

**MOWER COUNTY
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2015

**MOWER COUNTY
AUSTIN, MINNESOTA
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AUSTIN, MINNESOTA
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INTRODUCTORY SECTION

**MOWER COUNTY
AUSTIN, MINNESOTA
ORGANIZATION
DECEMBER 31, 2015**

Elected			<u>Term Expires</u>
Commissioners			
Chair	Mike Ankeny	District 5	January 2019
Vice-Chair	Polly Glynn	District 2	January 2017
Board Member	Tim Gabrielson	District 1	January 2017
Board Member	Jerry Reinartz	District 3	January 2019
Board Member	Anthony Bennett	District 4	January 2019
County Attorney	Kristen Nelsen		January 2019
County Auditor-Treasurer	Steven Reinartz		January 2019
County Recorder	Jill Cordes		January 2019
County Sheriff	Terese Amazi		January 2019
Appointed			
Assessor	Joy Kanne		December 2016
Coroner	Dr. David Strobel		December 2015
Coordinator	Craig Oscarson		Indefinite
Engineer	Michal Hanson		May 2019
Finance Director	Donna Welsh		Indefinite
Health & Human Services Director	Lisa Kocer		Indefinite
Veterans Service Officer	Wayne Madson		Indefinite

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FINANCIAL SECTION

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinions

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

Emphasis of a Matter

During fiscal year ended December 31, 2015, the County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle (see Note 10). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other postemployment benefit plans, budgetary comparison schedule – general fund, budgetary comparison schedule – road and bridge fund, budgetary comparison schedule – social services fund, schedule of the county's proportionate share of the net pension liability, and the schedule of the county's contributions 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 supplementary information consisting of the combining and individual nonmajor fund financial statements, the combining statement of changes in assets and liabilities – all agency funds, and the schedule of intergovernmental revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, 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 19, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-2015 fiscal years include the following:

- ◆ County-wide net position decreased 4.2 percent over the prior year after restating the net position for implementation of GASB 68 and 71.
- ◆ Overall fund-level revenues totaled \$45,736,756 and were \$4,117,870 more than expenditures; this is primarily due to decreased expenditures related to highways and streets and capital outlay.
- ◆ The General Fund's fund balance increased by \$2,001,096 from the prior year; this is primarily due to increased interest on investments and decreased capital outlay expenditures during 2015.
- ◆ The Road and Bridge Fund's fund balance increased \$1,243,779 from the prior year before the impact of the change in inventories due to a decrease in construction expenditures.
- ◆ The Social Service Fund's fund balance increased by \$967,190 primarily due to increased intergovernmental and charges for services revenue.
- ◆ The Capital Projects Fund reflects an increase of \$78,637 in fund balance. The increase in this fund is primarily due to less capital outlay expenditures related to open projects.

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, 2015**

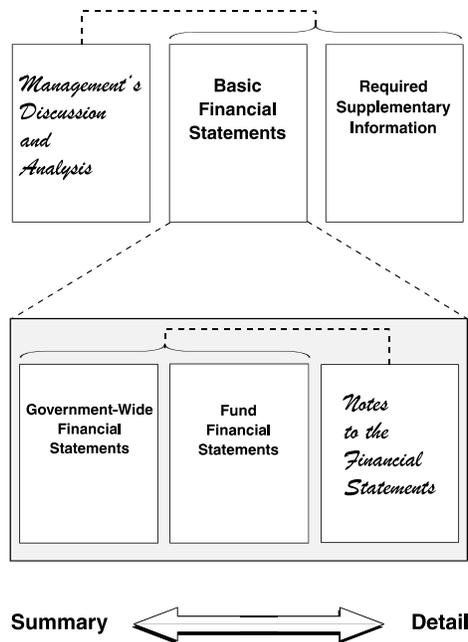
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund 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 for trust funds, regardless of when cash is received or paid. Agency Funds do not report revenues or expenditures.

COUNTY-WIDE STATEMENTS

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

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, 2015**

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, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

NET POSITION

The County's net position was \$131,469,258 on December 31, 2015. (See Table A-1).

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

	Governmental Activities		Percentage Change
	2015	2014	
Current and Other Assets	\$ 48,163,920	\$ 45,108,920	6.8 %
Capital Assets	125,618,699	124,636,983	0.8
Total Assets	<u>173,782,619</u>	<u>169,745,903</u>	2.4
Deferred Outflows of Resources	<u>3,071,602</u>	<u>1,344,723</u>	128.4
Current Liabilities	14,578,488	4,614,824	215.9
Long-Term Liabilities, Due in More Than One Year	<u>29,126,282</u>	<u>29,295,155</u>	(0.6)
Total Liabilities	<u>43,704,770</u>	<u>33,909,979</u>	28.9
Deferred Inflows of Resources	<u>1,680,193</u>	<u>-</u>	100.0
Net Position			
Net Investment in Capital Assets	108,384,513	103,564,999	4.7
Restricted	3,136,322	4,792,143	(34.6)
Unrestricted	<u>19,948,423</u>	<u>28,823,505</u>	(30.8)
Total Net Position	<u>\$ 131,469,258</u>	<u>\$ 137,180,647</u>	(4.2)

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION

The County-wide total revenues were \$45,039,364 for the year ended December 31, 2015. Property and other taxes and intergovernmental revenues accounted for 82 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
	2015	2014	
REVENUES			
Program Revenues			
Charges for Services	\$ 5,225,382	\$ 4,891,242	6.8 %
Operating Grants and Contributions	8,905,395	8,926,559	(0.2)
Capital Grants and Contributions	5,008,674	3,595,410	39.3
General Revenues			
Property Taxes	18,100,057	17,059,422	6.1
Other Taxes	1,799,616	1,718,069	4.7
Unrestricted Grants and Contributions	3,938,370	4,372,116	(9.9)
Unrestricted Investment Earnings	1,931,806	1,265,136	52.7
Miscellaneous	122,604	492,957	(75.1)
Gain on Sale of Capital Assets	7,460	100,240	(92.6)
Total Revenues	45,039,364	42,421,151	6.2
EXPENSES			
General Government	7,153,277	6,570,729	8.9
Public Safety	10,206,783	9,848,173	3.6
Highways and Streets	8,499,225	8,397,847	1.2
Sanitation	712,556	637,161	11.8
Human Services	10,506,270	9,442,432	11.3
Health	2,129,325	2,052,665	3.7
Culture and Recreation	335,602	332,262	1.0
Conservation of Natural Resources	695,712	460,472	51.1
Economic Development	-	23,253	(100.0)
Interest	736,794	900,676	(18.2)
Total Expenses	40,975,544	38,665,670	6.0
CHANGE IN NET POSITION	4,063,820	3,755,481	8.2
Net Position - Beginning of Year	137,180,647	133,425,166	2.8
Prior Period Adjustment	(9,775,209)	-	(100.0)
Net Position - Beginning of Year, As Restated	127,405,438	133,425,166	
NET POSITION - END OF YEAR	\$ 131,469,258	\$ 137,180,647	(4.2)

Total revenues surpassed expenses, increasing net position \$4,063,820 over last year.

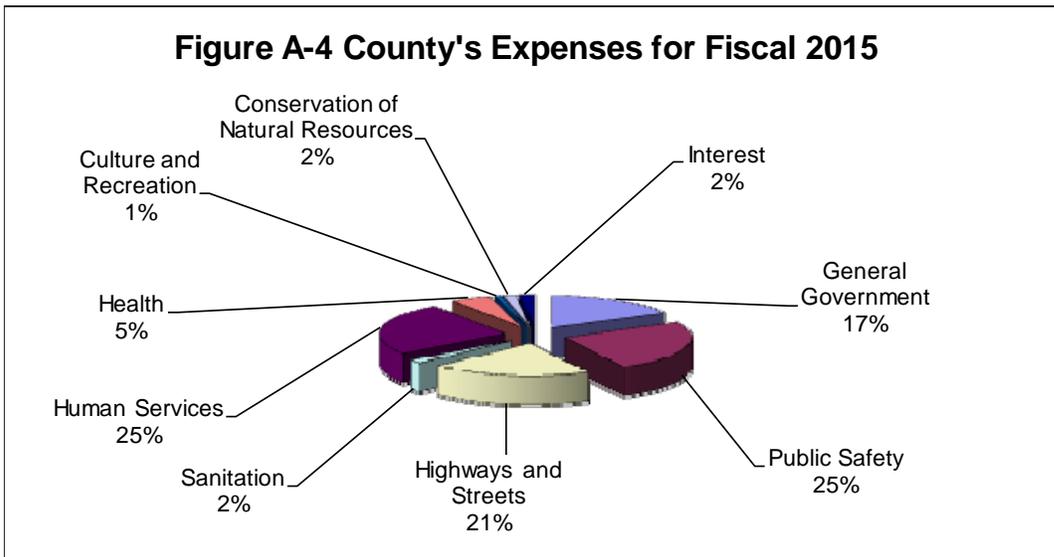
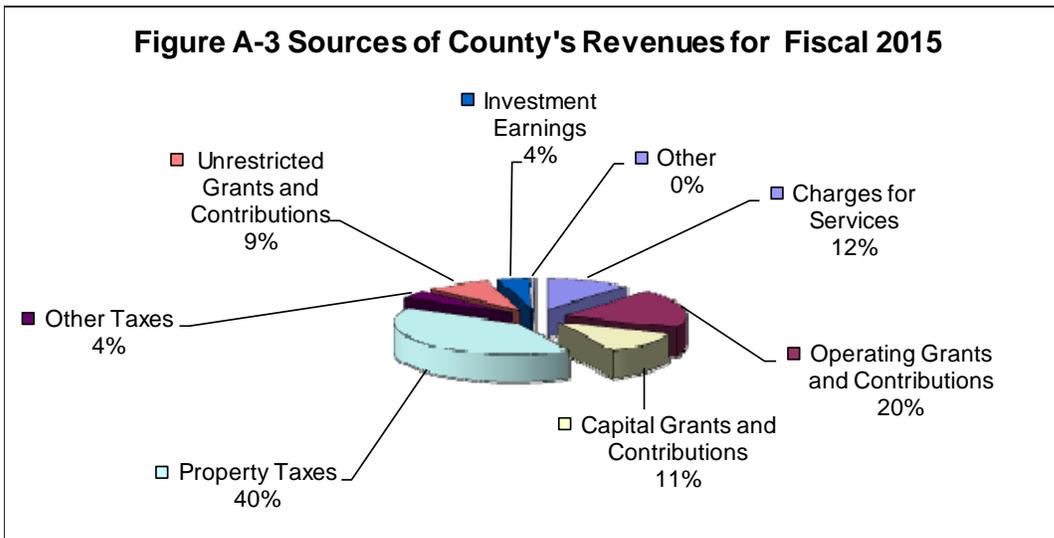
**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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 \$40,975,544.

- ◆ Some of the cost was paid by the users of the County's programs (\$5,225,382).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$13,914,069).
- ◆ Most of the County's remaining costs (\$21,836,093), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,100,057 in property taxes, \$1,799,616 of other taxes, \$3,938,370 of unrestricted grants and contributions, and with \$2,061,870 of investment earnings and other general revenues.



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**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION (CONTINUED)

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

	<u>Total Cost of Services</u>			<u>Net Revenue (Cost) of Services</u>		
	2015	2014	Change	2015	2014	Change
General Government	\$ 7,153,277	\$ 6,570,729	8.9 %	\$ (5,294,499)	\$ (4,614,897)	(14.7)%
Public Safety	10,206,783	9,848,173	3.6	(7,923,363)	(7,845,993)	(1.0)
Highways and Streets	8,499,225	8,397,847	1.2	(3,079,659)	(3,855,267)	20.1
Sanitation	712,556	637,161	11.8	(449,669)	(288,505)	(55.9)
Human Services	10,506,270	9,442,432	11.3	(3,403,082)	(3,098,901)	(9.8)
Health	2,129,325	2,052,665	3.7	(363,883)	(460,286)	20.9
Culture and Recreation	335,602	332,262	1.0	(335,602)	(332,262)	(1.0)
Conservation of						
Natural Resources	695,712	460,472	51.1	(406,069)	(5,544)	(7224.5)
Economic Development	-	23,253	(100.0)	-	(23,253)	100.0
Interest	736,794	900,676	(18.2)	(580,267)	(727,551)	20.2
Total Expenses	<u>\$ 40,975,544</u>	<u>\$ 38,665,670</u>	6.0	<u>\$ (21,836,093)</u>	<u>\$ (21,252,459)</u>	(2.7)

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 \$44,999,464.

Revenues for the County's governmental funds were \$45,736,756, while total expenditures were \$41,618,886.

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, 2015**

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, 2015	December 31, 2014	Increase (Decrease)	Percent
Taxes	\$ 10,763,890	\$ 10,044,409	\$ 719,481	7.2 %
Special Assessments	351,106	350,780	326	0.1
Intergovernmental	2,655,962	2,825,649	(169,687)	(6.0)
Charges for Services	1,561,708	1,401,454	160,254	11.4
Investment Earnings	1,796,214	1,169,148	627,066	53.6
Miscellaneous and Other	1,479,558	1,735,106	(255,548)	(14.7)
Total General Fund Revenue	<u>\$ 18,608,438</u>	<u>\$ 17,526,546</u>	<u>\$ 1,081,892</u>	6.2

Total General Fund revenue increased by \$1,081,892 or 6.2 percent, from the previous year. Investment earnings and taxes primarily accounted for a significant portion of the increase in revenues. In addition, other financing sources (uses) totaled \$11,210 in 2015 and \$2,160 in 2014.

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase (Decrease)	Percent
General Government	\$ 5,414,673	\$ 5,053,462	\$ 361,211	7.1 %
Public Safety	9,523,279	9,211,144	312,135	3.4
Sanitation	673,046	605,573	67,473	11.1
Culture and Recreation	384,103	393,998	(9,895)	(2.5)
Conservation of Natural Resources	340,549	348,890	(8,341)	(2.4)
Economic Development	-	23,253	(23,253)	(100.0)
Capital Outlay	282,856	640,856	(358,000)	(55.9)
Debt Service	46	1	45	4500.0
Total General Fund Expenditures	<u>\$ 16,618,552</u>	<u>\$ 16,277,177</u>	<u>\$ 341,375</u>	2.1

The General Fund had total fund balance of \$27,462,336 at the end of the current fiscal year. The fund balance of the General Fund increased \$2,001,096 during the current fiscal year primarily due to interest on investments and decreased capital outlay expenditures in the current year.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of \$8,497,591 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$1,290,498 (including the change in inventory) during the current fiscal year primarily due to a decrease in construction expenditures.

The Social Services Fund had total fund balance of \$3,293,332 at the end of the current fiscal year. The fund balance of the Social Services Fund increased \$967,190; this is primarily due to increased intergovernmental and charges for services revenue.

The Capital Projects Fund had a total fund balance of \$2,745,221 at the end of the current fiscal year. The fund balance of the Capital Projects fund increased \$78,637 primarily due to less capital outlay expenditures on open projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ◆ Actual revenues were \$1,486,173 more than expected resulting primarily from increased investment earnings.
- ◆ The actual expenditures were \$1,134,977 less than budget and relate largely to less county administration and capital outlay 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, 2015**

CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)

CAPITAL ASSETS

By the end of 2015, the County had invested approximately \$187,500,000 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 \$3,548,112.

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

	Governmental Activities		Percentage Change
	2015	2014	
Land and Right of Way	\$ 16,521,752	\$ 16,508,784	0.1 %
Construction in Progress	263,298	1,914,379	(86.2)
Buildings	36,455,010	36,455,010	-
Improvements Other than Buildings	1,121,383	1,121,383	-
Machinery and Equipment	10,345,251	9,441,065	9.6
Software	246,679	246,679	-
Infrastructure	122,593,096	118,062,592	3.8
Accumulated Depreciation	(61,927,770)	(59,112,909)	4.8
Total	\$ 125,618,699	\$ 124,636,983	0.8

LONG-TERM LIABILITIES

At year-end, the County had \$31,302,029 in long-term liabilities outstanding.

- ◆ The County's total debt decreased \$101,507 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
	2015	2014	
Loans Payable	\$ 1,505,058	\$ 1,411,314	6.6 %
Bonds Payable	17,285,000	19,140,000	(9.7)
Capital Lease Payable	11,045	-	100.0
Compensated Absences Payable	1,195,942	1,104,402	8.3
Other Postemployment Benefits Payable	11,304,984	9,747,820	16.0
Total	\$ 31,302,029	\$ 31,403,536	(0.3)

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FACTORS BEARING ON THE COUNTY'S FUTURE AND 2016 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 2016 expenditure budget at \$49,993,486, an increase of about \$798,000 from the 2015 expenditure budget due to projects planned to expand the health and human services department and for increased bond principal and interest payments. The revenue budget also increased about \$798,000 as a result of the health and human services department expanding.

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.

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BASIC FINANCIAL STATEMENTS

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Governmental Activities	September 30, 2015 Discretely Presented Component Unit
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and Pooled Investments	\$ 41,849,349	\$ 739,643
Petty Cash and Change Funds	1,360	-
Cash with Fiscal Agent	7,282	-
Tenant Deposit Cash	-	27,206
Taxes Receivable		
Delinquent	418,803	44,308
Special Assessments Receivable		
Delinquent	26,799	-
Noncurrent	221,358	-
Accounts Receivable - Net	145,866	8,602
Notes Receivable	70,800	-
Accrued Interest Receivable	645,697	278
Loans Receivable	839,682	-
Due from Other Governments	3,537,396	-
Inventories	369,841	-
Restricted Investments - Temporary	29,687	860,460
Prepaid Items	-	24,987
Non-Depreciable Capital Assets		
Land and Right of Way	16,521,752	42,304
Construction in Progress	263,298	-
Depreciable Capital Assets		
Buildings (Net)	28,889,668	1,379,405
Improvements Other Than Buildings (Net)	724,236	82,063
Machinery, Vehicles, Furniture, and Equipment (Net)	3,547,653	184,181
Software (Net)	93,154	-
Infrastructure (Net)	75,578,938	-
Total Assets	173,782,619	3,393,437
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Loss on Refunding	1,241,282	-
Deferred Outflows of Resources - Pension Related	1,830,320	-
Total Deferred Outflows of Resources	3,071,602	-

See accompanying Notes to Financial Statements.

	Governmental Activities	September 30, 2015 Discretely Presented Component Unit
LIABILITIES		
Accounts Payable	\$ 719,797	\$ 33,386
Salaries Payable	233,039	7,113
Claims and Judgments Payable	6,991	-
Contracts Payable	389,738	-
Due to Other Governments	181,694	-
Accrued Expenses	-	11,246
Accrued Interest Payable	257,657	1,432
Unearned Revenue	-	1,760
Compensated Absences Payable - Due within One Year	72,374	15,000
General Obligation Bonds Payable - Due within One Year	1,900,000	-
Loans Payable - Due within One Year	175,707	48,688
Capital Lease Payable - Due within One Year	2,032	-
Tenant Deposits Payable	-	27,208
Compensated Absences Payable - Due in More Than One Year	1,123,568	20,881
Other Postemployment Benefits Plan Payable - Due in More than One Year	11,304,984	-
General Obligation Bonds Payable - Due in More Than One Year	15,359,366	-
Loans Payable - Due in More Than One Year	1,329,351	263,254
Capital Lease Payable - Due in More Than One Year	9,013	-
Net Pension Liability	10,639,459	-
Total Liabilities	<u>43,704,770</u>	<u>429,968</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pension Related	1,289,220	-
Advanced Allotments	390,973	-
Total Deferred Inflows of Resources	<u>1,680,193</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	108,384,513	1,376,011
Restricted for:		
General Government	621,944	-
Highways and Streets	107,991	-
Public Safety	252,036	-
HRA Housing	-	860,460
Conservation	1,306,344	-
Debt Service	848,007	-
Unrestricted	19,948,423	726,998
Total Net Position	<u>\$ 131,469,258</u>	<u>\$ 2,963,469</u>

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**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Changes in	Discretely
					Net Position	Presented
				Governmental	Component	
				Activities	Unit	
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General Government	\$ 7,153,277	\$ 1,496,285	\$ 362,493	\$ -	\$ (5,294,499)	
Public Safety	10,206,783	1,091,070	1,192,350	-	(7,923,363)	
Highways and Streets	8,499,225	749,827	(338,935)	5,008,674	(3,079,659)	
Sanitation	712,556	137,775	125,112	-	(449,669)	
Human Services	10,506,270	673,870	6,429,318	-	(3,403,082)	
Health	2,129,325	850,885	914,557	-	(363,883)	
Culture and Recreation	335,602	-	-	-	(335,602)	
Conservation of Natural Resources	695,712	69,143	220,500	-	(406,069)	
Interest	736,794	156,527	-	-	(580,267)	
Total Governmental Activities	40,975,544	5,225,382	8,905,395	5,008,674	(21,836,093)	
COMPONENT UNIT *						
Housing and Redevelopment Authority	1,109,473	462,221	370,933	74,344	-	\$ (201,975)
Total Reporting Entity	\$ 42,085,017	\$ 5,687,603	\$ 9,276,328	\$ 5,083,018	(21,836,093)	(201,975)
GENERAL REVENUES						
Property Taxes					18,100,057	96,797
Wheelage Taxes					379,823	-
Wind Production Taxes					1,323,374	-
Mortgage Registry and Deed Tax					23,565	-
Payments in Lieu of Tax					72,854	-
Grants and Contributions not Restricted for a Particular Purpose					3,938,370	-
State Aid Restricted for a Particular Purpose					-	1,268
Unrestricted Investment Earnings					1,931,806	8,645
Miscellaneous					122,604	14,492
Gain on the Sale of Capital Assets					7,460	-
Total General Revenues					25,899,913	121,202
CHANGE IN NET POSITION						
					4,063,820	(80,773)
Net Position - Beginning of Year					137,180,647	3,044,242
Change in Accounting Principle (See Note 10)					(9,775,209)	-
Net Position - Beginning of Year, As Restated					127,405,438	3,044,242
NET POSITION - END OF YEAR						
					\$ 131,469,258	\$ 2,963,469

* The Statement of Activities for the Component Unit is for the year ended September 30, 2015.

See accompanying Notes to Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge	Social Services
ASSETS			
Cash and Pooled Investments	\$ 26,650,261	\$ 7,598,483	\$ 2,514,752
Petty Cash and Change Funds	730	30	600
Cash with Fiscal Agent	7,282	-	-
Taxes Receivable - Delinquent	210,929	58,098	84,394
Special Assessments Receivable - Current	-	-	-
Special Assessments Receivable - Delinquent	25,353	-	-
Special Assessments Receivable - Noncurrent	189,795	-	-
Accounts Receivable	61,988	130	83,748
Notes Receivable	70,800	-	-
Accrued Interest Receivable	645,697	-	-
Loans Receivable	-	-	-
Due from Other Governments	642,698	1,842,864	1,049,020
Inventories	-	369,841	-
Restricted Cash - Temporary	-	-	-
	\$ 28,505,533	\$ 9,869,446	\$ 3,732,514
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 255,488	\$ 210,081	\$ 205,059
Salaries Payable	122,105	21,759	89,175
Claims and Judgments Payable	6,991	-	-
Contracts Payable	-	215,534	-
Due to Other Governments	77,995	44,146	57,950
	462,579	491,520	352,184

See accompanying Notes to Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,967,193	\$ 2,118,660	\$ 41,849,349
-	-	1,360
-	-	7,282
9,940	55,442	418,803
-	1,563	1,563
-	1,446	26,799
-	30,000	219,795
-	-	145,866
-	-	70,800
-	-	645,697
-	839,682	839,682
-	2,814	3,537,396
-	-	369,841
-	29,687	29,687
<u>\$ 2,977,133</u>	<u>\$ 3,079,294</u>	<u>\$ 48,163,920</u>

\$ 49,169	\$ -	\$ 719,797
-	-	233,039
-	-	6,991
174,204	-	389,738
-	1,603	181,694
<u>223,373</u>	<u>1,603</u>	<u>1,531,259</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge	Social Services
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	\$ 175,730	\$ 48,834	\$ 70,155
Unavailable Special Assessments	212,515	-	-
Unavailable Grants	192,373	332,537	16,843
Unavailable State Aid Allotments	-	107,991	-
Advanced Allotments	-	390,973	-
Total Deferred Inflows of Resources	580,618	880,335	86,998
FUND BALANCES			
Nonspendable For			
Inventories	-	369,841	-
Restricted For			
Law Library	67,954	-	-
Recorder Equipment	167,573	-	-
Canteen	223,142	-	-
Debt Service	-	-	-
Attorney Forfeited Property	55,609	-	-
Sheriff's Conceal	25,434	-	-
Missing Heirs	18,152	-	-
DARE	3,460	-	-
Land Records	300,790	-	-
Sewer Improvements	-	-	-
Ditch Projects	-	-	-
Recorder's Security Deposit	2,404	-	-
Aquatic Invasive Species	9,462	-	-
Committed			
Wind Tower	3,000	-	-
Oakland Bridge	-	250,000	-
Capital Projects	-	-	-
Assigned For			
Veterans	7,371	-	-
Economic Development	1,643,027	-	-
EDMS Software	-	-	141,302
GIS	63,417	-	-
Compensated Absences	555,106	143,758	138,748
Medical Insurance Claims	7,468,771	-	-
5 Year Capital Improvement Plan	-	2,000,000	-
Human Services Operations	-	-	3,013,282
Road and Bridge Operations	-	5,733,992	-
Sewer Improvements	-	-	-
Unassigned	16,847,664	-	-
Total Fund Balance	27,462,336	8,497,591	3,293,332
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 28,505,533	\$ 9,869,446	\$ 3,732,514

See accompanying Notes to Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 8,539	\$ 46,307	\$ 349,565
-	30,400	242,915
-	-	541,753
-	-	107,991
-	-	390,973
<u>8,539</u>	<u>76,707</u>	<u>1,633,197</u>
-	-	369,841
-	-	67,954
-	-	167,573
-	-	223,142
-	1,059,357	1,059,357
-	-	55,609
-	-	25,434
-	-	18,152
-	-	3,460
-	-	300,790
-	696,415	696,415
-	609,929	609,929
-	-	2,404
-	-	9,462
-	-	3,000
-	-	250,000
2,745,221	-	2,745,221
-	-	7,371
-	-	1,643,027
-	-	141,302
-	-	63,417
-	-	837,612
-	-	7,468,771
-	-	2,000,000
-	-	3,013,282
-	-	5,733,992
-	635,283	635,283
-	-	16,847,664
<u>2,745,221</u>	<u>3,000,984</u>	<u>44,999,464</u>
<u>\$ 2,977,133</u>	<u>\$ 3,079,294</u>	<u>\$ 48,163,920</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, 2015**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 44,999,464

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. 125,618,699

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 1,242,224

The County's net pension liability and related deferred inflows and outflows of resources are recorded on the statement of net position. Balances at year-end are:

Net Pension Liability	\$ (10,639,459)	
Deferred Outflows of Resources - Pension Related	1,830,320	
Deferred Inflows of Resources - Pension Related	<u>(1,289,220)</u>	(10,098,359)

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	(1,505,058)	
Deferred Outflows of Resources - Loss on Refunding	1,241,282	
General Obligation Bonds Payable	(17,285,000)	
Discount on Bonds and Notes Issued	80,540	
Premiums on Bonds and Notes Issued	(54,906)	
Capital Lease Payable	(11,045)	
Accrued Interest Payable	(257,657)	
Compensated Absences	(1,195,942)	
Other Postemployment Benefits Payable	<u>(11,304,984)</u>	<u>(30,292,770)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 131,469,258

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

	General	Road and Bridge	Social Services
REVENUES			
Taxes	\$ 10,763,890	\$ 2,738,005	\$ 3,759,957
Special Assessments	351,106	-	-
Licenses and Permits	60,204	72,461	-
Intergovernmental	2,655,962	8,023,292	7,087,373
Charges for Services	1,561,708	60,401	1,014,905
Fines and Forfeits	52,975	1,800	-
Gifts and Contributions	9,220	-	-
Interest on Investments	1,796,214	-	1,054
Miscellaneous	1,357,159	310,813	612,575
Total Revenues	<u>18,608,438</u>	<u>11,206,772</u>	<u>12,475,864</u>
EXPENDITURES			
CURRENT			
General Government	5,414,673	-	-
Public Safety	9,523,279	-	-
Highways and Streets	-	9,572,262	-
Sanitation	673,046	-	-
Human Services	-	-	9,517,148
Health	-	-	1,988,447
Culture and Recreation	384,103	-	-
Conservation	340,549	-	-
Total Current	<u>16,335,650</u>	<u>9,572,262</u>	<u>11,505,595</u>
CAPITAL OUTLAY			
General Government	91,779	-	-
Public Safety	189,747	-	-
Highways and Streets	-	-	-
Sanitation	1,330	245,681	-
Human Services	-	-	3,079
Conservation	-	237,980	-
Total Capital Outlay	<u>282,856</u>	<u>483,661</u>	<u>3,079</u>
DEBT SERVICE			
Principal	-	-	-
Interest	46	-	-
Total Debt Service	<u>46</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>16,618,552</u>	<u>10,055,923</u>	<u>11,508,674</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,989,886	1,150,849	967,190
OTHER FINANCING SOURCES (USES)			
Proceeds from Loan	-	-	-
Proceeds from Capital Lease	11,210	-	-
Proceeds from the Sale of Capital Assets	-	92,930	-
Total Other Financing Sources (Uses)	<u>11,210</u>	<u>92,930</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,001,096	1,243,779	967,190
Fund Balance - Beginning of Year	25,461,240	7,207,093	2,326,142
Change in Inventories	-	46,719	-
FUND BALANCE - END OF YEAR	<u>\$ 27,462,336</u>	<u>\$ 8,497,591</u>	<u>\$ 3,293,332</u>

See accompanying Notes to Financial Statements.

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 355,812	\$ 2,388,038	\$ 20,005,702
-	475,929	827,035
-	-	132,665
10,642	209,272	17,986,541
-	3,117	2,640,131
-	-	54,775
-	-	9,220
-	58	1,797,326
-	2,814	2,283,361
<u>366,454</u>	<u>3,079,228</u>	<u>45,736,756</u>
-	-	5,414,673
-	-	9,523,279
-	-	9,572,262
-	-	673,046
-	-	9,517,148
-	-	1,988,447
-	-	384,103
-	515,884	856,433
-	<u>515,884</u>	<u>37,929,391</u>
199,466	-	291,245
81,365	-	271,112
6,986	-	6,986
-	-	247,011
-	-	3,079
-	-	237,980
<u>287,817</u>	<u>-</u>	<u>1,057,413</u>
-	1,981,756	1,981,756
-	650,280	650,326
-	<u>2,632,036</u>	<u>2,632,082</u>
<u>287,817</u>	<u>3,147,920</u>	<u>41,618,886</u>
78,637	(68,692)	4,117,870
-	220,500	220,500
-	-	11,210
-	-	92,930
-	<u>220,500</u>	<u>324,640</u>
78,637	151,808	4,442,510
2,666,584	2,849,176	40,510,235
-	-	46,719
<u>\$ 2,745,221</u>	<u>\$ 3,000,984</u>	<u>\$ 44,999,464</u>

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**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, 2015**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 4,442,510

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	\$ 4,551,091	
Net Book Value of Capital Assets Disposed	(21,263)	
Current Year Depreciation	<u>(3,548,112)</u>	981,716

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,098,968)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. (323,150)

Debt 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:

Capital Lease Proceeds	(11,210)	
Loan Proceeds	<u>(220,500)</u>	(231,710)

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	126,756	
Capital Lease	165	
General Obligation Bonds	<u>1,855,000</u>	1,981,921

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	25,623	
Amortization of Deferred Outflows of Resources	(103,441)	
Amortization of Premiums and Discounts	(8,696)	
Change in Accrued Compensated Absences	(91,540)	
Change in Other Postemployment Benefits Payable	(1,557,164)	
Change in Inventories	<u>46,719</u>	<u>(1,688,499)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,063,820

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	Agency
ASSETS	
Cash and Pooled Investments	\$ 1,321,725
LIABILITIES	
Funds Held in Trust	\$ 542,732
Accounts Payable	547
Due to Other Governments	778,446
Total Liabilities	\$ 1,321,725

See accompanying Notes to Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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, 2015. 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) provide services pursuant to Minnesota Statutes §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 7.B. The County also participates in jointly-governed organizations which are described in Note 7.C.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government. 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 funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. 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, 2015, 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.

Detailed information about the external investment pool is available in a separately-issued MAGIC fund financial report. That report may be obtained on the internet at www.magicfund.org; by writing to MAGIC at 800 Nicollet Mall, Suite #2710, Minneapolis, Minnesota, 55402; or by calling (612) 371-3720 or 1-800-731-7150.

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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. 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 and balance sheet 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 activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

8. Deferred Inflows of Resources

The County's governmental fund and government-wide 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 two types of items which occur relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 90 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities as described in Note 4 to the financial statements.

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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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 by 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, 2015, the required minimum fund balance is \$13,208,118.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. 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 \$3,136,322 of restricted net position, of which \$2,180,324 is restricted by enabling legislation.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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, 2015:

	Actual	Budget	Excess
Sewer Improvements	\$ 581,624	\$ 400,000	\$ 181,624

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

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

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, 2015, 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;

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

- (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;
- (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, 2015, 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	\$ 1,810,426	\$ -	\$ 1,018,361	\$ 792,065	\$ -
Federal Farm Credit Bank	149,149	149,149	-	-	-
Fannie Mae	2,304,238	-	1,042,628	985,872	275,738
Municipal Bonds	19,146,882	5,852,211	8,610,183	3,343,523	1,340,965
Money Markets	1,062,647	1,062,647	-	-	-
MAGIC Fund	6,274,346	6,274,346	-	-	-
Negotiable Certificates of Deposit	11,022,189	3,408,392	7,128,155	485,642	-
Total	<u>\$ 41,769,877</u>	<u>\$ 16,746,745</u>	<u>\$ 17,799,327</u>	<u>\$ 5,607,102</u>	<u>\$ 1,616,703</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015:

Investment Type	S&P/Moody's Rating	Fair Value
Money Markets	NR	\$ 1,062,647
Municipal Bonds	AAA - Aaa	5,230,397
Municipal Bonds	Aa3 - AA	12,048,950
Municipal Bonds	A+ - A-	1,270,836
Municipal Bonds	NR	596,699
Negotiable Certificates of Deposit	NR	11,022,189
Fannie Mae	AA+	2,304,238
MN Association of Governments Investing for Counties (MAGIC) Fund	NR	6,274,346
Federal Home Loan Bank	AA+	1,810,426
Federal Farm Credit Bank	AAA	149,149
Totals		<u>\$ 41,769,877</u>

NR - Not Rated

At December 31, 2015, 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 \$2,225, declined from an original credit rating of AA- to NR 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, 2015, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 category that represent five percent or more of the County's investments are:

Issuer	Reported Amount	Percentage
Municipal Bonds	\$ 19,146,882	45.8 %
Negotiable Certificates of Deposit	11,022,189	26.4
MN Association of Governments Investing for Counties (MAGIC) Fund	6,274,346	15.0
Fannie Mae	2,304,238	5.5
Total	<u>\$ 38,747,655</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, 2015 consisted of:

Deposits	\$ 1,438,166
Petty Cash and Change Funds	1,360
Investments	<u>41,769,877</u>
Total	<u>\$ 43,209,403</u>

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

Cash and Pooled Investments	\$ 41,849,349
Petty Cash and Change Funds	1,360
Restricted Cash	29,687
Cash with Escrow Agent	7,282
Agency Fund Cash and Investments	<u>1,321,725</u>
Total	<u>\$ 43,209,403</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, 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	\$ 418,803	\$ -
Special Assessments	248,157	219,795
Accounts	145,866	-
Notes	70,800	55,400
Interest	645,697	-
Loans	839,682	666,765
Due from Other Governments	3,537,396	-
	<u>5,906,401</u>	<u>941,960</u>
Total Governmental Activities, Net	<u>\$ 5,906,401</u>	<u>\$ 941,960</u>

3. Loans and Notes Receivable

The County has made various 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, 2015:

	Beginning Balance	Additional Loans Made	Collections	Ending Balance
Sewer Improvement Loans	\$ 1,074,050	\$ 325,000	\$ 559,368	\$ 839,682
Notes Receivable	86,200	-	15,400	70,800
Total	<u>\$ 1,160,250</u>	<u>\$ 325,000</u>	<u>\$ 574,768</u>	<u>\$ 910,482</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 5,982,209	\$ -	\$ -	\$ 5,982,209
Right of Way	10,526,575	12,968	-	10,539,543
Construction in Progress	1,914,379	4,350,642	6,001,723	263,298
Total Capital Assets, Not Depreciated	<u>18,423,163</u>	<u>4,363,610</u>	<u>6,001,723</u>	<u>16,785,050</u>
Capital Assets Being Depreciated				
Buildings	32,754,485	-	-	32,754,485
Buildings Improvements	3,700,525	-	-	3,700,525
Improvements Other Than Building	1,121,383	-	-	1,121,383
Machinery, Furniture, Equipment, and Vehicles	9,441,065	1,269,782	365,596	10,345,251
Software	246,679	-	-	246,679
Infrastructure	118,062,592	4,919,422	388,918	122,593,096
Total Capital Assets Being Depreciated	<u>165,326,729</u>	<u>6,189,204</u>	<u>754,514</u>	<u>170,761,419</u>
Less: Accumulated Depreciation for				
Buildings	6,498,288	655,659	-	7,153,947
Buildings Improvements	262,992	148,403	-	411,395
Improvements Other Than Building	348,196	48,951	-	397,147
Machinery, Furniture, Equipment, and Vehicles	6,589,079	574,115	365,596	6,797,598
Software	87,925	65,600	-	153,525
Infrastructure	45,326,429	2,055,384	367,655	47,014,158
Total Accumulated Depreciation	<u>59,112,909</u>	<u>3,548,112</u>	<u>733,251</u>	<u>61,927,770</u>
Total Capital Assets, Depreciated, Net	<u>106,213,820</u>	<u>2,641,092</u>	<u>21,263</u>	<u>108,833,649</u>
Governmental Activities Capital Assets, Net	<u>\$ 124,636,983</u>	<u>\$ 7,004,702</u>	<u>\$ 6,022,986</u>	<u>\$ 125,618,699</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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	\$ 773,637
Public Safety	309,538
Highways and Streets, Including Infrastructure	2,342,639
Sanitation	27,966
Human Services	1,472
Culture and Recreation	91,917
Conservation of Natural Resources	<u>943</u>
Depreciation Expense - Governmental Activities	<u><u>\$ 3,548,112</u></u>

B. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2015. The projects include the following:

	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 4,693,234	\$ 91,608

2. 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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. 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 (\$676 per month) or family (\$1,767 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2015, there was one participant in this plan at a cost of \$21,206 for the full year and one participant in this plan at a cost of \$4,825 for a partial year.
- (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 2015, there were twenty-eight participants in the plan at a cost of \$360,909 for the full year and eight participants in this plan at a cost of \$41,521 for a partial year.
- (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 2015, there was one participant in the plan at a cost of \$19,200.
- (4) When retirees reach the age of 65 they may join a Medicare Supplement and Medicare RX plan. The County will pay for the cost of the plan. If the retiree was a less than full-time employee, the cost of the plan will be prorated between the County and the retiree. There were 130 retirees enrolled at a cost of \$338,761.

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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Other Postemployment Benefits (Continued)

b) Annual OPEB Cost and Net OPEB Obligation

A County'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)	\$ 2,639,492
Interest on Net OPEB Obligation	389,913
Adjustment to Annual Required Contribution	<u>(552,770)</u>
Annual OPEB Cost (Expense)	2,476,635
Contributions Made	(919,471)
Net OPEB Obligation - Beginning of Year	<u>9,747,820</u>
 Net OPEB Obligation, End of Year	 <u><u>\$ 11,304,984</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 2015 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, 2015	\$ 2,476,635	\$ 919,471	37.1 %	\$ 11,304,984
December 31, 2014	2,227,524	1,027,728	46.1	9,747,820
December 31, 2013	2,263,269	1,080,015	47.7	8,548,024

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. 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, 2014	\$ -	\$ 22,756,429	\$ 22,756,429	- %	\$ 12,407,632	183.4 %

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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

2. Other Postemployment Benefits (Continued)

d) Actuarial Methods and Assumptions (Continued)

In the County's January 1, 2014 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, 2015 was 19 years.

3. 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, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

3. 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.

Capital Lease Payable

During 2015, the County entered into a capital lease for two Lanier copiers. The five year leases totaled \$11,210 and are payable through November of 2020.

At December 31, 2015, the County had total assets under capital lease of \$11,210 with the related accumulated depreciation of \$374.

Debt Summary

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
Loans Payable:					
2004 Septic Loans	2024	\$2,500 - \$14,736	- %	\$ 124,712	\$ -
2005 Septic Loans	2025	\$2,500 - \$5,400	-	54,000	-
2006 Septic Loans	2025	\$2,500 - \$5,400	-	60,000	39,419
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
2014 Septic Loans	2026	\$2,500 - \$5,400	-	325,000	325,000
2014 Septic Loans	2026	\$2,500 - \$9,140	-	220,500	220,500
Total Loans Payable				1,704,351	1,505,058
Bonds:					
General Obligation Taxable					
Jail Bonds, Series 2009A	2022	\$425,000 - \$1,560,000	1.25%-5.4%	16,660,000	9,060,000
Capital Improvement Plan Bonds, 2012A	2028	\$615,000 - \$715,000	1.5%-2.7%	9,955,000	8,225,000
Total Bonds Payable				26,615,000	17,285,000
Capital Lease Payable:					
2015 Copier Leases	2020	\$165 - \$2,361	5%	11,210	11,045
Total Long-Term Debt				\$ 28,330,561	\$ 18,801,103

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

3. Long-Term Debt (Continued)

Debt Service Requirements

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

Year Ending December 31	State Loans		Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 126,756	\$ -	\$ 1,900,000	\$ 583,513
2017	146,354	-	1,950,000	511,418
2018	112,796	-	2,000,000	434,513
2019	112,139	-	2,055,000	353,875
2020	140,638	-	2,110,000	269,245
2021-2025	444,139	-	5,180,000	517,558
2026-2028	24,492	-	2,090,000	83,176
Totals	<u>\$ 1,107,314</u>	<u>\$ -</u>	<u>\$ 17,285,000</u>	<u>\$ 2,753,297</u>

Year Ending December 31	Capital Leases	
	Principal	Interest
2016	\$ 2,032	\$ 506
2017	2,136	402
2018	2,246	293
2019	2,361	178
2020	2,270	57
Totals	<u>\$ 11,045</u>	<u>\$ 1,436</u>

Loans payable of \$397,744 do not have fixed amortization schedules at December 31, 2015, and are not included in the table above.

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 1,411,314	\$ 220,500	\$ 126,756	\$ 1,505,058	\$ 175,707
Bonds Payable	19,140,000	-	1,855,000	17,285,000	1,900,000
Unamortized Discount	(93,780)	-	(13,239)	(80,541)	-
Unamortized Premium	59,450	-	4,544	54,906	-
Leases Payable	-	11,210	165	11,045	2,032
Compensated Absences	1,104,402	1,137,949	1,046,409	1,195,942	72,374
Other Postemployment Benefits Payable	9,747,820	2,476,635	919,471	11,304,984	-
Long-Term Liabilities	<u>\$ 31,369,206</u>	<u>\$ 3,846,294</u>	<u>\$ 3,939,106</u>	<u>\$ 31,276,394</u>	<u>\$ 2,150,113</u>

The bonds payable are liquidated by the Nonmajor Bond Fund, loans payable are liquidated by the Nonmajor Sewer Improvements Fund, and the leases payable, 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, 2015**

NOTE 4 PENSION PLANS

A. Pension Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the County are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

3. Public Employees Correctional Fund (PECF)

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

B. Benefits Provided

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

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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

1. GERS Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

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

3. PECF Benefits

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The County's contributions to the GERF for the year ended December 31, 2015, were \$726,621. The County's contribution was equal to the required contribution as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The County was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The County's contributions to the PEPFF for the year ended December 31, 2015, were \$233,183. The County's contribution was equal to the required contribution as set by state statute.

3. PECF Contributions

In calendar year 2015 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2015. The County's contributions to the PECF for the year ended December 31, 2015, were \$114,921. The County's contribution was equal to the required contribution as set by state statute.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the County reported a liability of \$8,685,902 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, the County's portion was 0.1676%.

For the year ended December 31, 2015, the County recognized pension expense of \$988,700 for its proportionate share of GERF's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 437,917
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	822,254	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	507,330
County Contributions Subsequent to the Measurement Date	376,077	-
Total	<u>\$ 1,198,331</u>	<u>\$ 945,247</u>

\$376,077 is reported as deferred outflows of resources related to pensions resulting from the County's contributions to GERF subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERS Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

Year Ended June 30	County Pension Expenses Amount
2016	\$ (109,519)
2017	(109,519)
2018	(109,519)
2019	205,564

2. PEPFF Pension Costs

At December 31, 2015, the County reported a liability of \$1,840,699 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.162%.

For the year ended December 31, 2015, the County recognized pension expense of \$326,196 for its proportionate share of the PEPFF's pension expense. The County also recognized \$14,580 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 298,501
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	320,711	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	45,002	-
County Contributions Subsequent to the Measurement Date	116,548	-
Total	<u>\$ 482,261</u>	<u>\$ 298,501</u>

\$116,548 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ 29,478
2017	29,478
2018	29,478
2019	29,478
2020	(50,700)

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. PECF Pension Costs

At December 31, 2015, the County reported a liability of \$112,858 for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.730%.

For the year ended December 31, 2015, the County recognized pension expense of \$118,776 for its proportionate share of the PECF's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 43,209
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	94,075	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions County Contributions Subsequent to the Measurement Date	-	2,263
	55,653	-
Total	<u>\$ 149,728</u>	<u>\$ 45,472</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. PECF Pension Costs (Continued)

\$55,653 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ 8,361
2017	8,361
2018	8,361
2019	23,520

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
County's Proportionate Share of the GERF Net Pension Liability	\$ 13,657,325	\$ 8,685,902	\$ 4,580,270
County's Proportionate Share of the PEPF Net Pension Liability	3,587,542	1,840,699	397,503
County's Proportionate Share of the PECF Net Pension Liability	785,962	112,858	(425,897)

H. Pension Plan Fiduciary Net Position

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

NOTE 5 DEFINED CONTRIBUTION PLAN

County Commissioners of Mower County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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% 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% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED CONTRIBUTION PLAN (CONTINUED)

Total contributions made by the County during fiscal year 2015 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2015	\$ 7,931	\$ 7,931	5.0 %	5.0 %	5.0 %
2014	5,031	5,031	5.0	5.0	5.0
2013	4,932	4,932	5.0	5.0	5.0

NOTE 6 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 \$490,000 in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 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

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 2015, the County made no payments to the Collaborative.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

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 2015, Mower County paid \$89,262 to the Cooperative.

2. Southeast Minnesota Emergency Management Services (EMS)

The EMS provides various health services to several counties. During 2015, the County did not make any payments to the EMS.

3. Southeast Minnesota Recyclers Exchange (SEMREX)

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

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 \$3,000 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 2015, the County paid \$6,017 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 2015, the County paid \$436,136 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 \$4,500 to the Board during 2015.

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 did not make any payments to the Board during the year.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly-Governed Organizations (Continued)

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 \$1,000 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 did not make any payments to the Board during 2015.

11. Austin/Mower County Home Ownership Fund

The Austin/Mower County Home Ownership Fund (the 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. The County made no payments to the Fund during 2015.

NOTE 8 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)

A. Summary of Significant Accounting Policies (Continued)

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.

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	\$ 766,849
Restricted Assets:	
Deposits	24,255
Investments	836,205
Total Cash and Investments	<u>\$ 1,627,309</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, 2015, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

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;
- (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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Restricted Investments

At September 30, 2015, the HRA had the following restricted investments:

	At Estimated Market Value
Held in Escrow at the MHFA	\$ 848,501

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 \$7,384 and \$8,113 for the years ended September 30, 2015 and 2014, respectively.

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	\$ 739,643
Tenant Deposit Cash	27,206
Restricted Assets	860,460
Total	\$ 1,627,309

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated				
Equipment	\$ 3,120	\$ -	\$ -	\$ 3,120
Accumulated Depreciation for:				
Equipment	3,120	-	-	3,120
Total Capital Assets, Being Depreciated, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:				
Capital Asset, Not Being Depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated				
Land Improvements	350,609	30,723	-	381,332
Buildings	4,313,049	43,212	-	4,356,261
Furnishings	458,341	86,314	-	544,655
Maintenance Equipment	40,250	2,636	-	42,886
Total Capital Assets Being Depreciated	<u>5,162,249</u>	<u>162,885</u>	<u>-</u>	<u>5,325,134</u>
Accumulated Depreciation for:				
Land Improvements	285,004	14,265	-	299,269
Buildings	2,861,469	115,387	-	2,976,856
Furnishings	354,164	14,867	-	369,031
Maintenance Equipment	25,794	8,535	-	34,329
Total Accumulated Depreciation	<u>3,526,431</u>	<u>153,054</u>	<u>-</u>	<u>3,679,485</u>
Total Capital Assets, Being Depreciated, Net	<u>1,635,818</u>	<u>9,831</u>	<u>-</u>	<u>1,645,649</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,678,122</u>	<u>\$ 9,831</u>	<u>\$ -</u>	<u>\$ 1,687,953</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 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:

Business-Type Activities	
Housing	<u>\$ 153,054</u>

2. Liabilities

Long-Term Debt

Long-term debt outstanding at September 30, 2015, 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	\$ 260,301	\$ 44,665
Mortgage Payable	2024	8.75	123,000	51,641	4,023
	Total		<u>\$ 998,870</u>	<u>\$ 311,942</u>	<u>\$ 48,688</u>

Debt Service Requirements

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

Year Ending December 31	Mortgages Payable	
	Principal	Interest
2016	\$ 48,688	\$ 19,925
2017	52,046	16,567
2018	55,638	12,975
2019	59,479	9,134
2020	63,589	5,024
2021-2024	32,502	4,909
Totals	<u>\$ 311,942</u>	<u>\$ 68,534</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 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, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgages Payable	\$ 357,226	\$ -	\$ 45,284	\$ 311,942	\$ 48,688
Compensated Absences	33,983	20,898	19,000	35,881	15,000
Long-Term Liabilities	<u>\$ 391,209</u>	<u>\$ 20,898</u>	<u>\$ 64,284</u>	<u>\$ 347,823</u>	<u>\$ 63,688</u>

NOTE 9 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 County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE 10 CHANGE IN ACCOUNTING PRINCIPLE

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

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability	Deferred Outflow of Resources for County Contributions Made to the Plans During Measurement Period (7/1/14 - 12/31/14)	Net Position As Restated
Governmental Activities	\$ 137,180,647	\$ (10,303,201)	\$ 527,992	\$ 127,405,438

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**MOWER COUNTY
AUSTIN, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS
YEAR ENDED DECEMBER 31, 2015**

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, 2014	\$ -	\$ 22,756,429	\$ 22,756,429	- %	\$ 12,407,632	183.4 %
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

Notes to Schedule of Funding Progress

Mower 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.

Mower County implemented Governmental Accounting Standards Board Statement 45 in the fiscal year ended December 31, 2008. Information for prior years is not available.

In the January 2014 actuarial valuation, there were some changes to key assumptions which caused a decrease in the Actuarial Accrued Liability (AAL) from the January 2012 valuation report. There was a decrease in the current year medical trend rate, from 8.1 percent in the January 2012 report to 7.5 percent in the January 2014 report. There was also a decrease in the years to ultimate trend rate, from 12 years in the January 2012 report to ten years in the January 2014 report.

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,807,312	\$ 10,807,312	\$ 10,763,890	\$ (43,422)
Special Assessments	329,770	329,770	351,106	21,336
Licenses and Permits	39,140	39,140	60,204	21,064
Intergovernmental	2,133,742	2,182,742	2,655,962	473,220
Charges for Services	1,081,884	1,081,884	1,561,708	479,824
Fines and Forfeits	40,400	40,400	52,975	12,575
Gifts and Contributions	6,000	6,000	9,220	3,220
Investments Earnings	653,925	653,925	1,796,214	1,142,289
Miscellaneous	1,981,092	1,981,092	1,357,159	(623,933)
Total Revenues	17,073,265	17,122,265	18,608,438	1,486,173
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	264,925	264,925	241,457	23,468
Courts	92,000	92,000	110,127	(18,127)
Law Library	38,480	38,480	24,957	13,523
County Administration	1,064,733	1,056,733	555,408	501,325
County Auditor-Treasurer	319,517	319,517	296,371	23,146
County Assessor	509,753	509,753	489,098	20,655
Elections	44,876	44,876	59,345	(14,469)
Auditing	75,000	83,000	89,830	(6,830)
Information Systems	654,375	654,375	610,306	44,069
Attorney	882,658	882,658	945,422	(62,764)
Recorder	491,552	631,552	520,741	110,811
Buildings and Plant	828,959	856,959	696,331	160,628
Veterans Service	165,265	167,265	153,041	14,224
Other General Government	902,498	712,560	622,239	90,321
Total General Government	6,334,591	6,314,653	5,414,673	899,980

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (Continued)				
CURRENT (Continued)				
PUBLIC SAFETY				
Sheriff	\$ 2,533,935	\$ 2,533,935	\$ 2,498,759	\$ 35,176
E911	76,041	86,041	116,786	(30,745)
Coroner	82,700	82,700	70,978	11,722
County Jail	2,743,986	2,743,986	3,025,364	(281,378)
County Jail Canteen	128,140	128,140	132,402	(4,262)
Law Enforcement Center	1,645,874	1,645,874	1,501,670	144,204
Community Corrections	2,018,835	2,018,835	1,830,588	188,247
Sentence to Serve	58,156	58,156	59,211	(1,055)
Civil/Bailiff	201,138	201,138	170,520	30,618
Other Public Safety	76,775	76,775	117,001	(40,226)
Total Public Safety	9,565,580	9,575,580	9,523,279	52,301
SANITATION				
Solid Waste	590,882	590,882	673,046	(82,164)
CULTURE AND RECREATION				
Historical Society	34,765	34,765	34,765	-
Senior Citizens	43,400	43,400	43,400	-
Regional Library	250,680	250,680	243,685	6,995
Other	80,507	80,507	62,253	18,254
Total Culture and Recreation	409,352	409,352	384,103	25,249

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (Continued)				
CURRENT (Continued)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 167,037	\$ 167,037	\$ 163,551	\$ 3,486
Soil and Water Conservation	146,998	146,998	146,998	-
Fairgrounds	30,000	30,000	30,000	-
Total Conservation of Natural Resources	344,035	344,035	340,549	3,486
ECONOMIC DEVELOPMENT				
Development Corporation	14,913	14,913	-	14,913
CAPITAL OUTLAY				
General Government	114,300	155,300	91,779	63,521
Public Safety	160,600	346,414	189,747	156,667
Sanitation	400	400	1,330	(930)
Culture and Recreation	2,000	2,000	-	2,000
Total Capital Outlay	277,300	504,114	282,856	221,258
DEBT SERVICE				
Interest	-	-	46	(46)
Total Expenditures	17,536,653	17,753,529	16,618,552	1,134,977
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(463,388)	(631,264)	1,989,886	2,621,150
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	-	11,210	11,210
Proceeds from the Sale of Capital Assets	1,000	1,000	-	(1,000)
Total Other Financing Sources (Uses)	1,000	1,000	11,210	10,210
NET CHANGE IN FUND BALANCE	\$ (462,388)	\$ (630,264)	2,001,096	\$ 2,631,360
Fund Balance - Beginning of Year			25,461,240	
FUND BALANCE - END OF YEAR			\$ 27,462,336	

The Notes to 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,475,661	\$ 2,475,661	\$ 2,738,005	\$ 262,344
Licenses and Permits	44,000	44,000	72,461	28,461
Intergovernmental	13,007,185	8,143,983	8,023,292	(120,691)
Charges for Services	342,000	87,000	60,401	(26,599)
Fines and Forfeits	-	-	1,800	1,800
Miscellaneous	755,500	608,500	310,813	(297,687)
Total Revenues	<u>16,624,346</u>	<u>11,359,144</u>	<u>11,206,772</u>	<u>(152,372)</u>
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	593,118	593,118	556,198	36,920
Maintenance	2,447,728	2,447,728	2,358,688	89,040
Construction	12,434,015	5,946,552	5,619,974	326,578
Equipment and Maintenance Shops	977,479	827,479	829,389	(1,910)
Buildings and Grounds	161,952	161,952	208,013	(46,061)
Total Current	<u>16,614,292</u>	<u>9,976,829</u>	<u>9,572,262</u>	<u>404,567</u>
CAPITAL OUTLAY				
Highway and Streets	470,100	795,810	245,681	550,129
Environmental Services	239,954	239,954	237,980	1,974
Total Capital Outlay	<u>710,054</u>	<u>1,035,764</u>	<u>483,661</u>	<u>552,103</u>
Total Expenditures	<u>17,324,346</u>	<u>11,012,593</u>	<u>10,055,923</u>	<u>956,670</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(700,000)	346,551	1,150,849	804,298
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	<u>100,000</u>	<u>100,000</u>	<u>92,930</u>	<u>(7,070)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (600,000)</u>	<u>\$ 446,551</u>	<u>1,243,779</u>	<u>\$ 797,228</u>
Fund Balance - Beginning of Year			7,207,093	
CHANGE IN INVENTORIES			<u>46,719</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,497,591</u>	

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

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,843,592	\$ 3,843,592	\$ 3,759,957	\$ (83,635)
Intergovernmental	5,773,471	5,773,471	7,087,373	1,313,902
Charges for Services	1,760,200	1,760,200	1,014,905	(745,295)
Investments Earnings	-	-	1,054	1,054
Miscellaneous	<u>855,172</u>	<u>855,172</u>	<u>612,575</u>	<u>(242,597)</u>
Total Revenues	12,232,435	12,232,435	12,475,864	243,429
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	3,776,806	3,776,806	3,490,823	285,983
Social Services	<u>6,365,023</u>	<u>6,365,023</u>	<u>6,026,325</u>	<u>338,698</u>
Total Human Services	10,141,829	10,141,829	9,517,148	624,681
HEALTH				
Health	2,088,106	2,088,106	1,988,447	99,659
CAPITAL OUTLAY				
Human Services	<u>2,500</u>	<u>2,500</u>	<u>3,079</u>	<u>(579)</u>
Total Expenditures	<u>12,232,435</u>	<u>12,232,435</u>	<u>11,508,674</u>	<u>723,761</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	967,190	<u>\$ 967,190</u>
Fund Balance - Beginning of Year			<u>2,326,142</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,293,332</u>	

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015**

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, 2015:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
Sewer Improvements	\$ 581,624	\$ 400,000	\$ 181,624

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

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2015**

	Measurement Date June 30, 2015
GERF	
County's Proportion of the Net Pension Liability	0.168%
County's Proportionate Share of the Net Pension Liability	\$ 8,685,902
County's Covered-Employee Payroll	\$ 10,475,290
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	82.92%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%
PEPFF	
County's Proportion of the Net Pension Liability	0.162%
County's Proportionate Share of the Net Pension Liability	\$ 1,840,699
County's Covered-Employee Payroll	\$ 1,506,793
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	122.16%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	86.60%
PECF	
County's Proportion of the Net Pension Liability	0.730%
County's Proportionate Share of the Net Pension Liability	\$ 112,858
County's Covered-Employee Payroll	\$ 1,348,969
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	8.37%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.90%

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS
DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
GERF		
Contractually Required Contribution	\$ 726,621	\$ 692,722
Contributions in Relation to the Contractually Required Contribution	<u>(726,621)</u>	<u>(692,722)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 9,688,280	 \$ 9,554,786
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
PEPFF		
Contractually Required Contribution	\$ 233,183	\$ 207,479
Contributions in Relation to the Contractually Required Contribution	<u>(233,183)</u>	<u>(207,479)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 1,439,401	 \$ 1,356,072
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 15.30%
PECF		
Contractually Required Contribution	\$ 114,921	\$ 115,046
Contributions in Relation to the Contractually Required Contribution	<u>(114,921)</u>	<u>(115,046)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 County's Covered-Employee Payroll	 \$ 1,313,383	 \$ 1,314,811
 Contributions as a Percentage of Covered Employee Payroll	 8.75%	 8.75%

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SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
DECEMBER 31, 2015**

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.

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**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Ditch	Sewer Improvements	Bond Fund	Total Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 607,510	\$ 1,126,304	\$ 384,846	\$ 2,118,660
Taxes Receivable - Delinquent	-	-	55,442	55,442
Special Assessments Receivable - Current	162	1,401	-	1,563
Special Assessments Receivable - Delinquent	1,446	-	-	1,446
Special Assessments Receivable - Noncurrent	30,000	-	-	30,000
Loans Receivable	-	839,682	-	839,682
Due from Other Governments	2,814	-	-	2,814
Restricted Investments - Temporary	-	29,687	-	29,687
Total Assets	<u>\$ 641,932</u>	<u>\$ 1,997,074</u>	<u>\$ 440,288</u>	<u>\$ 3,079,294</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Other Governments	\$ 1,603	\$ -	\$ -	\$ 1,603
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	-	-	46,307	46,307
Unavailable Special Assessments	30,400	-	-	30,400
Total Deferred Inflows of Resources	30,400	-	46,307	76,707
FUND BALANCES				
Restricted For				
Ditch Projects	609,929	-	-	609,929
Sewer Improvements	-	696,415	-	696,415
Debt Service	-	665,376	393,981	1,059,357
Assigned For				
Sewer Improvements	-	635,283	-	635,283
Total Fund Balance	<u>609,929</u>	<u>1,997,074</u>	<u>393,981</u>	<u>3,000,984</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 641,932</u>	<u>\$ 1,997,074</u>	<u>\$ 440,288</u>	<u>\$ 3,079,294</u>

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

	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 2,388,038	\$ 2,388,038
Special Assessments	197,097	278,832	-	475,929
Intergovernmental	-	-	209,272	209,272
Charges for Services	3,117	-	-	3,117
Interest on Investments	-	58	-	58
Miscellaneous	2,814	-	-	2,814
Total Revenues	<u>203,028</u>	<u>278,890</u>	<u>2,597,310</u>	<u>3,079,228</u>
EXPENDITURES				
CURRENT				
Conservation	61,016	454,868	-	515,884
DEBT SERVICE				
Principal	-	126,756	1,855,000	1,981,756
Interest	-	-	650,280	650,280
Total Debt Service	<u>-</u>	<u>126,756</u>	<u>2,505,280</u>	<u>2,632,036</u>
Total Expenditures	<u>61,016</u>	<u>581,624</u>	<u>2,505,280</u>	<u>3,147,920</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	142,012	(302,734)	92,030	(68,692)
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	-	220,500	-	220,500
NET CHANGE IN FUND BALANCES	142,012	(82,234)	92,030	151,808
Fund Balance - Beginning of Year	467,917	2,079,308	301,951	2,849,176
FUND BALANCE - END OF YEAR	<u>\$ 609,929</u>	<u>\$ 1,997,074</u>	<u>\$ 393,981</u>	<u>\$ 3,000,984</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 135,000	\$ 135,000	\$ 197,097	\$ 62,097
Charges for Services	-	-	3,117	3,117
Miscellaneous	-	-	2,814	2,814
Total Revenues	<u>135,000</u>	<u>135,000</u>	<u>203,028</u>	<u>68,028</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	<u>186,653</u>	<u>186,653</u>	<u>61,016</u>	<u>125,637</u>
NET CHANGE IN FUND BALANCE	<u>\$ (51,653)</u>	<u>\$ (51,653)</u>	142,012	<u>\$ 193,665</u>
Fund Balance - Beginning of Year			<u>467,917</u>	
FUND BALANCE - END OF YEAR			<u>\$ 609,929</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SEWER IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 190,000	\$ 200,000	\$ 278,832	\$ 78,832
Investments Earnings	-	-	58	58
Total Revenues	<u>190,000</u>	<u>200,000</u>	<u>278,890</u>	<u>78,890</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	190,000	230,000	454,868	(224,868)
DEBT SERVICE				
Principal	<u>170,000</u>	<u>170,000</u>	<u>126,756</u>	<u>43,244</u>
Total Expenditures	<u>360,000</u>	<u>400,000</u>	<u>581,624</u>	<u>(181,624)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(170,000)	(200,000)	(302,734)	(102,734)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	<u>170,000</u>	<u>170,000</u>	<u>220,500</u>	<u>50,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (30,000)</u>	(82,234)	<u>\$ (52,234)</u>
Fund Balance - Beginning of Year			<u>2,079,308</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,997,074</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 97,331	\$ 891,162	\$ 888,711	\$ 99,782
LIABILITIES				
Due to Other Governments	\$ 97,331	\$ 891,162	\$ 888,711	\$ 99,782
FAMILY CONNECTIONS COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 541,587	\$ 372,825	\$ 392,634	\$ 521,778
LIABILITIES				
Accounts Payable	\$ 2,575	\$ 547	\$ 2,575	\$ 547
Salaries Payable	10,442	-	10,442	-
Due to Other Governments	528,570	372,278	379,617	521,231
Total Liabilities	\$ 541,587	\$ 372,825	\$ 392,634	\$ 521,778
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 1,024,583	\$ 47,639,767	\$ 48,121,618	\$ 542,732
LIABILITIES				
Funds Held in Trust	\$ 1,024,583	\$ 47,639,767	\$ 48,121,618	\$ 542,732
SOCIAL WELFARE FUND				
ASSETS				
Cash and Pooled Investments	\$ 106,814	\$ 1,046,522	\$ 995,903	\$ 157,433
LIABILITIES				
Due to Other Governments	\$ 106,814	\$ 1,046,522	\$ 995,903	\$ 157,433
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,770,315	\$ 49,950,276	\$ 50,398,866	\$ 1,321,725
LIABILITIES				
Funds Held in Trust	\$ 1,024,583	\$ 47,639,767	\$ 48,121,618	\$ 542,732
Accounts Payable	2,575	547	2,575	547
Salaries Payable	10,442	-	10,442	-
Due to Other Governments	732,715	2,309,962	2,264,231	778,446
Total Liabilities	\$ 1,770,315	\$ 49,950,276	\$ 50,398,866	\$ 1,321,725

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Funds</u>
SHARED REVENUE	
State	
Highway Users Tax	\$ 6,915,387
County Program Aid	1,609,374
PERA Rate Reimbursement	54,812
Disparity Reduction Aid	152,491
Police Aid	174,134
Enhanced 911	118,766
Market Value Credit	350,733
Aquatic Invasive Species	9,462
	<hr/>
Total Shared Revenue	9,385,159
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	1,163,210
PAYMENTS	
LOCAL	
Payments in Lieu of Taxes	72,854
GRANTS	
STATE	
Minnesota Department/Board of	
Peace Officers Board	7,330
Corrections	298,924
Health	442,114
Human Services	1,610,056
Soil and Water Resources	9,358
Veteran's Affairs	10,000
Natural Resources	719,837
Public Safety	62,224
Pollution Control Agency	163,901
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Total State	3,323,744
FEDERAL	
Department of	
Agriculture	500,779
Commerce	401
Education	2,492
Justice	151,176
Transportation	10,771
Homeland Security	73,891
Health and Human Services	3,145,537
Internal Revenue Service	156,527
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Total Federal	4,041,574
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Total State and Federal Grants	7,365,318
	<hr/>
Total Intergovernmental Revenue	<u>\$ 17,986,541</u>

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



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

Board of County Commissioners
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, 2015, 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 19, 2016.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA) for the year ended September 30, 2015. Our reporting, described below, did not include the operations of the HRA because the HRA (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 questioned costs as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, and 2015-006, 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2015-007 to be a significant deficiency.

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 responses to the 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 the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 19, 2016

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

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 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, 2015. 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 (HRA), which expended \$370,933 in federal awards which are not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of the HRA because the HRA (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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-008 and 2015-009. 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 2015-008 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-009 to be a significant deficiency.

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 19, 2016

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**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support
93.778	Medical Assistance (Medicaid Cluster)

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

Auditee qualified as low-risk auditee? yes X no

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

FINANCIAL STATEMENT FINDINGS

2015-001 SEGREGATION OF DUTIES – VARIOUS DEPARTMENTS

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

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 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.*

2015-002 AUDIT ADJUSTMENTS

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

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, and corrections of modified accrual adjustments.

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, 2015**

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-002 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.*

2015-003 TIMELY DEPOSITS

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

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.*

2015-004 CONTROLS OVER INVESTMENT ACTIVITY

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

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 in the information presented to the Board and Board approval is not documented in the minutes.

Cause: Past practice.

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

FINANCIAL STATEMENT FINDING (CONTINUED):

2015-004 CONTROLS OVER INVESTMENT ACTIVITY (CONTINUED)

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.

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 2016.*

2015-005 BANK RECONCILIATIONS

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

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 2015. The reconciliations of January 2016 have not been completed as of the report date.

Cause: Lack of Personnel.

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 staff complete a precise and timely reconciliation of the County's bank accounts to its general ledger each month and the County document the review of these monthly reconciliations by the Finance Director.

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, 2015**

FINANCIAL STATEMENT FINDING (CONTINUED):

2015-006 JOURNAL ENTRY APPROVAL

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

Criteria: Standard internal controls suggest all journal entries performed be reviewed by someone other than the preparer.

Condition and Context: During testing of five journal entries, it was noted that one did not have proper review documented.

Cause: Oversight.

Possible Effect: The design of the controls over the journal entry process would affect the ability of the County to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

Recommendation: We recommend County management review the controls over the journal entry process and ensure journal entries are being reviewed by someone other than the preparer.

CLIENT RESPONSE:

The County will review the journal entry procedures and ensure they are being properly followed.

2015-007 BUDGET RECONCILIATION

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

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 2015.

Cause: Oversight.

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.*

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-008

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

Federal Program: Temporary Assistance for Needy Families (Part of TANF Cluster)

CFDA Number: 93.558

Pass Through Agency: Minnesota Department of Human Services

Pass Through Numbers: 1502MNTANF, 1601MNTANF

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

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

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

Condition and Context: During our testing of compliance over eligibility requirements for the program, one of forty applications tested was for a recertification where the proper form was not completed and signed as required. The County's controls over compliance did not prevent or detect this noncompliance.

Questioned Costs: None noted in files tested.

Cause: Oversight.

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

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

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

Actions Planned in Response to the Finding: The Health and Human Services department will implement additional procedures to ensure all applications are properly completed and have appropriate signatures.

Responsible Party: Todd Lysne, Income Maintenance Supervisor

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

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

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

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2015-009

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

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

CFDA Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Pass Through Numbers: 1505MN5ADM, 1605MN5ADM

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

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

Criteria: Standard internal control procedures suggest County personnel review all applications to ensure they have proper agency approval over eligibility documented to receive benefits. The compliance requirements require the agency to properly document approval over the eligibility determination.

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

Questioned Costs: None.

Cause: Oversight.

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

Recommendation: We recommend the County take proper steps to ensure agency approval over eligibility determinations is properly documented.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

Actions Planned in Response to the Finding: The Health and Human Services department will implement additional procedures to ensure all applications have appropriate documentation as required.

Responsible Party: Todd Lysne, Income Maintenance Supervisor

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

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

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

PREVIOUSLY REPORTED ITEM RESOLVED

Comment Reference	Comment Title	Status	If not Corrected, Provided Planning Corrective Action or Other Explanation
2014-001	Segregation of Duties	Not Corrected	See Current Year Finding 2015-001
2014-002	Audit Adjustments	Not Corrected	See Current Year Finding 2015-002
2014-003	Timely Deposits	Not Corrected	See Current Year Finding 2015-003
2014-004	Controls Over Investment Activity	Not Corrected	See Current Year Finding 2015-004
2014-005	Bank Reconciliation	Not Corrected	See Current Year Finding 2015-005
2014-006	Journal Entry Approval	Not Corrected	See Current Year Finding 2015-006
2014-007	Budget Reconciliation	Not Corrected	See Current Year Finding 2015-007
2014-008	93.778: Lack of Review of Casefiles	Corrected	N/A
	93.778: Eligibility Compliance		
2014-009	Requirements over Citizenship	Corrected	N/A
	93.558: Lack of Controls over		
2014-010	Signature on Application Form	Corrected	N/A
	93.558: Eligibility Compliance		
2014-011	Requirements over Citizenship	Corrected	N/A

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Grant Award numbers	Expenditures	Passed to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN101S2514	\$ 268,552	\$ -
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children Total Department of Agriculture	10.557	Not Provided	<u>232,227</u> 500,779	<u>-</u> -
U.S. Department of Commerce				
Passed Through Southeast Regional Radio Board State and Local Implementation Grant Program	11.549	Not Provided	401	-
U.S. Department of Justice				
Passed Through Southeast Regional Radio Board Bulletproof Vest Partnership Program	16.607	Not Provided	602	-
Direct Supervised Visitation, Safe Havens for Children Total Department of Justice	16.527	N/A	<u>150,574</u> 151,176	<u>-</u> -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Park of Highway Planning and Construction Cluster)	20.205	276615180MS301	10,771	-
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education-Grants for Infants and Families	84.181	H18A150029	2,492	-
U.S. Department of Health and Human Services				
Passed Through National Association of County Health Officers Medical Reserve Corps Small Grant Program	93.008	Not Provided	3,500	-
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	U90TP000529	31,566	-
Immunization Cooperative Agreements	93.268	Not Provided	3,375	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	225	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC23539	181,251	-
Temporary Assistance for Needy Families (Total TANF Program Cluster 93.558 \$503,984)	93.558	20156996115	50,814	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	47,358	-

The Notes to 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, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Grant Award numbers	Expenditures	Passed to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1601MNFPS	\$ 15,112	\$ -
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$503,984)	93.558	1502MNTANF, 1601MNTANF	453,170	453,170
Child Support Enforcement	93.563	1504MNCSES, 1604MNCEST, 1604MNCSES	880,253	-
Refugee and Entrant Assistance-State Administered Programs	93.566	1501MNRCA, 1601MNRCA	430	-
Child Care and Development Block Grant	93.575	G1501MNCCDF, G1601MNCCDF	19,757	-
Community-Based Child Abuse Prevention Grants	93.590	G-1402MNFRPG	6,750	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1501MNCWSS	9,960	-
Foster Care Title IV-E	93.658	1501MNFOST, 1601MNFOST	205,220	-
Social Services Block Grant	93.667	G-1501MNSOSR, G-1601MNSOSR	246,298	-
Chafee Foster Care Independence Program	93.674	G-1501MNCILP, G-1601MNCILP	2,315	-
Children's Health Insurance Program	93.767	05-1505MN1081, 05-1505MN5021	113	-
Medical Assistance Program (Medicaid Cluster)	93.778	05-1505MN5ADM, 05-1505MN5MAP, 05-1605MN5ADM, 05-1605MN5MAP	1,008,876	-
Total Department of Health and Human Services			3,166,343	453,170
U.S. Department of Homeland Security				
Passed Through United Way of America Emergency Food and Shelter National Board Program	97.024	32-4859-18-005	1,000	-
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grant	97.042	16AC-ATEL	26,000	-
Homeland Security Grant Program	97.067	AEMP6-2015	9,995	-
Total Department of Homeland Security			36,995	-
Total Cash Type Federal Awards			\$ 3,868,957	\$ 453,170

The Notes to 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, 2015**

1. Reporting Entity

The schedule of expenditures of federal awards presents the activities of federal award programs expended by Mower County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 4,041,574
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures (Build America Bonds Interest Refund)	(156,527)
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(50,190)
Expenditures above, not included as revenues on the Schedule of Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	34,100
Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,868,957

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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, Minnesota (the County), as of December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 19, 2016.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), for the year ended September 30, 2015. Our audit, described below, did not include the operations of the HRA because the HRA (component unit) engaged for its own separate audit that included provisions of the *Minnesota Legal Compliance Audit Guide for Counties*.

The *Minnesota Legal Compliance Audit Guide for Counties*, 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 Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Mower County, Minnesota's noncompliance with the above referenced provisions.

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 Counties* 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 19, 2016

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