-
Long-Term Liabilities	<u>\$ 32,097,125</u>	<u>\$ 3,592,938</u>	<u>\$ 3,942,385</u>	<u>\$ 31,747,678</u>	<u>\$ 2,003,795</u>

The bonds payable are liquidated by the Nonmajor Bond Fund, loans payable are liquidated by the Nonmajor Sewer Improvements Fund, and the compensated absences and other postemployment benefits payable liabilities are liquidated by the General Fund.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

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

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

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2013. PECF members are required to contribute 5.83 percent of their annual covered salary. In 2013, Mower County was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, 14.40 percent for PEPFF members, and 8.75 percent for PECF members.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. Plan Contributions

The County's contributions to the GERF, PEPFF, PECF, and PEDCP for the years ending December 31, 2013, 2012, and 2011 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2013	\$ 646,662	\$ 202,143	\$ 112,797	\$ 4,932
2012	656,751	191,225	110,904	3,754
2011	638,798	178,115	104,831	3,744

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

NOTE 5 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is a member of the Southeast Service Cooperative to establish, procure, and administer group employee benefits. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 RISK MANAGEMENT (CONTINUED)

The County has entered into a joint powers agreement with other Minnesota counties to form the Southeast Service Cooperative for group employee benefits. Group employee benefits include, but are not limited to, health benefits coverage, life insurance, disability income protection, dental insurance, flexible spending programs, and other services as directed by the joint powers board.

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

B. Joint Ventures

1. Family Services Collaborative

The Mower County Family Services Collaborative (the Collaborative) was established in 1996 under the authority of *Minnesota Statutes* §§33 471.59 and 124D.23. The Collaborative includes Mower County; the City of Austin; SEMCAC; Mower County Township Association; and Independent School District Nos. 492, 495, 497, 499, and 500. All of these entities appoint members to the Collaborative's governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a board of directors. Mower County appoints two members to this 14-member Board. The Mower County Department of Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the Minnesota Department of Education.

During 2013, the County made no payments to the Collaborative.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

1. Family Services Collaborative (Continued)

Currently, the Collaborative does not prepare complete financial statements; therefore, the Collaborative does not have audited financial statements. Financial information can be obtained by contacting Val Kruger, Mower County Social Service Collections and Financial Supervisor, Social Services Department, 201 First Street N.E., Austin, Minnesota 55912.

2. Austin Mower County Area Transit (AMCAT)

AMCAT was established July 2004 under the authority of *Minnesota Statutes* §471.59. The City of Austin and Mower County joined to promote efficient and economic delivery of public transit services to residents in participating jurisdictions. The AMCAT Board consists of five members, two from members of the Austin City Council and two from members of the Mower Board of County Commissioners, and one resident of Mower County that has been mutually appointed by the City Council and the Board of County Commissioners and serves as chair of the AMCAT Board. The City of Austin acts as fiscal agent and lead agency for the purpose of payments from the Department of Transportation for financial assistance. AMCAT does not levy taxes or borrow money. The City of Austin and Mower County equally share the net cost of this program. During 2013, the County made no payments to AMCAT. This joint powers agreement stays in effect until notice from either party of its desire and intention to withdraw. Withdrawal does not take effect until the next calendar year has been completed. AMCAT was officially dissolved as of December 31, 2013. Financial statements are available at the office of the fiscal agent, City of Austin, Tom Dankert, Administrative Services, 500 - 4th Avenue N.E., Austin, Minnesota 55912.

C. Jointly-Governed Organizations

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

1. Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During 2013, Mower County paid \$93,618 to the Cooperative.

2. Southeast Minnesota Emergency Management Services (EMS)

The EMS provides various health services to several counties. During 2013, the County paid \$900 to the EMS.

3. Southeast Minnesota Recyclers Exchange (SEMREX)

The County paid \$1,300 to SEMREX for recycling coordination services.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly-Governed Organizations (Continued)

4. Southeastern Minnesota Community Action Council

The Southeastern Minnesota Community Action Council provides various elder care programs on behalf of member counties. During the year, the County paid \$2,000 to the Southeastern Minnesota Community Action Council.

5. Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During 2013, the County paid \$6,000 to the Task Force.

6. Southeastern Minnesota Private Industry Council

The Southeastern Minnesota Private Industry Council provides various job training services to member counties. During 2013, the County paid \$349,550 to the Council.

7. Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides water quality services to several counties. The County paid \$4,000 to the Board during 2013.

8. Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Board has been organized to ensure communication among member counties for emergency service purposes. The County paid \$1,000 to the Board during the year.

9. Rural Minnesota Energy Board

The Rural Minnesota Energy Board has been organized to provide policies and procedures regarding alternative energy sources, including ethanol, bio-diesel, solar, wind, etc. The County paid \$2,000 to the Board during the year.

10. SEMN Region1 JPB Emergency Management Board

The SEMN Region1 JPB Emergency Management Board has been organized to provide for the joint exercise of the parties' powers requiring regional coordination to plan for the needs of southeast Minnesota homeland security emergency management. The County paid \$1,000 to the Board during 2013.

11. Austin/Mower County Home Ownership Fund

The Austin/Mower County Home Ownership Fund has been organized to provide a flexible source of secondary funds to families and individuals interested in purchasing a house. The Fund is meant to assist families and individuals who qualify for a mortgage with down payment assistance. The Fund can also be used to assist with rehabilitation on projects that are required to be made in order to meet code or mortgage requirements.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Housing and Redevelopment Authority (HRA) is governed by a five-member board of directors appointed by the County Board and the HRA requires tax levy financing. The HRA has a fiscal year-end of September 30.

Because of the significance of its financial relationship, Mower County considers the HRA a discrete component unit.

2. Basis of Presentation

The HRA prepares separate financial statements. These statements were prepared in accordance with GASB Statement 34.

3. Cash, Cash Equivalents, Investments, and Restricted Investments

For the purposes of reporting cash flows, the HRA considers all cash on hand, checking, and money market savings accounts, excluding amounts restricted by mortgage agreements, to be cash equivalents. Restricted investments represent balances that are held in escrow by agencies to which the HRA owes a mortgage payable--the Minnesota Housing Finance Agency (MHFA). The investments in these accounts cannot be spent without regulatory agency approval.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

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

Component Unit	
Deposits - Unrestricted	\$ 908,397
Restricted Assets:	
Deposits	15,160
Investments	896,757
Total Cash and Investments	<u>\$ 1,820,314</u>

In accordance with *Minnesota Statutes*, the HRA maintains deposits at depository banks authorized by the HRA Board.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the HRA's deposits may not be returned to it. The HRA's deposit policy for custodial credit risk follows *Minnesota Statutes* for deposits.

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

The HRA's deposits in banks at September 30, 2013, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with *Minnesota Statutes*.

Investments

The HRA may also invest idle funds, as authorized by *Minnesota Statutes*, as follows:

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 that either receive the highest credit rating and one of the two highest ratings by a statistical rating agency, with all of the investments having a final maturity of no more than 13 months, or holds itself out to be a money market mutual fund and is rated in one of the two highest ratings by a statistical rating agency;
- (c) general obligations rated "A" or better; revenue obligations rated "AA" or better;
- (d) general obligations of the Minnesota Housing Finance Agency rated "A" or better;

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Investments (Continued)

- (e) bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- (f) commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- (g) guaranteed investment contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; and
- (h) repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Restricted Investments

At September 30, 2013, the HRA had the following restricted investments:

	<u>At Estimated Market Value</u>
Held in Escrow at the MHFA	\$ 902,433

The MHFA requires the HRA to establish various escrow and reserve accounts. These investments are restricted and held in an escrow account by the MHFA in the HRA's name in accordance with debt agreements. These restricted investments are administered by the MHFA. Eligible investments of these funds, as stated in the escrow agreement, include instruments of the U.S. government and its agencies, the State of Minnesota and its agencies, certain financial institution demand or time deposits, and certain shares of investment companies. The balances are stated at their cost, which approximates fair value. The HRA does not have the authority to invest or to disburse funds from these accounts. Expenditures must be approved by the MHFA, who then withdraws the funds and mails the funds to the HRA. Interest income generated by these investments totaled \$6,764 and \$8,251 for the years ended September 30, 2013 and 2012, respectively.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Interest Rate Risk

The HRA has an informal investment policy that addresses permissible investment, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected cash flows. Within these parameters, it is the HRA's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

Concentration of Investments

The HRA does not have a policy that limits the amount of the total portfolio that may be invested with any one depository. In general, other than escrowed funds, all other excess funds are invested in deposits and are covered under the HRA's collateral requirements.

Balance Sheet Presentation

Deposits	\$ 880,348
Tenant Deposit Cash	28,049
Restricted Assets	911,917
Total	<u>\$ 1,820,314</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets

HRA capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated				
Equipment	\$ 3,120	\$ -	\$ -	\$ 3,120
Accumulated Depreciation for:				
Equipment	2,926	194	-	3,120
Total Capital Assets, Being Depreciated, Net	<u>\$ 194</u>	<u>\$ (194)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:				
Capital Asset, Not Being Depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated				
Land Improvements	334,142	16,467	-	350,609
Buildings	4,219,350	105,800	34,572	4,290,578
Furnishings	474,288	11,287	28,488	457,087
Maintenance Equipment	26,350	-	-	26,350
Total Capital Assets Being Depreciated	<u>5,054,130</u>	<u>133,554</u>	<u>63,060</u>	<u>5,124,624</u>
Accumulated Depreciation for:				
Land Improvements	255,496	15,302	-	270,798
Buildings	2,660,683	116,917	34,572	2,743,028
Furnishings	331,538	25,871	28,488	328,921
Maintenance Equipment	25,521	136	-	25,657
Total Accumulated Depreciation	<u>3,273,238</u>	<u>158,226</u>	<u>63,060</u>	<u>3,368,404</u>
Total Capital Assets, Being Depreciated, Net	<u>1,780,892</u>	<u>(24,672)</u>	<u>-</u>	<u>1,756,220</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,823,196</u>	<u>\$ (24,672)</u>	<u>\$ -</u>	<u>\$ 1,798,524</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets (Continued)

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

Governmental Activities	\$	194
General Government	<u></u>	<u></u>
Business-Type Activities		
Housing	\$	158,226
	<u></u>	<u></u>

2. Liabilities

Long-Term Debt

Long-term debt outstanding at September 30, 2013, for the HRA consists of the following:

Types of Indebtedness	Final Maturity	Interest Rates (%)	Original Amount	Remaining Balance	Due Within One Year
Mortgage Payable	2020	6.50	\$ 875,870	\$ 341,396	\$ 39,234
Mortgage Payable	2024	8.75	123,000	58,435	3,379
	Total		<u>\$ 998,870</u>	<u>\$ 399,831</u>	<u>\$ 42,613</u>

Debt Service Requirements

Mortgage debt service requirements to maturity for the HRA are as follows:

Year Ending December 31	Mortgages Payable	
	Principal	Interest
2014	\$ 42,613	\$ 26,000
2015	45,548	23,064
2016	48,688	19,925
2017	52,046	16,567
2018	55,638	12,975
2019-2023	148,476	18,799
2024	6,822	268
Totals	<u>\$ 399,831</u>	<u>\$ 117,598</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the HRA for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Mortgages Payable	\$ 439,682	\$ -	\$ 39,851	\$ 399,831
Lease Revenue Bonds Payable	9,060,000	-	9,060,000	-
Unamortized Discount	(121,991)	-	(121,991)	-
Compensated Absences	31,073	20,185	18,462	32,796
Long-Term Liabilities	<u>\$ 9,408,764</u>	<u>\$ 20,185</u>	<u>\$ 8,996,322</u>	<u>\$ 432,627</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

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

NOTE 9 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded to properly reflect a deferred outflow of resources in the governmental activities. The County issued bonds to refund a capital lease during 2012 that resulted in a deferred outflow of resources.

The effects of the restatement are shown below:

	<u>Governmental Activities</u>
As Originally Reported, Net Position, January 1, 2013	\$ 130,125,986
Restatement Adjustment: Deferred Outflow of Resources	<u>1,551,604</u>
Restated Net Position, January 1, 2013	<u>\$ 131,677,590</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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**MOWER COUNTY
AUSTIN, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS
YEAR ENDED DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
January 1, 2012	\$ -	\$ 25,543,999	\$ 25,543,999	-	\$ 11,728,771	217.8 %
January 1, 2010	-	33,408,050	33,408,050	-	13,075,593	255.5
January 1, 2008	-	22,494,031	22,494,031	-	11,738,940	191.6

The significant changes to the actuarial accrued liability between the January 1, 2010 and 2012 studies were as follows: there was an approximate savings of \$5 million due to changes in plans available for retirees for actuarial experiences which consist of demographic changes, greater than anticipated health care rates, and a significant increase in retirees on the plans.

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,744,486	\$ 9,744,486	\$ 9,699,298	\$ (45,188)
Special Assessments	355,108	355,108	374,938	19,830
Licenses and Permits	32,555	32,555	75,546	42,991
Intergovernmental	1,996,214	2,097,572	2,855,185	757,613
Charges for Services	1,198,787	1,198,787	1,109,057	(89,730)
Fines and Forfeits	51,000	51,000	48,517	(2,483)
Gifts and Contributions	12,000	12,000	15,351	3,351
Investments Earnings	554,634	554,634	(643,025)	(1,197,659)
Miscellaneous	658,800	660,800	1,352,152	691,352
Total Revenues	14,603,584	14,706,942	14,887,019	180,077
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	263,161	263,161	243,708	19,453
Courts	104,500	104,500	82,794	21,706
Law Library	45,361	45,361	50,622	(5,261)
County Administration	638,318	638,318	569,026	69,292
County Auditor-Treasurer	375,328	377,228	304,826	72,402
County Assessor	504,648	522,648	463,159	59,489
Elections	40,552	40,552	57,797	(17,245)
Auditing	91,500	91,500	94,093	(2,593)
Information Systems	509,080	509,080	481,260	27,820
Central Services	-	-	352	(352)
Attorney	858,311	860,811	832,247	28,564
Recorder	247,919	308,919	290,397	18,522
Buildings and Plant	689,116	687,716	688,784	(1,068)
Public Transit	14,008	14,008	7,660	6,348
Veterans Service	155,929	159,480	140,027	19,453
Other General Government	912,103	776,497	701,129	75,368
Total General Government	5,449,834	5,399,779	5,007,881	391,898

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
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 (Continued)				
CURRENT (Continued)				
PUBLIC SAFETY				
Sheriff	\$ 2,432,414	\$ 2,438,414	\$ 2,395,637	\$ 42,777
E911	20,013	65,689	51,784	13,905
Coroner	51,400	75,400	86,591	(11,191)
County Jail	2,584,984	2,585,484	2,544,637	40,847
County Jail Canteen	64,300	64,300	201,669	(137,369)
Law Enforcement Center	561,467	561,467	1,069,095	(507,628)
Community Corrections	2,063,416	2,063,416	1,858,436	204,980
Sentence to Serve	57,834	57,834	57,995	(161)
Civil/Bailiff	145,710	156,710	152,983	3,727
Other Public Safety	-	-	85,069	(85,069)
Total Public Safety	<u>7,981,538</u>	<u>8,068,714</u>	<u>8,503,896</u>	<u>(435,182)</u>
SANITATION				
Solid Waste	577,333	580,213	605,827	(25,614)
CULTURE AND RECREATION				
Historical Society	33,750	33,750	33,750	-
Senior Citizens	42,400	42,400	42,400	-
Regional Library	241,309	241,309	234,732	6,577
Other	87,818	87,818	73,745	14,073
Total Culture and Recreation	<u>405,277</u>	<u>405,277</u>	<u>384,627</u>	<u>20,650</u>

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
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 (Continued)				
CURRENT (Continued)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 164,198	\$ 164,198	\$ 158,109	\$ 6,089
Soil and Water Conservation	142,716	142,716	142,716	-
Fairgrounds	25,414	25,414	25,414	-
Other	-	-	10,848	(10,848)
Total Conservation of Natural Resources	<u>332,328</u>	<u>332,328</u>	<u>337,087</u>	<u>(4,759)</u>
ECONOMIC DEVELOPMENT				
Development Corporation	13,235	23,235	23,235	-
CAPITAL OUTLAY				
General Government	125,000	163,200	70,514	92,686
Public Safety	141,650	314,900	344,539	(29,639)
Sanitation	500	500	760	(260)
Culture and Recreation	2,500	2,500	40	2,460
Total Capital Outlay	<u>269,650</u>	<u>481,100</u>	<u>415,853</u>	<u>65,247</u>
 Total Expenditures	 <u>15,029,195</u>	 <u>15,290,646</u>	 <u>15,278,587</u>	 <u>12,059</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(425,611)	(583,704)	(391,568)	192,136
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	-	(3,130)	(3,130)
Proceeds from the Sale of Capital Assets	-	-	3,623	3,623
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</u>
NET CHANGE IN FUND BALANCE	<u>\$ (425,611)</u>	<u>\$ (583,704)</u>	<u>(391,075)</u>	<u>\$ 192,629</u>
Fund Balance - Beginning of Year			<u>24,600,786</u>	
FUND BALANCE - END OF YEAR			<u>\$ 24,209,711</u>	

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
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	\$ 2,504,141	\$ 2,504,141	\$ 2,482,628	\$ (21,513)
Licenses and Permits	46,750	46,750	73,715	26,965
Intergovernmental	13,640,255	10,640,255	11,523,844	883,589
Charges for Services	228,025	93,025	156,832	63,807
Fines and Forfeits	500	500	-	(500)
Miscellaneous	855,000	815,000	197,774	(617,226)
Total Revenues	<u>17,274,671</u>	<u>14,099,671</u>	<u>14,434,793</u>	<u>335,122</u>
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	512,747	507,827	543,261	(35,434)
Maintenance	2,135,402	2,135,402	2,056,648	78,754
Construction	13,159,186	10,159,186	9,202,607	956,579
Equipment and Maintenance Shops	933,829	798,829	773,746	25,083
Buildings and Grounds	146,407	146,407	145,027	1,380
Other	-	-	20,639	(20,639)
Total Current	<u>16,887,571</u>	<u>13,747,651</u>	<u>12,741,928</u>	<u>1,005,723</u>
CONSERVATION OF NATURAL RESOURCES				
Environmental Services	349,010	293,090	278,509	14,581
INTERGOVERNMENTAL				
General Government	-	-	422,113	(422,113)
CAPITAL OUTLAY				
Highway and Streets	<u>346,500</u>	<u>576,500</u>	<u>582,890</u>	<u>(6,390)</u>
Total Expenditures	<u>17,583,081</u>	<u>14,617,241</u>	<u>14,025,440</u>	<u>591,801</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(308,410)	(517,570)	409,353	926,923
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	30	30
Proceeds from the Sale of Capital Assets	<u>5,000</u>	<u>235,000</u>	<u>235,906</u>	<u>906</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>235,000</u>	<u>235,936</u>	<u>936</u>
NET CHANGE IN FUND BALANCE	<u>\$ (303,410)</u>	<u>\$ (282,570)</u>	645,289	<u>\$ 927,859</u>
Fund Balance - Beginning of Year			7,734,109	
CHANGE IN INVENTORIES			<u>34,085</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,413,483</u>	

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,480,044	\$ 3,480,044	\$ 3,403,417	\$ (76,627)
Intergovernmental	5,413,865	5,428,565	5,802,803	374,238
Charges for Services	1,693,500	1,752,920	961,615	(791,305)
Investments Earnings	-	-	182	182
Miscellaneous	553,900	553,900	498,741	(55,159)
Total Revenues	<u>11,141,309</u>	<u>11,215,429</u>	<u>10,666,758</u>	<u>(548,671)</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	3,547,925	3,547,925	3,608,363	(60,438)
Social Services	5,900,653	5,900,653	5,394,346	506,307
Total Human Services	<u>9,448,578</u>	<u>9,448,578</u>	<u>9,002,709</u>	<u>445,869</u>
HEALTH				
Health	1,692,731	1,769,851	1,589,466	180,385
CAPITAL OUTLAY				
Human Services	<u>-</u>	<u>-</u>	<u>17,793</u>	<u>(17,793)</u>
Total Expenditures	<u>11,141,309</u>	<u>11,218,429</u>	<u>10,609,968</u>	<u>608,461</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,000)	56,790	59,790
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>3,100</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (3,000)</u>	59,890	<u>\$ 62,890</u>
Fund Balance - Beginning of Year			<u>1,461,543</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,521,433</u>	

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013**

I. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the Mower County Coordinator so that a budget can be prepared. Before September 15, the proposed budget is presented to the Board of County Commissioners for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Board of County Commissioners or County Coordinator if under \$5,000. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made expense reductions to meet unbudgeted state-aid reductions.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as, purchase orders or contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

II. EXCESS OF EXPENDITURES OVER BUDGET

The following fund had expenditures in excess of budget for the year ended December 31, 2013:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
Sewer Improvements	\$ 300,610	\$ 247,000	\$ 53,610

The excess of expenditures over budget was funded by greater than anticipated revenues and loan proceeds.

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SUPPLEMENTARY INFORMATION

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**MOWER COUNTY
AUSTIN, MINNESOTA
DECEMBER 31, 2013**

NONMAJOR SPECIAL REVENUE FUNDS

The Ditch Special Revenue Fund is used to account for the financing of public improvements or services for the construction, reconstruction, and maintenance of both County and joint-County drainage systems. These services are financed by special assessments against the benefited properties.

The Sewer Improvements Fund accounts for sewer system improvement loans made through the County.

NONMAJOR DEBT SERVICE FUND

The Bond Fund accounts for the accumulation of resources for, and the payment, of debt principal, interest, and related costs of the County's debt.

AGENCY FUNDS

The State Revenue Fund accounts for monies received by the County that will be remitted to the various state agencies.

The Family Connections Collaborative Fund accounts for the operations of the Mower County Family Services Collaborative.

The Taxes and Penalties Fund accounts for the collection and distribution of property taxes (current and delinquent).

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

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Ditch	Sewer Improvements	Bond Fund	Total Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 435,628	\$ 891,439	\$ 394,852	\$ 1,721,919
Taxes Receivable - Delinquent	-	-	47,464	47,464
Special Assessments Receivable - Delinquent	1,160	-	-	1,160
Special Assessments Receivable - Deferred	178,855	-	-	178,855
Loans Receivable	-	911,056	-	911,056
Restricted Investments - Temporary	-	29,613	-	29,613
Total Assets	<u>\$ 615,643</u>	<u>\$ 1,832,108</u>	<u>\$ 442,316</u>	<u>\$ 2,890,067</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Other Governments	\$ 2,216	\$ -	\$ -	\$ 2,216
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	-	-	37,741	37,741
Unavailable Special Assessments	179,077	-	-	179,077
Total Deferred Inflows of Resources	179,077	-	37,741	216,818
FUND BALANCES				
Restricted For				
Ditch Projects	434,350	-	-	434,350
Sewer Improvements	-	837,857	-	837,857
Debt Service	-	278,070	404,575	682,645
Assigned For				
Sewer Improvements	-	716,181	-	716,181
Total Fund Balance	<u>434,350</u>	<u>1,832,108</u>	<u>404,575</u>	<u>2,671,033</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 615,643</u>	<u>\$ 1,832,108</u>	<u>\$ 442,316</u>	<u>\$ 2,890,067</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 2,363,494	\$ 2,363,494
Special Assessments	212,559	259,038	-	471,597
Intergovernmental	-	-	214,190	214,190
Charges for Services	4,884	-	-	4,884
Interest on Investments	-	163	(24,237)	(24,074)
Total Revenues	<u>217,443</u>	<u>259,201</u>	<u>2,553,447</u>	<u>3,030,091</u>
EXPENDITURES				
CURRENT				
Conservation	64,996	234,775	-	299,771
DEBT SERVICE				
Principal	-	65,835	1,855,000	1,920,835
Interest	-	-	780,662	780,662
Total Debt Service	<u>-</u>	<u>65,835</u>	<u>2,635,662</u>	<u>2,701,497</u>
Total Expenditures	<u>64,996</u>	<u>300,610</u>	<u>2,635,662</u>	<u>3,001,268</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	152,447	(41,409)	(82,215)	28,823
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	<u>-</u>	<u>281,512</u>	<u>-</u>	<u>281,512</u>
NET CHANGE IN FUND BALANCES	152,447	240,103	(82,215)	310,335
Fund Balance - Beginning of Year	<u>281,903</u>	<u>1,592,005</u>	<u>486,790</u>	<u>2,360,698</u>
FUND BALANCE - END OF YEAR	<u>\$ 434,350</u>	<u>\$ 1,832,108</u>	<u>\$ 404,575</u>	<u>\$ 2,671,033</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
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	\$ 170,000	\$ 170,000	\$ 212,559	\$ 42,559
Charges for Services	-	-	4,884	4,884
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>217,443</u>	<u>47,443</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	<u>170,000</u>	<u>170,000</u>	<u>64,996</u>	<u>105,004</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	152,447	<u><u>\$ 152,447</u></u>
Fund Balance - Beginning of Year			<u>281,903</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 434,350</u></u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SEWER IMPROVEMENT FUND
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	\$ 227,000	\$ 227,000	\$ 259,038	\$ 32,038
Investments Earnings	20,000	20,000	163	(19,837)
Total Revenues	<u>247,000</u>	<u>247,000</u>	<u>259,201</u>	<u>12,201</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	247,000	247,000	234,775	12,225
DEBT SERVICE				
Principal	<u>-</u>	<u>-</u>	<u>65,835</u>	<u>(65,835)</u>
Total Expenditures	<u>247,000</u>	<u>247,000</u>	<u>300,610</u>	<u>(53,610)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(41,409)	(41,409)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	<u>-</u>	<u>-</u>	<u>281,512</u>	<u>281,512</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	240,103	<u>\$ 240,103</u>
Fund Balance - Beginning of Year			<u>1,592,005</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,832,108</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 114,096	\$ 883,086	\$ 926,984	\$ 70,198
LIABILITIES				
Due to Other Governments	\$ 114,096	\$ 883,086	\$ 926,984	\$ 70,198
FAMILY CONNECTIONS COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 585,812	\$ 338,509	\$ 291,635	\$ 632,686
LIABILITIES				
Salaries Payable	\$ 11,461	\$ 76	\$ -	\$ 11,537
Due to Other Governments	574,351	338,433	291,635	621,149
Total Liabilities	\$ 585,812	\$ 338,509	\$ 291,635	\$ 632,686
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 687,426	\$ 45,083,277	\$ 45,247,210	\$ 523,493
LIABILITIES				
Funds Held in Trust	\$ 687,426	\$ 45,083,277	\$ 45,247,210	\$ 523,493
SOCIAL WELFARE FUND				
ASSETS				
Cash and Pooled Investments	\$ 99,140	\$ 1,012,039	\$ 999,747	\$ 111,432
LIABILITIES				
Due to Other Governments	\$ 99,140	\$ 1,012,039	\$ 999,747	\$ 111,432
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,486,474	\$ 47,316,911	\$ 47,465,576	\$ 1,337,809
LIABILITIES				
Funds Held in Trust	\$ 687,426	\$ 45,083,277	\$ 45,247,210	\$ 523,493
Salaries Payable	11,461	76	-	11,537
Due to Other Governments	787,587	2,233,558	2,218,366	802,779
Total Liabilities	\$ 1,486,474	\$ 47,316,911	\$ 47,465,576	\$ 1,337,809

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2013**

	Governmental Funds
SHARED REVENUE	
State	
Highway Users Tax	\$ 8,289,453
County Program Aid	1,623,966
PERA Rate Reimbursement	40,232
Disparity Reduction Aid	189,196
Police Aid	152,007
Enhanced 911	118,766
Market Value Credit	160,801
Total Shared Revenue	10,574,421
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	633,912
PAYMENTS	
LOCAL	
Payments in Lieu of Taxes	77,195
Hormel Foundation	275,000
Total Payments	352,195
GRANTS	
STATE	
Minnesota Department/Board of Peace Officers Board	7,177
Corrections	302,636
Health	207,123
Human Services	1,712,961
Soil and Water Resources	87,905
Veteran's Affairs	12,298
Natural Resources	785,238
Public Safety	288,475
Pollution Control Agency	104,097
Total State	3,507,910
FEDERAL	
Department of Agriculture	467,011
Commerce	3,257
Justice	213,162
Transportation	2,063,149
Homeland Security	42,407
Health and Human Services	2,623,683
Internal Revenue Service	193,215
Total Federal	5,605,884
Total State and Federal Grants	9,113,794
Total Intergovernmental Revenue	\$ 20,674,322

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

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

Board of County Commissioners
Mower County
Austin, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Mower County's basic financial statements, and have issued our report thereon dated September 23, 2014.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (MCHRA) for the year ended September 30, 2013. Our reporting, described below, did not include the operations of the MCHRA because the MCHRA (component unit) engaged for its own separate audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questions Costs as items 2013-001, 2013-002, 2013-003, and 2013-004, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control 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 2013-006, 2013-007, and 2013-008 to be significant deficiencies.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Mower 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*.

Mower County's Responses to Findings

Mower County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Mower County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 23, 2014



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

Board of County Commissioners
Mower County
Austin, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Mower County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mower County's major federal programs for the year ended December 31, 2013. Mower County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (MCHRA), which expended \$465,073 in federal awards which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2013. Our audit, described below, did not include the operations of the MCHRA because the MCHRA (component unit) engaged for its own separate audit.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mower 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 Mower 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 Mower County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mower 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-011, 2013-012, and 2013-013. Our opinion on each major federal program is not modified with respect to these matters.

Mower County's Responses to Findings

Mower County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Mower County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Mower 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 Mower 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 Mower County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-009 to be a material weakness.

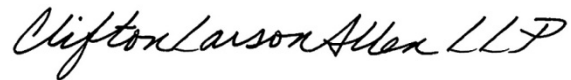
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-010, 2013-011, and 2013-012 to be significant deficiencies.

Board of County Commissioners
Mower County

Mower County's Responses to Findings

Mower County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Mower County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 23, 2014

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**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Mower County, Minnesota.
2. Deficiencies in internal control were disclosed during the audit of the basic financial statements for the County and are reported in the "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*". Items 2013-001, 2013-002, 2013-003, and 2013-004 are considered to be material weaknesses and 2013-006, 2013-007, and 2013-008 are considered to be a significant deficiencies.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. Deficiencies involving internal control over compliance relating to the audit of the major federal award programs was reported in the "Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133". Item 2013-009 is considered to be a material weakness and items 2013-010, 2013-011, and 2013-012 are considered to be significant deficiencies.
5. The auditors' report on compliance for the major federal award programs for Mower County expresses an unmodified opinion on all major federal programs.
6. Audit findings 2013-011, 2013-012, and 2013-013 relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program were:

Highway Planning and Construction	CFDA No. 20.205
Temporary Assistance for Needy Families	CFDA No. 93.558
Medical Assistance	CFDA No. 93.778
Child Support Enforcement	CFDA No. 93.563
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County was not determined to be a low-risk auditee.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MATERIAL WEAKNESSES - FINANCIAL REPORTING:

2013-001 SEGREGATION OF DUTIES – VARIOUS DEPARTMENTS

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

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

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

Possible Effect: The design of the internal controls over financial reporting could affect the ability of the County to record, process, summarize and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the County's inability to prevent/detect misappropriation of County assets.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement some oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

Client Response: *County management will review accounting functions and segregate them as it deems cost beneficial.*

2013-002 AUDIT ADJUSTMENTS

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions, including account coding, depreciation, and reporting of accruals and net position.

Condition and Context: As part of the audit, we proposed material audit adjustments for recording of accruals, reclassifications of revenues to the proper accounts, adjustment of deferred inflow of resources, adjustment to various Road and Bridge Fund accounts, corrections of modified accrual adjustments, and a prior period adjustment to deferred outflows of resources for governmental activities.

Cause: The County has a limited number of personnel.

Possible Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate modified accrual basis financial information for external financial reporting purposes.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

2013-002 AUDIT ADJUSTMENTS (CONTINUED)

Recommendation: We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

Client Response: *The County will continue to work at eliminating the need for audit adjustments, including consideration of the cost/benefit of hiring additional finance personnel.*

2013-003 TIMELY DEPOSITS

Criteria: Internal control frameworks recommend that collections be deposited on a daily basis to improve internal controls over cash.

Condition and Context: Collections in various departments and offices within the County are not deposited in a timely manner. These departments and offices make deposits anywhere from weekly to monthly.

Cause: Past practice.

Possible Effect: The risk of fraud and theft of collections is increased due to the increased time elapsed between deposits.

Recommendation: We recommend deposits be made on a daily basis in order to minimize the risk of fraud and theft.

Client Response: *County management will review current procedures and enhance deposit activity requirements as it deems cost beneficial.*

2013-004 CONTROLS OVER INVESTMENT ACTIVITY

Criteria: Internal control frameworks recommend that investment activity is reviewed and approved by the Board.

Condition and Context: The primary control regarding investment activity is the review and approval by the Board. Investment activity information is regularly given to the Board. However, documentation of supervisor review is not on the information presented to the Board and Board approval is not documented in the minutes.

Cause: Past practice.

Possible Effect: The design of the internal controls over investment activity do not document the approval process to assist the County in ensuring accurate information is being presented to, and is approved, by the Board.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

2013-004 CONTROLS OVER INVESTMENT ACTIVITY (CONTINUED)

Recommendation: We recommend the supervisory review procedures be documented on the investment detail and County Board review and approval be documented as part of the Board minutes

Client Response: *County management will review current procedures and enhance deposit activity requirements as it deems cost beneficial. The County Board will be taking a more active role starting in 2014.*

PREVIOUSLY REPORTED ITEM RESOLVED

2012-02 CASH DISBURSEMENT CONTROLS

It was noted during our audit procedures in the prior year that the County was not able to provide proper documentation indicating approval for the disbursement had occurred on two of twenty-five social welfare fund disbursements.

RESOLUTION

No similar instances during current year testing.

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING

2013-006 BANK RECONCILIATIONS

Criteria: As part of sound financial controls over cash and investments balances, the County should reconcile its bank and investment accounts to its general ledger at the end of each calendar month.

Condition and Context: The County has not been able to completely reconcile the bank balances to the general ledger since January of 2012. As of August 2014, the reconciliations have been brought up to date within a minor difference of \$675.

Cause: Unknown.

Possible Effect: Absence a complete and accurate reconciliation of the County's cash each month diminishes the ability of the County's management to prevent timely and accurate reporting of financial information.

Recommendation: We recommend the County complete a precise and timely reconciliation of the County's bank accounts to its general ledger each month and that the County provide for documented review of these monthly reconciliations.

Client Response: *The client is aware of the situation and will work to reconcile the cash per the bank to the cash per the general ledger.*

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

2013-007 BUDGET RECONCILIATION

Criteria: Standard internal controls suggest the County review the budget in the general ledger system to the board approved budget each year.

Condition and Context: It was noted during our audit procedures the County's general ledger system budget amounts do not tie to the board approved budget for 2013.

Cause: Unknown.

Possible Effect: The design of the internal controls over the budget process limits the ability of the County to provide accurate financial information for financial reporting purposes.

Recommendation: We recommend the County implement procedures to ensure the board approved budget amounts are recorded in the general ledger system.

Client Response: *The client is aware of the situation and will work to ensure the budget is entered correctly into the general ledger system.*

2013-008 CONTROLS OVER ACH PAYMENTS

Criteria: Standard internal controls suggest County management review all ACH transactions to ensure they match supporting documentation, document an approval process, and the list of vendors paid through the ACH process is current.

Condition and Context: It was noted during our audit procedures that the County does not have an approval process for ACH transactions nor does anyone ensure they match the supporting documentation. Also, there were in excess of 10,000 vendors for ACH payments, many of which are no longer used.

Cause: Unknown.

Possible Effect: The lack of proper approval and support could result in misuse of public funds or a misappropriation of assets.

Recommendation: We recommend that County implement policies and procedures to ensure all ACH payments have proper supporting documentation and approval and update its vendor listing to only include current vendors.

Client Response: *County management will review current procedures and implement controls to ensure all supporting documentation ties to ACH payments and there is proper approval.*

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING (CONTINUED):

PREVIOUSLY REPORTED ITEM RESOLVED

2012-03 CHANGE FUND CONTROLS

It was noted during our prior year audit procedures in the Auditor/Treasurer's Department the \$500 change fund that has been approved by the County Board was being used to provide additional funds when deposits were over/short during the reconciliation process.

RESOLUTION

During current year procedures, it was noted that the Auditor/Treasurer's Department no longer uses the change fund for improper use.

MAJOR PROGRAM MATERIAL WEAKNESS:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH MINNESOTA DEPARTMENT OF HUMAN SERVICES

2013-009 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) - CFDA # 93.558 AND MEDICAL ASSISTANCE (MA) – CFDA 93.778; GRANT PERIOD – YEAR ENDED DECEMBER 31, 2013 (PRIOR YEAR ITEM 2011-05)

Criteria: Standard internal control procedures suggest County personnel review case files periodically to ensure the County is in compliance with the program requirements.

Condition and Context: A sample of forty case files was selected for the TANF and Medical Assistance audits. Ultimate eligibility is determined by the State of Minnesota, but there is no periodic review over the information in the case files by a supervisor.

Cause: Unknown.

Possible Effect: Benefits could be provided to an ineligible client.

Recommendation: We recommend the County take proper steps to ensure that periodic review procedures are implemented and documented to ensure compliance with program requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Todd Lysne, Income Maintenance Supervisor

Corrective Action Planned: The Health and Human Services department will implement new procedures to ensure all case files are being reviewed and that this review is properly documented.

Anticipated Completion Date: December 31, 2014

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MAJOR PROGRAM SIGNIFICANT DEFICIENCY:

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH MINNESOTA
DEPARTMENT OF HUMAN SERVICES**

2013-010 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) - CFDA # 93.558; GRANT
PERIOD – YEAR ENDED DECEMBER 31, 2013

Criteria: Standard internal control procedures suggest all disbursements should be approved by the appropriate supervisor prior to County payment to ensure disbursements comply with federal requirements.

Condition and Context: During our testing of forty disbursements, we noted two of forty were not approved by the department prior to payment.

Cause: Unknown.

Possible Effect: Without proper controls in place, the County has a higher likelihood of disbursing funds that may not be allowable under the requirements of the federal program.

Recommendation: We recommend the County implement procedures to ensure all payments are reviewed prior to payment.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Todd Lysne, Income Maintenance Supervisor

Corrective Action Planned: The Health and Human Services department will implement procedures to ensure all payments are reviewed and marked as approved prior to payment.

Anticipated Completion Date: December 31, 2014

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MAJOR PROGRAM SIGNIFICANT DECIFENCIES AND COMPLIANCE FINDINGS:

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH MINNESOTA
DEPARTMENT OF HUMAN SERVICES**

2013-011 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) - CFDA # 93.558; GRANT
PERIOD – YEAR ENDED DECEMBER 31, 2013

Criteria: Standard internal control procedures suggest County personnel have a process in place to ensure all individuals receiving benefits are eligible for the grant.

Condition and Context: During our testing of forty casefiles, it was noted that one individual was not eligible and received benefits under the program, as they failed to renew the extension to exceed sixty months. The individual received benefits in three ineligible months, for a total of \$2,454.

Cause: Unknown.

Possible Effect: Benefits could be provided to an ineligible client.

Recommendation: We recommend the County take proper steps to ensure all individuals receiving TANF benefits are eligible.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Todd Lysne, Income Maintenance Supervisor

Corrective Action Planned: The Health and Human Services department will implement additional procedures to ensure all individuals receiving benefits are eligible.

Anticipated Completion Date: December 31, 2014

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

**MAJOR PROGRAM SIGNIFICANT DECIFIENCIES AND COMPLIANCE FINDINGS (CONTINUED):
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH MINNESOTA
DEPARTMENT OF HUMAN SERVICES (CONTINUED)**

2013-012 MEDICAL ASSISSTANCE (MA) - CFDA # 93.778; GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2013

Criteria: Standard internal control procedures suggest County personnel review all applications to ensure they are signed by the client to receive benefits. The compliance requirements require the client receiving benefits to sign the combined application form.

Condition and Context: During our testing of compliance over the eligibility requirements for the program, one of forty applications tested did not have a client signature. The County's controls over compliance did not prevent or detect this noncompliance.

Cause: Unknown.

Possible Effect: Benefits could be provided to an ineligible client.

Recommendation: We recommend the County take proper steps to ensure all applications have the appropriate signatures on them.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Todd Lysne, Income Maintenance Supervisor

Corrective Action Planned: The Health and Human Services department will implement additional procedures to ensure all applications have appropriate signatures.

Anticipated Completion Date: December 31, 2014

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MAJOR PROGRAM COMPLIANCE FINDING:

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH MINNESOTA
DEPARTMENT OF HUMAN SERVICES**

2013-013 MEDICAL ASSISTANCE (MA) - CFDA # 93.778; GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2013

Criteria: Per federal requirements, the County is required to retain documentation that citizenship has been verified for each eligible client.

Condition and Context: During our testing of compliance over eligibility, one of forty MA case files did not have documentation showing citizenship verification.

Cause: Unknown.

Possible Effect: Benefits could be provided to an ineligible client.

Recommendation: We recommend that citizenship documentation be retained for each eligible case file.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Todd Lysne, Income Maintenance Supervisor

Corrective Action Planned: The Health and Human Services department will implement new procedures to ensure proper documentation of citizenship is retained in each case file.

Anticipated Completion Date: December 31, 2014

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2013-015 SALE OF PERSONAL PROPERTY

Criteria: *Minnesota Statutes* §373.01, subd. 1, requires municipalities to advertise sale of personal property estimated to be greater than \$15,000 in the official newspaper, on the website, or in a trade journal.

Condition and Context: As part of our testing it was noted that personal property sold in excess of \$15,000 was not advertised.

Cause: Unknown

Effect: The County is not in compliance with State of Minnesota statutes.

Recommendation: We recommend that the County advertise personal property in an official newspaper, on the website, or in a trade journal when known to be over \$15,000.

Client Response: *The County has reviewed the statute and will begin to advertise all personal property in excess of \$15,000.*

PREVIOUSLY REPORTED ITEM RESOLVED

2012-05 CHANGE FUNDS

It was noted during our audit procedures in the Auditor/Treasurer's Department the \$500 change fund that has been approved by the County Board was being used to provide additional funds in the case deposits were over/short during the reconciliation process.

RESOLUTION

No similar instances were noted during 2013.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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	\$ 226,819
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children Total Department of Agriculture	10.557	<u>240,192</u> 467,011
U.S. Department of Commerce		
Passed Through Southeast Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	3,257
U.S. Department of Justice		
Passed Through Southeast Regional Radio Board Bulletproof Vest Partnership Program	16.607	98,946
Direct Supervised Visitation, Safe Havens for Children Total Department of Justice	16.527	<u>114,216</u> 213,162
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	2,260,633

The Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through National Association of County Health Officers Medical Reserve Corps Small Grant Program	93.008	\$ 4,000
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	31,955
Universal Newborn Hearing Screening	93.251	450
Immunization Cooperative Agreements	93.268	1,480
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	116,629
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$454,490)	93.558	59,104
Maternal and Child Health Services Block Grant to the States	93.994	43,302
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	12,701
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$454,490)	93.558	395,386
Child Support Enforcement	93.563	847,992
Refugee and Entrant Assistance-State Administered Programs	93.566	533
Child Care and Development Block Grant	93.575	24,926
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,351
Foster Care Title IV-E	93.658	218,837
Social Services Block Grant	93.667	223,221
Chafee Foster Care Independence Program	93.674	2,249
Children's Health Insurance Program	93.767	134
Medical Assistance Program	93.778	<u>751,638</u>
Total Department of Health and Human Services		<u>2,740,888</u>

The Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
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 United Way of America Emergency Food and Shelter National Board Program	97.024	\$ 1,253
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grant	97.042	<u>41,154</u>
Total Department of Homeland Security		<u>42,407</u>
Total Cash Type Federal Awards		<u><u>\$ 5,727,358</u></u>

Notes:

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Mower County, except for those expended by its discretely presented component unit the Mower County Housing and Redevelopment Authority (HRA). The HRA had a separate audit. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County as described in Section 205 of OMB Circular A-133. Governmental funds use the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 5,605,884
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures (Build America Bonds Interest Refund)	(193,215)
Expenditures above, not included as revenues on the Schedule of Intergovernmental Revenues as Deferred Inflows of Resources	<u>314,689</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 5,727,358</u></u>

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Mower County
Austin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County (the County), Minnesota, as of 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 23, 2014.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (MCHRA), for the year ended September 30, 2013. Our audit, described below, did not include the operations of the MCHRA because the MCHRA (component unit) engaged for its own separate audit that included provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

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

In connection with our audit, nothing came to our attention that caused us to believe that Mower County, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* except for the item described in detail in the attached Schedule of Findings and Questioned Costs as finding 2013-015. 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 Mower County, Minnesota's noncompliance with the above referenced provisions.

Mower County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Mower County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance relating to 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 compliance. Accordingly, this report is not suitable for any other purpose.


CliftonLarsonAllen LLP

Austin, Minnesota
September 23, 2014

