

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2014**

## **Description of the Office of the State Auditor**

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Year Ended December 31, 2014**



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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE  
LAC QUI PARLE COUNTY  
2014**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Todd Patzer	January 2017
2nd District	DeRon Brehmer	January 2018
3rd District	Graylen Carlson	January 2017
4th District	Terrence Overlander*	January 2018
5th District	Roy Marihart**	January 2017
<b>Officers</b>		
<b>Elected</b>		
Attorney	Richard Stulz	January 2018
Sheriff	Rick Halvorson	January 2018
<b>Appointed</b>		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2015
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Sam Muntean	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
<b>Welfare Board</b>		
Commissioner	Todd Patzer	January 2017
Commissioner	DeRon Brehmer	January 2019
Commissioner	Graylen Carlson	January 2017
Commissioner	Terrence Overlander	January 2019
Commissioner	Roy Marihart	January 2017
Member	Ann Jenson	July 2015
Member	Mary Wodrich	July 2016
Director	Joel Churness	Indefinite

\*Chair 2014

\*\*Chair 2015

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE  
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
BOARD OF MANAGERS  
2014**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Manager		
Chair	Darrel Ellefson	March 2015
Vice Chair*	Joe Ferguson	March 2015
Treasurer	David Ludvigson	March 2017
Secretary	David Craigmile	March 2016
Publicity Chair	John Cornell	March 2015
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite
Clean Water Coordinator	Mary Homan	Indefinite

\*Willis Beecher retired as of December 1, 2014, and Joe Ferguson was appointed on December 9, 2014, to fill out the remainder of the term.



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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Lac qui Parle County  
Madison, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lac qui Parle Economic Development Authority (EDA), which is a component unit and represents 7 percent, 4 percent, and 31 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lac qui Parle County EDA component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2014, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lac qui Parle County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2015, on our consideration of Lac qui Parle County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lac qui Parle County’s internal control over financial reporting and compliance. It does not include the Lac qui Parle County EDA, which was audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 23, 2015

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net position is \$56,865,299, of which \$48,741,988 represents investment in capital assets, and \$2,046,930 is restricted to specific purposes. The \$6,076,381 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$946,423 for the year ended December 31, 2014. A large part of the increase is attributable to the County's investment in capital assets.
- The net cost of governmental activities for the current fiscal year was \$4,839,522. The net cost was funded by general revenues and other items totaling \$5,785,945.
- The fund balances of the governmental funds decreased by \$1,186,256. The most significant portion of the decrease was due to a greater than expected advance of County State Aid Highway (CSAH) revenues utilized to finance the CSAH 20 road construction project during 2014 and a decrease in inventories in the Road and Bridge Special Revenue Fund.
- For the year ended December 31, 2014, the unassigned, assigned, and committed fund balance of the General Fund was \$1,514,125, or 35.9 percent of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$1,417,930, or 16.7 percent of the total Road and Bridge Special Revenue Fund expenditures for the year.
- The assigned and committed fund balance of the Family Services Special Revenue Fund was \$2,881,498, or 105.9 percent of the total Family Services Special Revenue Fund expenditures for the year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

### **Notes to the Financial Statements**

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 71 of this report.

### **Other Information**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$56,865,299 at the close of 2014. The largest portion of Lac qui Parle County's net position (85.7 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending.

**Governmental Activities  
Net Position**

	2014	2013
Assets		
Current and other assets	\$ 10,600,036	\$ 10,834,508
Capital assets	48,741,988	46,408,557
Total Assets	\$ 59,342,024	\$ 57,243,065
Liabilities		
Long-term liabilities	\$ 465,081	\$ 447,944
Other liabilities	1,098,014	876,245
Total Liabilities	\$ 1,563,095	\$ 1,324,189
Deferred Inflows of Resources		
Advance from other governments	\$ 913,630	\$ -
Net Position		
Investment in capital assets	\$ 48,741,988	\$ 46,408,557
Restricted	2,046,930	2,555,059
Unrestricted	6,076,381	6,955,260
Total Net Position	\$ 56,865,299	\$ 55,918,876

Unrestricted net position in the amount of \$6,076,381--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--is 10.7 percent of the net position.

**Governmental Activities**

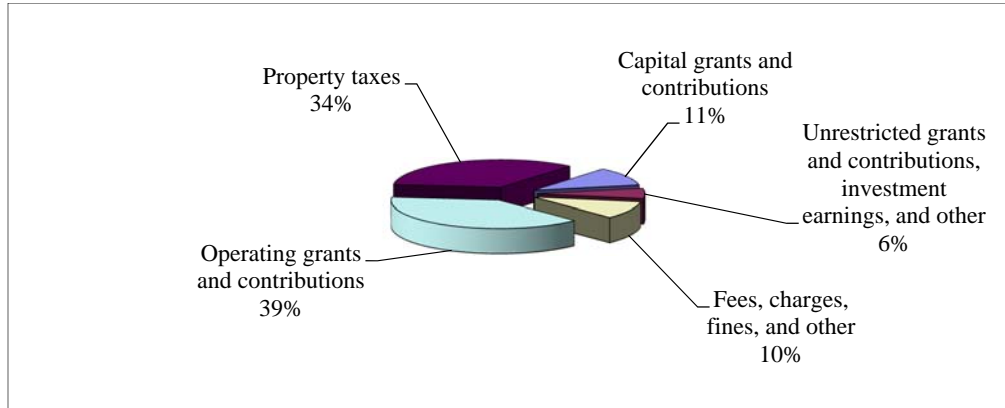
The County's activities increased net position by 1.7 percent (\$56,865,299 for 2014 compared to \$55,918,876 for 2013). Key elements in this increase in net position are as follows for 2014, with comparative data for 2013.

**Governmental Activities  
Changes in Net Position**

	2014	2013
Revenues		
Program revenues		
Charges for services	\$ 1,435,648	\$ 1,370,363
Operating grants and contributions	5,605,933	5,175,650
Capital grants and contributions	1,543,828	1,072,101
General revenues		
Property taxes	4,942,267	4,731,805
Other	843,678	723,556
Total Revenues	\$ 14,371,354	\$ 13,073,475
Expenses		
General government	\$ 1,789,418	\$ 1,928,439
Public safety	1,417,476	1,386,135
Highways and streets	6,370,362	4,779,428
Sanitation	183,285	204,211
Human services	2,663,999	2,503,181
Health	74,988	72,804
Culture and recreation	161,044	137,566
Conservation of natural resources	675,009	483,419
Economic development	89,350	33,705
Total Expenses	\$ 13,424,931	\$ 11,528,888
Increase in Net Position	\$ 946,423	\$ 1,544,587
Net Position - January 1	55,918,876	54,374,289
Net Position - December 31	\$ 56,865,299	\$ 55,918,876

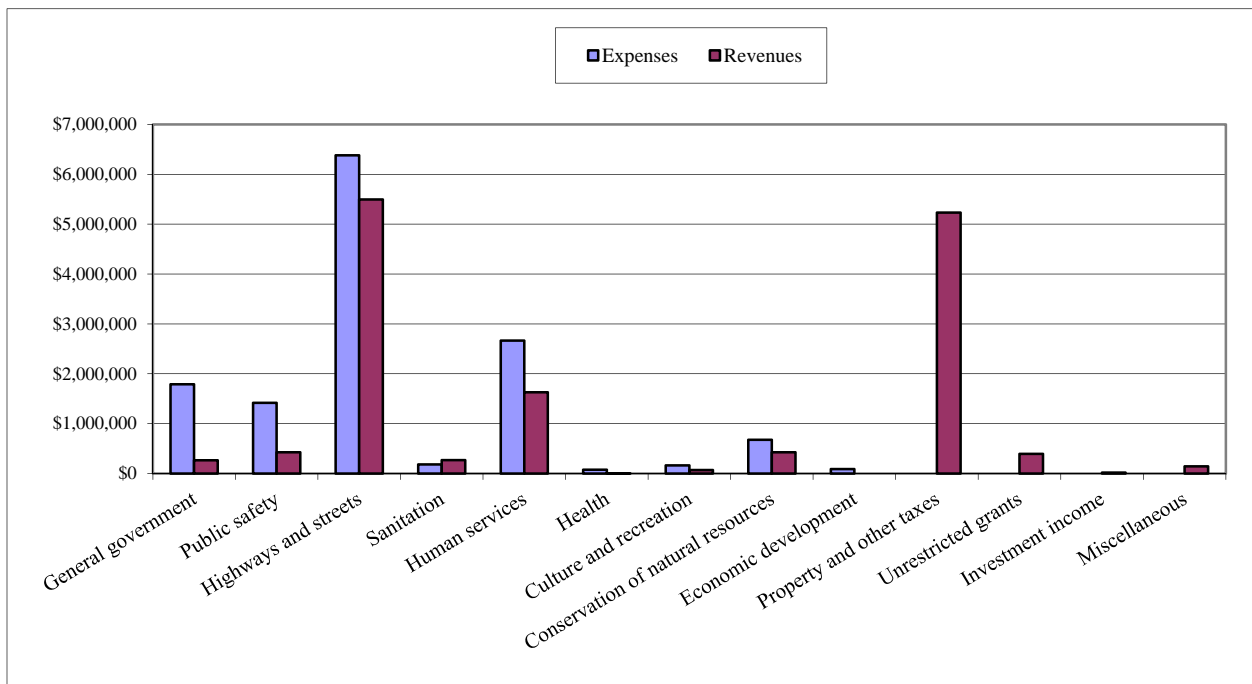
The County's total revenues were \$14,371,354. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2014.

**Table 1  
Total County Revenues**



Total expenses were \$13,424,931, while total revenues were \$14,371,354. This reflects a \$946,423 increase in net position for the year ended December 31, 2014. Table 2 presents the cost and revenues of each program, as well as the County's general revenues.

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





The cost of all governmental activities this year was \$13,424,931. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,942,267 because some of the costs were paid by those who directly benefited from the programs (\$1,435,648) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,149,761). The County paid for the remaining “public benefit” portion of governmental activities with \$843,678 in general revenues such as grants and contributions not restricted to specific programs, and investment income.

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

**Table 3  
Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014
Highways and streets	\$ 6,370,362	\$ 874,823
Human services	2,663,999	1,035,424
General government	1,789,418	1,522,736
Public safety	1,417,476	990,251
All others	1,183,676	416,288
Totals	\$ 13,424,931	\$ 4,839,522

## **FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

### **Governmental Funds**

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,628,265, a decrease of \$1,186,256 in comparison with the prior year. Of the combined ending fund balances, \$5,813,553 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$1,514,125. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 35.9 percent of total General Fund expenditures. During 2014, the ending fund balance increased by \$9,108.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$1,417,930 at fiscal year-end, representing 16.7 percent of its annual expenditures. The ending fund balance decreased \$1,269,499 during 2014. The primary reason for the decrease was the accrual of a liability for deferred inflows of resources, which represented an advance of the County's 2015 allotment of CSAH construction dollars for a 2014 road construction project on CSAH 20.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$2,881,498 at fiscal year-end, representing 105.9 percent of its annual expenditures. The ending fund balance increased \$97,743 during 2014, primarily due to greater than expected intergovernmental revenues.

The Ditch Special Revenue Fund had a restricted fund balance of \$819,161 at fiscal year-end. The ending fund balance decreased \$23,608 during 2014, primarily due to the 103 ditches needing more maintenance and repairs than originally anticipated.

### **General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were \$309,337 higher than the final budget amounts. The most significant departmental variances occurred in public safety, conservation of natural resources, and economic development departments.

Total expenditures for the County Sheriff's Office exceeded budget by over \$50,000. Overtime expenses of \$63,826 were more than double the budget of \$31,200 due to staff turnover and medical leave. Also, various public safety departments incurred unbudgeted capital expenditures of \$124,903 related to installation software/hardware upgrades to the County's dispatch and deputy patrol information systems.

Investment revenues of \$13,849 were lower than the budgeted \$43,000, mostly due to decreased interest rates. Funds available for investment were also decreased due to budget deficits and unbudgeted capital outlays over the past several years.

Expenditures were greater than originally budgeted for economic development functions. This was due to a transfer of \$82,350 to the Lac qui Parle County Economic Development Authority to fund advances for a line of credit extended to Farmers Mutual Telephone Company.

## CAPITAL ASSETS

The County's capital assets at December 31, 2014, totaled \$48,741,988 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	2,181,863	-	1,733,664	448,199
Total capital assets not depreciated	<u>\$ 2,816,964</u>	<u>\$ -</u>	<u>\$ 1,733,664</u>	<u>\$ 1,083,300</u>
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ -	\$ -	\$ 3,202,388
Improvements other than building	81,405	-	-	81,405
Machinery, furniture, and equipment	5,377,694	748,194	418,288	5,707,600
Infrastructure	55,477,484	4,964,626	-	60,442,110
Total capital assets depreciated	<u>\$ 64,138,971</u>	<u>\$ 5,712,820</u>	<u>\$ 418,288</u>	<u>\$ 69,433,503</u>
Less: accumulated depreciation for				
Buildings	\$ 772,815	\$ 71,762	\$ -	\$ 844,577
Improvements other than building	7,559	2,326	-	9,885
Machinery, furniture, and equipment	3,483,426	352,199	407,694	3,427,931
Infrastructure	16,283,578	1,208,844	-	17,492,422
Total accumulated depreciation	<u>\$ 20,547,378</u>	<u>\$ 1,635,131</u>	<u>\$ 407,694</u>	<u>\$ 21,774,815</u>
Total capital assets depreciated, net	<u>\$ 43,591,593</u>	<u>\$ 4,077,689</u>	<u>\$ 10,594</u>	<u>\$ 47,658,688</u>
Capital Assets, Net	<u><u>\$ 46,408,557</u></u>	<u><u>\$ 4,077,689</u></u>	<u><u>\$ 1,744,258</u></u>	<u><u>\$ 48,741,988</u></u>

Additional information about the County's capital assets can be found in Note 2.A.3. to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2015 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2014 was 4.3 percent. This is comparable with the state unemployment rate of 3.7 percent and shows a 0.6 percent decrease from the County's 4.9 percent rate of one year ago.

- Tillable agricultural land values have increased significantly over the past decade but appear to be slowly decreasing in some areas. Strong land values can be considered an indicator of a strong local agriculture economy and a strong local economy overall. However, the dominance of the agriculture sector in the local economy suggests a possible risk associated with a lack of economic diversification. Moreover, the historical volatility of commodity prices adds an additional dimension of economic risk to the County's financial health.
- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's surplus fund balances have in the past been used to generate investment revenues which are used to offset necessary property tax levy dollars.
- Budget crises at the state level in recent years have resulted in tremendous uncertainty for Minnesota counties regarding expected aids, operating grants, and reimbursement revenues. As most services and programs administered by these counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on county finances. Furthermore, recent efforts to address the state budget issues have only succeeded to manage the problems on a short-term basis. This likely means that this uncertainty will continue into the foreseeable future.
- The 2015 property tax levy for the County increased 3.99 percent from 2014, which followed increases of 4.14 percent in 2014, 8.76 percent in 2013, 8.8 percent in 2012, and 9.8 percent in 2011. The increases in 2014 and 2015 are more reflective of historically acceptable levy increase ranges as compared to 2011 to 2013, and the levy is based on a structurally sound and balanced budget. The largest levy increases were needed to offset losses of state aid and investment revenues, levy limits enacted by the Minnesota legislature, and overall volatility of state intergovernmental revenue. County Program Aid was abruptly reduced from \$663,236 in 2009 down to \$125,562 in 2011. However, these budget factors appear to have stabilized and the County is operating under a balanced budget for 2015. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized.

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

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

### **FINANCIAL HIGHLIGHTS**

Governmental activities' total net position is \$5,967,448, of which \$5,007,596 represents the District's investment in capital assets, \$226,721 is restricted, and \$733,131 is unrestricted. The District's net position increased by \$99,861 for the year ended December 31, 2014.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,967,448 at the close of 2014. The largest portion of the net position (83.9 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

	<b>Net Position</b>	
	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 1,822,073	\$ 1,627,932
Capital assets	<u>5,007,596</u>	<u>5,070,352</u>
Total Assets	<u>\$ 6,829,669</u>	<u>\$ 6,698,284</u>
Liabilities		
Long-term liabilities	\$ 520,498	\$ 502,717
Other liabilities	<u>341,723</u>	<u>327,980</u>
Total Liabilities	<u>\$ 862,221</u>	<u>\$ 830,697</u>
Net Position		
Investment in capital assets	\$ 5,007,596	\$ 5,070,352
Restricted	226,721	227,043
Unrestricted	<u>733,131</u>	<u>570,192</u>
Total Net Position	<u><u>\$ 5,967,448</u></u>	<u><u>\$ 5,867,587</u></u>

## REQUESTS FOR INFORMATION

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>	
		<u>Lac qui Parle- Yellow Bank Watershed District</u>	<u>Lac qui Parle County Economic Development Authority</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 4,462,425	\$ 1,422,744	\$ 265,663
Investments	4,400,000	-	-
Receivables	1,626,434	399,329	262,724
Inventories	111,177	-	-
Capital assets			
Non-depreciable	1,083,300	628,458	-
Depreciable - net of accumulated depreciation	47,658,688	4,379,138	8,848
<b>Total Assets</b>	<b>\$ 59,342,024</b>	<b>\$ 6,829,669</b>	<b>\$ 537,235</b>
<b><u>Liabilities</u></b>			
Accounts payable and other current liabilities	\$ 970,010	\$ 34,592	\$ 7,870
Unearned revenue	128,004	307,131	-
Long-term liabilities			
Due within one year	-	45,174	-
Due in more than one year	368,399	475,324	254,811
Other postemployment benefits payable	96,682	-	-
<b>Total Liabilities</b>	<b>\$ 1,563,095</b>	<b>\$ 862,221</b>	<b>\$ 262,681</b>
<b><u>Deferred Inflows of Resources</u></b>			
Advance from other governments	\$ 913,630	\$ -	\$ -
<b><u>Net Position</u></b>			
Investment in capital assets	\$ 48,741,988	\$ 5,007,596	\$ 8,848
Restricted for			
General government	106,064	-	-
Public safety	407,700	-	-
Highways and streets	637,720	-	-
Conservation of natural resources	819,161	226,721	-
Economic development	73,855	-	-
Other purposes	2,430	-	-
Unrestricted	6,076,381	733,131	265,706
<b>Total Net Position</b>	<b>\$ 56,865,299</b>	<b>\$ 5,967,448</b>	<b>\$ 274,554</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 1,789,418	\$ 223,028
Public safety	1,417,476	245,218
Highways and streets	6,370,362	196,706
Sanitation	183,285	203,649
Human services	2,663,999	312,655
Health	74,988	-
Culture and recreation	161,044	6,887
Conservation of natural resources	675,009	247,505
Economic development	89,350	-
	<b>\$ 13,424,931</b>	<b>\$ 1,435,648</b>
<b>Total Governmental Activities</b>		
<b>Component units</b>		
Lac qui Parle-Yellow Bank Watershed District	\$ 557,315	\$ 198,153
Lac qui Parle County Economic Development Authority	232,463	-
	<b>\$ 789,778</b>	<b>\$ 198,153</b>
<b>Total Component Units</b>		

**General Revenues**

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

**Total general revenues**

**Change in net position**

**Net Position - Beginning**

**Net Position - Ending**

**EXHIBIT 2**

<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>		<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Primary</u> <u>Governmental</u> <u>Activities</u>	<u>Discretely Presented Component Units</u>	
			<u>Lac qui Parle-</u> <u>Yellow Bank</u> <u>Watershed</u> <u>District</u>	<u>Lac qui Parle</u> <u>County Economic</u> <u>Development</u> <u>Authority</u>	
\$ 43,654	\$ -	\$ (1,522,736)			
182,007	-	(990,251)			
3,755,005	1,543,828	(874,823)			
63,803	-	84,167			
1,315,920	-	(1,035,424)			
3,146	-	(71,842)			
63,793	-	(90,364)			
178,605	-	(248,899)			
-	-	(89,350)			
<b>\$ 5,605,933</b>	<b>\$ 1,543,828</b>	<b>\$ (4,839,522)</b>			
\$ 105,921	\$ -		\$ (253,241)	\$ -	
134,447	-		-	(98,016)	
<b>\$ 240,368</b>	<b>\$ -</b>		<b>\$ (253,241)</b>	<b>\$ (98,016)</b>	
		\$ 4,942,267	\$ 280,647	\$ 159,647	
		5,238	-	-	
		86,818	-	-	
		198,811	-	-	
		393,417	6,738	-	
		16,960	4,087	1,373	
		142,434	61,630	1,484	
		<b>\$ 5,785,945</b>	<b>\$ 353,102</b>	<b>\$ 162,504</b>	
		\$ 946,423	\$ 99,861	\$ 64,488	
		55,918,876	5,867,587	210,066	
		<b>\$ 56,865,299</b>	<b>\$ 5,967,448</b>	<b>\$ 274,554</b>	

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 2,070,857	\$ 770,278	\$ 661,243	\$ 840,928	\$ 4,343,306
Undistributed cash in agency funds	62,255	27,818	20,766	4,030	114,869
Petty cash and change funds	4,150	-	100	-	4,250
Investments	275,000	2,000,000	2,125,000	-	4,400,000
Taxes receivable					
Delinquent	23,981	15,057	10,581	-	49,619
Special assessments receivable					
Delinquent	12,561	-	-	2,174	14,735
Noncurrent	-	-	-	174,846	174,846
Accounts receivable	14,755	-	50,885	-	65,640
Due from other governments	95,069	737,602	182,934	16,148	1,031,753
Advance to component unit	248,667	-	-	-	248,667
Loans receivable	41,174	-	-	-	41,174
Inventories	-	111,177	-	-	111,177
<b>Total Assets</b>	<b>\$ 2,848,469</b>	<b>\$ 3,661,932</b>	<b>\$ 3,051,509</b>	<b>\$ 1,038,126</b>	<b>\$ 10,600,036</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 95,604	\$ 42,791	\$ 104,689	\$ 41,945	\$ 285,029
Salaries payable	57,361	36,765	35,061	-	129,187
Contracts payable	-	353,462	-	-	353,462
Due to other governments	172,528	10,124	19,680	-	202,332
Unearned revenue	128,004	-	-	-	128,004
<b>Total Liabilities</b>	<b>\$ 453,497</b>	<b>\$ 443,142</b>	<b>\$ 159,430</b>	<b>\$ 41,945</b>	<b>\$ 1,098,014</b>
<b>Deferred Inflows of Resources</b>					
Advance from other governments	\$ -	\$ 913,630	\$ -	\$ -	\$ 913,630
Unavailable revenue	36,542	735,984	10,581	177,020	960,127
<b>Total Deferred Inflows of Resources</b>	<b>\$ 36,542</b>	<b>\$ 1,649,614</b>	<b>\$ 10,581</b>	<b>\$ 177,020</b>	<b>\$ 1,873,757</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>(Continued)</b>					
<b>Fund Balances</b>					
Nonspendable					
Inventories	\$ -	\$ 111,177	\$ -	\$ -	\$ 111,177
Advance to component unit	248,667	-	-	-	248,667
Missing heirs	5,589	-	-	-	5,589
Restricted for					
Highway allotments	-	40,069	-	-	40,069
Recorder's compliance	59,167	-	-	-	59,167
Recorder's technology	40,202	-	-	-	40,202
E-911	407,700	-	-	-	407,700
Forfeitures	6,695	-	-	-	6,695
Cemetery	1,000	-	-	-	1,000
Loans receivable	41,174	-	-	-	41,174
EDA loans	32,681	-	-	-	32,681
Ditch repairs and maintenance	-	-	-	819,161	819,161
Small cities development program	1,430	-	-	-	1,430
Committed to					
Solid waste assessments	304,118	-	-	-	304,118
Capital equipment	-	524,576	-	-	524,576
Buildings and grounds	-	45,100	-	-	45,100
Out-of-home placements	-	-	325,000	-	325,000
Assigned to					
Poor relief	-	-	300,000	-	300,000
Administration	-	-	150,000	-	150,000
Recorder's enhancement	21,955	-	-	-	21,955
Future capital purchases	-	451,326	-	-	451,326
Sheriff's forfeiture	18,293	-	-	-	18,293
Sheriff's contingency	1,436	-	-	-	1,436
Sheriff's contract	10,000	-	-	-	10,000
County park board	13,095	-	-	-	13,095
Road and bridge	24,231	396,928	-	-	421,159
Human services	-	-	2,106,498	-	2,106,498
Unassigned	1,120,997	-	-	-	1,120,997
<b>Total Fund Balances</b>	<b>\$ 2,358,430</b>	<b>\$ 1,569,176</b>	<b>\$ 2,881,498</b>	<b>\$ 819,161</b>	<b>\$ 7,628,265</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,848,469</b>	<b>\$ 3,661,932</b>	<b>\$ 3,051,509</b>	<b>\$ 1,038,126</b>	<b>\$ 10,600,036</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

<b>Fund balance - total governmental funds (Exhibit 3)</b>	<b>\$ 7,628,265</b>
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.	48,741,988
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.	960,127
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	\$ (368,399)
Net OPEB obligation	(96,682)
	<u>(465,081)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b><u>\$ 56,865,299</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 2,518,117	\$ 1,391,312	\$ 1,039,693	\$ -	\$ 4,949,122
Other taxes	5,238	86,818	-	-	92,056
Special assessments	131,081	-	-	196,664	327,745
Licenses and permits	21,975	-	-	-	21,975
Intergovernmental	887,211	5,623,241	1,459,655	-	7,970,107
Charges for services	404,118	-	197,710	-	601,828
Fines and forfeits	1,870	-	-	-	1,870
Gifts and contributions	6,887	-	-	-	6,887
Investment earnings	13,849	1,817	1,294	-	16,960
Miscellaneous	228,255	216,635	121,529	-	566,419
<b>Total Revenues</b>	<b>\$ 4,218,601</b>	<b>\$ 7,319,823</b>	<b>\$ 2,819,881</b>	<b>\$ 196,664</b>	<b>\$ 14,554,969</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,738,809	\$ -	\$ -	\$ -	\$ 1,738,809
Public safety	1,375,301	-	-	-	1,375,301
Highways and streets	-	7,996,291	-	-	7,996,291
Sanitation	178,823	-	-	-	178,823
Human services	-	-	2,722,138	-	2,722,138
Culture and recreation	161,044	-	-	-	161,044
Conservation of natural resources	450,222	-	-	223,727	673,949
Economic development	89,350	-	-	-	89,350
<b>Intergovernmental</b>	<b>221,489</b>	<b>474,607</b>	<b>-</b>	<b>-</b>	<b>696,096</b>
<b>Total Expenditures</b>	<b>\$ 4,215,038</b>	<b>\$ 8,470,898</b>	<b>\$ 2,722,138</b>	<b>\$ 223,727</b>	<b>\$ 15,631,801</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 3,563</b>	<b>\$ (1,151,075)</b>	<b>\$ 97,743</b>	<b>\$ (27,063)</b>	<b>\$ (1,076,832)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 9,000	\$ -	\$ -	\$ 3,455	\$ 12,455
Transfers out	(3,455)	(9,000)	-	-	(12,455)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 5,545</b>	<b>\$ (9,000)</b>	<b>\$ -</b>	<b>\$ 3,455</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 9,108</b>	<b>\$ (1,160,075)</b>	<b>\$ 97,743</b>	<b>\$ (23,608)</b>	<b>\$ (1,076,832)</b>
<b>Fund Balance - January 1</b>	<b>2,349,322</b>	<b>2,838,675</b>	<b>2,783,755</b>	<b>842,769</b>	<b>8,814,521</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(109,424)</b>	<b>-</b>	<b>-</b>	<b>(109,424)</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,358,430</b>	<b>\$ 1,569,176</b>	<b>\$ 2,881,498</b>	<b>\$ 819,161</b>	<b>\$ 7,628,265</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,076,832)**

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

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

Deferred inflows of resources - December 31	\$ 960,127	
Deferred inflows of resources - January 1	(1,143,742)	(183,615)

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

Expenditures for general capital assets and infrastructure	\$ 3,979,156	
Net book value of assets disposed of	(10,594)	
Current year depreciation	(1,635,131)	2,333,431

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

Change in compensated absences	\$ 756	
Change in OPEB obligation	(17,893)	
Change in inventories	(109,424)	(126,561)

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 946,423**

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**FIDUCIARY FUNDS**

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LAC QUI PARLE COUNTY  
MADISON, MINNESOTA

*EXHIBIT 7*

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2014

Assets

Cash and pooled investments	\$	334,704
Due from other governments		<u>114,491</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>449,195</u></u></b>

Liabilities

Accounts payable	\$	7,938
Due to other governments		<u>441,257</u>
<b>Total Liabilities</b>	<b>\$</b>	<b><u><u>449,195</u></u></b>

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. 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

Lac qui Parle County was established in 1871 and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Lac qui Parle County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

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

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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

Joint Ventures

The County participates in several joint ventures which are described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the

**LAC QUI PARLE COUNTY  
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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Family Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Lac qui Parle County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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



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1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the Auditor-Treasurer-Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$10,714.

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014 and deferred special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

**LAC QUI PARLE COUNTY  
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1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Unearned/Unavailable Revenue

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

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. At December 31, 2014, Lac qui Parle County reported no bonded debt.

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1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. The first item, unavailable revenue, arises only under the modified accrual basis of accounting; however, the second item, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting. Unavailable revenue and the advance from other governments are reported in the governmental funds balance sheet, while only the advance from other governments is also reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Classification of Net Position

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

- Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. At December 31, 2014, Lac qui Parle County reported no debt related to acquisition, construction, or improvement of capital assets.

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1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

10. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**LAC QUI PARLE COUNTY  
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1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer-Coordinator, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

11. Minimum Fund Balance

Lac qui Parle County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2014, unrestricted fund balance for the General Fund was below the minimum fund balance level.

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1. Summary of Significant Accounting Policies

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

12. Use of Estimates

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

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for Lac qui Parle County's calendar year 2015. Lac qui Parle County has not yet determined the financial statement impact of adopting this new standard.

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 4,462,425
Investments	4,400,000
Statement of fiduciary net position	
Cash and pooled investments	<u>334,704</u>
 Total Cash and Investments	 <u>\$ 9,197,129</u>
 Petty cash and change funds	 \$ 4,250
Checking	382,066
Money market savings	8,310,813
Certificates of deposit	<u>500,000</u>
 Total Deposits and Investments	 <u>\$ 9,197,129</u>

a. Deposits

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

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



**LAC QUI PARLE COUNTY  
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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**LAC QUI PARLE COUNTY  
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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2014, the County had no investments; therefore, no investment custodial credit risk.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 49,619	\$ -
Special assessments	189,581	-
Accounts receivable	65,640	-
Due from other governments	1,031,753	-
Advance to component unit	248,667	248,667
Loans receivable	41,174	-
	\$ 1,626,434	\$ 248,667

Loans Receivable

The County received funds from the Minnesota Investment Fund in 2008 for Noah's Ark Holding, LLC, of Dawson. The grant agreement states these funds are to be repaid to the County and used under specific conditions. At December 31, 2014, the County has a loan receivable from Noah's Ark Holding, LLC, with a balance remaining of \$41,174, which is to be repaid in monthly installments of \$4,770.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Advance to Component Unit

The Lac qui Parle County Economic Development Authority (EDA) has a balance due to the Lac qui Parle County General Fund at December 31, 2014, of \$248,667. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement.

<u>Original Loan Date</u>	<u>Due Date</u>	<u>Loan Amount</u>
December 31, 2013	2023	\$ 72,328
December 31, 2014	2024	176,339
Total Advance to Component Unit		<u>\$ 248,667</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	<u>2,181,863</u>	<u>-</u>	<u>1,733,664</u>	<u>448,199</u>
Total capital assets not depreciated	<u>\$ 2,816,964</u>	<u>\$ -</u>	<u>\$ 1,733,664</u>	<u>\$ 1,083,300</u>
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ -	\$ -	\$ 3,202,388
Improvements other than building	81,405	-	-	81,405
Machinery, furniture, and equipment	5,377,694	748,194	418,288	5,707,600
Infrastructure	<u>55,477,484</u>	<u>4,964,626</u>	<u>-</u>	<u>60,442,110</u>
Total capital assets depreciated	<u>\$ 64,138,971</u>	<u>\$ 5,712,820</u>	<u>\$ 418,288</u>	<u>\$ 69,433,503</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 772,815	\$ 71,762	\$ -	\$ 844,577
Improvements other than building	7,559	2,326	-	9,885
Machinery, furniture, and equipment	3,483,426	352,199	407,694	3,427,931
Infrastructure	16,283,578	1,208,844	-	17,492,422
Total accumulated depreciation	<u>\$ 20,547,378</u>	<u>\$ 1,635,131</u>	<u>\$ 407,694</u>	<u>\$ 21,774,815</u>
Total capital assets depreciated, net	<u>\$ 43,591,593</u>	<u>\$ 4,077,689</u>	<u>\$ 10,594</u>	<u>\$ 47,658,688</u>
Capital Assets, Net	<u>\$ 46,408,557</u>	<u>\$ 4,077,689</u>	<u>\$ 1,744,258</u>	<u>\$ 48,741,988</u>

Construction in progress consists of amounts completed on an open road project and Family Services remodel project.

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

Governmental Activities	
General government	\$ 67,895
Public safety	77,161
Highways and streets, including depreciation of infrastructure assets	1,481,803
Sanitation	4,462
Human services	2,750
Conservation of natural resources	1,060
Total Depreciation Expense - Governmental Activities	<u>\$ 1,635,131</u>

**LAC QUI PARLE COUNTY  
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2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Transfer to Ditch Special Revenue Fund from General Fund	<u>\$ 3,455</u>	Provide proportionate share of interest earnings
Transfer to General Fund from Road and Bridge Special Revenue Fund	<u>\$ 9,000</u>	Provide funding for purchase of a 2014 Chevrolet Tahoe

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2014, were as follows:

	Governmental Activities
Accounts payable	\$ 285,029
Salaries payable	129,187
Contracts payable	353,462
Due to other governments	202,332
Total Payables	\$ 970,010

2. Construction Commitments

As of December 31, 2014, the County had a remaining commitment on the Family Services building remodel project of \$109,591. All active highway construction projects are state-funded, and, therefore not obligations of the County at December 31, 2014.

**LAC QUI PARLE COUNTY  
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2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ 12,561	\$ 23,981	\$ 128,004	\$ 164,546
Road and Bridge	-	15,057	1,634,557	1,649,614
Family Services	-	10,581	-	10,581
Ditch	177,020	-	-	177,020
	<u>\$ 189,581</u>	<u>\$ 49,619</u>	<u>\$ 1,762,561</u>	<u>\$ 2,001,761</u>
Total				
Liability				
Unearned revenue	\$ -	\$ -	\$ 128,004	\$ 128,004
Deferred inflows of resources				
Advance from other governments	-	-	913,630	913,630
Unavailable revenue	189,581	49,619	720,927	960,127
	<u>\$ 189,581</u>	<u>\$ 49,619</u>	<u>\$ 1,762,561</u>	<u>\$ 2,001,761</u>

4. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 369,155	\$ 182,702	\$ 183,458	\$ 368,399	\$ -
Other postemployment benefits	78,789	70,645	52,752	96,682	-
	<u>\$ 447,944</u>	<u>\$ 253,347</u>	<u>\$ 236,210</u>	<u>\$ 465,081</u>	<u>\$ -</u>
Governmental Activities Long-Term Liabilities					

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

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

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



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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

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

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

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

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District make annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County and the Lac qui Parle-Yellow Bank Watershed District were required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 171,825	\$ 169,299	\$ 163,560
Public Employees Police and Fire Fund	76,885	70,664	69,182
Public Employees Correctional Fund	14,198	13,140	9,665

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

The Lac qui Parle-Yellow Bank Watershed District's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund were:

<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 9,045	\$ 9,580	\$ 9,236

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,309	\$ 5,309
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2014.

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

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3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has two current elected officials eligible, but no former elected officials receiving or eligible for this benefit in 2014.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 67,099
Interest on net OPEB obligation	3,546
Adjustment to ARC	<u>(4,629)</u>
Annual OPEB cost (expense)	\$ 66,016
Contributions made during the year	<u>(48,123)</u>
Increase in net OPEB obligation	\$ 17,893
Net OPEB Obligation - Beginning of Year	<u>78,789</u>
Net OPEB Obligation - End of Year	<u>\$ 96,682</u>

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2013 and 2014, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 67,099	\$ 27,432	40.9%	\$ 39,667
December 31, 2013	66,554	27,432	41.2	78,789
December 31, 2014	66,016	48,123	72.8	96,682

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

**LAC QUI PARLE COUNTY  
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3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

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

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 27 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 \$480,000 per claim in 2014 and \$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. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

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



**LAC QUI PARLE COUNTY  
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4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for \$2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through July 9, 2015, \$248,667 has been advanced from the County's General Fund through the Economic Development Authority to Farmers Mutual Telephone Company as part of this agreement.

Lincoln-Pipestone Rural Water System

At December 31, 2014, the Lincoln-Pipestone Rural Water System had \$33,742,008 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefitted by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the nine participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

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

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

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

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

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

Countryside Public Health Service

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

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

**LAC QUI PARLE COUNTY  
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2014 was \$74,988.

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

Region 6W Community Corrections

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

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

Lac qui Parle County's contribution for 2014, was \$146,501. Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

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

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

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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

Financing for the PLYP is provided by charges for services to member and nonmember counties. Complete financial information can be obtained from the Youth Program's Office, P. O. Box 894, Willmar, Minnesota 56201.

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2014, were \$33,742,008.

**LAC QUI PARLE COUNTY  
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

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

Southwest Minnesota Regional Emergency Communications Joint Powers Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Joint Powers Board. The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008, between Lac qui Parle County, the Cities of Marshall and Worthington, and 12 other counties under the authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Lac qui Parle County did not contribute to the Joint Powers Board.

Minnesota Counties Information Systems (MCIS)

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

**LAC QUI PARLE COUNTY  
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

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

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

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

Supporting Hands Nurse Family Partnership

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

The governing board is comprised of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2014, Lac qui Parle County did not make a contribution to the Partnership as a contribution was made by the Countryside Public Health Service.

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

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc.

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

SW MN PIC is governed by the Chief Elected Official Board which is comprised of one representative from each member county. Lac qui Parle County did not provide support to this organization in 2014.

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

Southwest Regional Solid Waste Commission

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

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

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

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

Lac qui Parle Children's Mental Health Collaborative

The Lac qui Parle County Children's Mental Health Collaborative is a collaboration to receive and expend grant funds on new prevention and early intervention of children's mental health issues. Lac qui Parle County acts as fiscal agent for the Lac qui Parle Children's Mental Health Collaborative and reports the fiscal transactions as an agency fund. Lac qui Parle County did not contribute to the Collaborative in 2014.

Pioneerland Library System

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

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



**LAC QUI PARLE COUNTY  
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4. Summary of Significant Contingencies and Other Items (Continued)

D. Jointly-Governed Organizations

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of five County Sheriff's offices and nine police departments including Lac qui Parle, Pope, Stevens, Swift, and Traverse Counties, along with the Appleton, Benson, Glenwood, Hancock, Montevideo, Morris, Starbuck, University of Minnesota Morris, and Wheaton Police Departments. The purpose of the Team is to create a feasible economical way, by sharing the costs, to protect the citizens of the cities and counties involved. During the year, the County contributed \$1,000 to the Team.

Area II Minnesota River Basin Project

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

Minnesota Criminal Justice Data Communications Network

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

E. Subsequent Event

On June 2, 2015, Lac qui Parle County adopted a resolution for the issuance of \$308,000 General Obligation Drainage Bonds, Series 2015A, to finance the County Ditch No. 70 improvement project.

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

Deposits and Investments

Deposits and investments are reported at their fair value at December 31, 2014, based on market price.

B. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 510,657	\$ 389,625	\$ 121,032
Ditch Special Revenue	24,801	5,000	19,801

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Detailed Notes on All Funds

1. Assets

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

Cash and pooled investments	\$	<u>1,422,744</u>
Checking	\$	811,304
Money market savings		396,440
Certificates of deposit		<u>215,000</u>
Total Deposits and Investments	\$	<u>1,422,744</u>

The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. As of December 31, 2014, the District did not have any deposits exposed to custodial credit risk.

Receivables as of December 31, 2014, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	\$ 378,515	\$ 311,283
Accounts receivable	1,778	-
Accrued interest receivable	861	-
Due from other governments	<u>18,175</u>	<u>-</u>
Total Receivables	<u>\$ 399,329</u>	<u>\$ 311,283</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	-	-	\$ 628,458
Capital assets depreciated				
Buildings	\$ 229,885	-	\$ 35,200	\$ 194,685
Machinery, furniture, and equipment	64,816	9,648	-	74,464
Land improvements	298,207	-	-	298,207
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,927,115	\$ 9,648	\$ 35,200	\$ 5,901,563
Less: accumulated depreciation for				
Buildings	\$ 59,250	\$ 5,151	\$ 35,200	\$ 29,201
Machinery, furniture, and equipment	50,947	3,557	-	54,504
Land improvements	123,085	10,354	-	133,439
Infrastructure	1,251,939	53,342	-	1,305,281
Total accumulated depreciation	\$ 1,485,221	\$ 72,404	\$ 35,200	\$ 1,522,425
Total capital assets depreciated, net	\$ 4,441,894	\$ (62,756)	-	\$ 4,379,138
Capital Assets, Net	\$ 5,070,352	\$ (62,756)	-	\$ 5,007,596

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

Conservation of natural resources	\$ 58,493
Culture and recreation	13,911
<b>Total Depreciation Expense</b>	<b>\$ 72,404</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Detailed Notes on All Funds (Continued)

2. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

There were no interfund balances as of December 31, 2014.

Interfund Transfers

There were no interfund transfers as of December 31, 2014.

3. Liabilities

Payables

Payables at December 31, 2014, were as follows:

Accounts payable	\$	17,719
Contract payable		439
Due to other governments		8,755
Salaries payable		7,679
		<hr/>
Total Payables	\$	<u>34,592</u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2014.

Long-Term Debt - Loans Payable

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Detailed Notes on All Funds

3. Liabilities

Long-Term Debt - Loans Payable (Continued)

Long-term debt outstanding at December 31, 2014, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate	Original Issue Amount	Remaining Commitment
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 154,066
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	122,224
North and South Fork Yellow Bank River	Not finalized	Not finalized	Not finalized	236,552	236,192
Total Loans Payable				<u>\$ 679,951</u>	<u>\$ 512,482</u>

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2015	\$ 43,834	\$ 5,308
2016	44,716	4,427
2017	45,614	3,528
2018	46,531	2,611
2019	47,466	1,676
2020 - 2022	48,129	1,698
Total	<u>\$ 276,290</u>	<u>\$ 19,248</u>

Clean water loans of \$236,192 for the North and South Fork Yellow Bank River were not included in the debt service requirements because fixed repayment schedules are not available.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

C. Detailed Notes on All Funds

3. Liabilities (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2014, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Loans payable	\$ 496,773	\$ 58,680	\$ 42,971	\$ 512,482	\$ 43,834
Compensated absences	5,944	10,339	8,267	8,016	1,340
Total	<u>\$ 502,717</u>	<u>\$ 69,019</u>	<u>\$ 51,238</u>	<u>\$ 520,498</u>	<u>\$ 45,174</u>

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation

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

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

3. Deposits and Investments

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

B. Detailed Notes

1. Assets

Receivables

Receivables as of December 31, 2014, for the Lac qui Parle County Economic Development Authority follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 7,064	\$ -
Accounts receivable	6,933	-
Accrued interest receivable	60	-
Loan receivable - Farmers Mutual Telephone Company	248,667	248,667
Total Governmental Activities	\$ 262,724	\$ 248,667



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

B. Detailed Notes

1. Assets (Continued)

Capital Assets

The Lac qui Parle County Economic Development Authority capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 15,168	\$ -	\$ -	\$ 15,168
Less: accumulated depreciation for Machinery, furniture, and equipment	<u>4,803</u>	<u>1,517</u>	<u>-</u>	<u>6,320</u>
Capital Assets, Net	<u>\$ 10,365</u>	<u>\$ (1,517)</u>	<u>\$ -</u>	<u>\$ 8,848</u>

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

Economic Development	<u>\$ 1,517</u>
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2. Liabilities

Payables

Payables at December 31, 2014, were as follows:

Accounts payable	\$ 895
Salaries payable	2,037
Due to other governments	<u>4,938</u>
Total Payables	<u>\$ 7,870</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle County Economic Development Authority for the year ended December 31, 2014, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Advance from primary government	\$ 72,328	\$ 176,339	\$ -	\$ 248,667	\$ -
Compensated absences	6,046	98	-	6,144	-
Total	<u>\$ 78,374</u>	<u>\$ 176,437</u>	<u>\$ -</u>	<u>\$ 254,811</u>	<u>\$ -</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,610,643	\$ 2,610,643	\$ 2,518,117	\$ (92,526)
Other taxes	6,000	6,000	5,238	(762)
Special assessments	136,500	136,500	131,081	(5,419)
Licenses and permits	16,100	16,100	21,975	5,875
Intergovernmental	536,138	536,138	887,211	351,073
Charges for services	401,415	401,415	404,118	2,703
Fines and forfeits	-	-	1,870	1,870
Gifts and contributions	1,500	1,500	6,887	5,387
Investment earnings	43,000	43,000	13,849	(29,151)
Miscellaneous	149,405	149,405	228,255	78,850
<b>Total Revenues</b>	<b>\$ 3,900,701</b>	<b>\$ 3,900,701</b>	<b>\$ 4,218,601</b>	<b>\$ 317,900</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 222,129	\$ 222,129	\$ 220,303	\$ 1,826
Courts	15,000	15,000	18,472	(3,472)
Jury manager	-	-	(704)	704
Auditor-Treasurer	423,357	423,357	426,657	(3,300)
Data processing	187,879	187,879	192,201	(4,322)
Elections	52,175	52,175	44,286	7,889
County car	500	500	-	500
Attorney	173,315	173,315	181,314	(7,999)
Recorder	184,283	184,283	150,532	33,751
Assessor	166,572	166,572	151,824	14,748
GIS	9,000	9,000	17,640	(8,640)
Planning and zoning	36,062	36,062	31,921	4,141
Buildings and plant	121,236	121,236	126,983	(5,747)
Veterans service officer	86,685	86,685	89,386	(2,701)
Employee wellness	-	-	4,078	(4,078)
E-waste	-	-	270	(270)
Other general government	92,364	92,364	83,646	8,718
<b>Total general government</b>	<b>\$ 1,770,557</b>	<b>\$ 1,770,557</b>	<b>\$ 1,738,809</b>	<b>\$ 31,748</b>
<b>Public safety</b>				
Sheriff	\$ 808,339	\$ 808,339	\$ 858,375	\$ (50,036)
Safety/AWAIR	4,500	4,500	4,142	358
Sheriff's forfeiture activity	-	-	1,230	(1,230)
County sheriff (city)	192,515	192,515	184,768	7,747
Boat and water safety	2,550	2,550	9,126	(6,576)
Snowmobile safety	300	300	316	(16)

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety (Continued)</b>				
Coroner	9,600	9,600	9,550	50
Federal safe and sober	12,800	12,800	3,501	9,299
E-911 system	80,670	80,670	149,125	(68,455)
County jail	50,350	50,350	81,843	(31,493)
Civil defense	62,442	62,442	64,370	(1,928)
Ambulance	3,000	3,000	3,000	-
Other	5,035	5,035	5,955	(920)
<b>Total public safety</b>	<b>\$ 1,232,101</b>	<b>\$ 1,232,101</b>	<b>\$ 1,375,301</b>	<b>\$ (143,200)</b>
<b>Sanitation</b>				
Solid waste	\$ 53,696	\$ 53,696	\$ 50,840	\$ 2,856
Recycling	146,349	146,349	127,983	18,366
<b>Total sanitation</b>	<b>\$ 200,045</b>	<b>\$ 200,045</b>	<b>\$ 178,823</b>	<b>\$ 21,222</b>
<b>Culture and recreation</b>				
Historical society	\$ 10,300	\$ 10,300	\$ 10,300	\$ -
Parks	4,786	4,786	1,778	3,008
Senior citizens	500	500	500	-
County/regional library	75,697	75,697	75,697	-
Other	45,000	45,000	72,769	(27,769)
<b>Total culture and recreation</b>	<b>\$ 136,283</b>	<b>\$ 136,283</b>	<b>\$ 161,044</b>	<b>\$ (24,761)</b>
<b>Conservation of natural resources</b>				
Extension	\$ 124,774	\$ 124,774	\$ 124,288	\$ 486
Soil and water conservation	105,314	105,314	126,197	(20,883)
Water quality	24,231	24,231	48,462	(24,231)
Agricultural society/County fair	11,550	11,550	11,550	-
E-waste	-	-	21	(21)
Environmental officer	29,387	29,387	27,878	1,509
Planning and zoning	-	-	70,095	(70,095)
Feedlot administration	30,137	30,137	28,247	1,890
Minnesota River basin	11,833	11,833	11,833	-
Other	1,000	1,000	1,651	(651)
<b>Total conservation of natural resources</b>	<b>\$ 338,226</b>	<b>\$ 338,226</b>	<b>\$ 450,222</b>	<b>\$ (111,996)</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Economic development	-	-	82,350	(82,350)
<b>Total economic development</b>	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 89,350</u>	<u>\$ (82,350)</u>
<b>Intergovernmental</b>				
Public safety	\$ 146,501	\$ 146,501	\$ 146,501	\$ -
Health	74,988	74,988	74,988	-
<b>Total intergovernmental</b>	<u>\$ 221,489</u>	<u>\$ 221,489</u>	<u>\$ 221,489</u>	<u>\$ -</u>
<b>Total Expenditures</b>	<u>\$ 3,905,701</u>	<u>\$ 3,905,701</u>	<u>\$ 4,215,038</u>	<u>\$ (309,337)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ 3,563</u>	<u>\$ 8,563</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 5,000	\$ 5,000	\$ 9,000	\$ 4,000
Transfers out	-	-	(3,455)	(3,455)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,545</u>	<u>\$ 545</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,108</u>	<u>\$ 9,108</u>
<b>Fund Balance - January 1</b>	<u>2,349,322</u>	<u>2,349,322</u>	<u>2,349,322</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 2,349,322</u>	<u>\$ 2,349,322</u>	<u>\$ 2,358,430</u>	<u>\$ 9,108</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,477,275	\$ 1,477,275	\$ 1,391,312	\$ (85,963)
Other taxes	75,000	75,000	86,818	11,818
Intergovernmental	7,237,675	7,237,675	5,623,241	(1,614,434)
Investment earnings	63,475	63,475	1,817	(61,658)
Miscellaneous	168,300	168,300	216,635	48,335
<b>Total Revenues</b>	<b>\$ 9,021,725</b>	<b>\$ 9,021,725</b>	<b>\$ 7,319,823</b>	<b>\$ (1,701,902)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 178,375	\$ 178,375	\$ 188,155	\$ (9,780)
Construction	5,939,150	5,939,150	5,465,657	473,493
Maintenance	2,378,425	2,378,425	2,115,219	263,206
Equipment and maintenance shops	284,025	284,025	227,260	56,765
<b>Total highways and streets</b>	<b>\$ 8,779,975</b>	<b>\$ 8,779,975</b>	<b>\$ 7,996,291</b>	<b>\$ 783,684</b>
<b>Intergovernmental</b>				
Highways and streets	472,000	472,000	474,607	(2,607)
<b>Total Expenditures</b>	<b>\$ 9,251,975</b>	<b>\$ 9,251,975</b>	<b>\$ 8,470,898</b>	<b>\$ 781,077</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (230,250)</b>	<b>\$ (230,250)</b>	<b>\$ (1,151,075)</b>	<b>\$ (920,825)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(9,000)	(9,000)
<b>Net Change in Fund Balance</b>	<b>\$ (230,250)</b>	<b>\$ (230,250)</b>	<b>\$ (1,160,075)</b>	<b>\$ (929,825)</b>
<b>Fund Balance - January 1</b>	<b>2,838,675</b>	<b>2,838,675</b>	<b>2,838,675</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(109,424)</b>	<b>(109,424)</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,608,425</b>	<b>\$ 2,608,425</b>	<b>\$ 1,569,176</b>	<b>\$ (1,039,249)</b>



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,104,807	\$ 1,104,807	\$ 1,039,693	\$ (65,114)
Intergovernmental	997,009	997,009	1,459,655	462,646
Charges for services	218,899	218,899	197,710	(21,189)
Investment earnings	5,000	5,000	1,294	(3,706)
Miscellaneous	66,094	66,094	121,529	55,435
<b>Total Revenues</b>	<b>\$ 2,391,809</b>	<b>\$ 2,391,809</b>	<b>\$ 2,819,881</b>	<b>\$ 428,072</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 699,521	\$ 699,521	\$ 786,985	\$ (87,464)
Administration	-	-	1,062	(1,062)
Social services	1,692,288	1,692,288	1,934,091	(241,803)
<b>Total Expenditures</b>	<b>\$ 2,391,809</b>	<b>\$ 2,391,809</b>	<b>\$ 2,722,138</b>	<b>\$ (330,329)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,743</b>	<b>\$ 97,743</b>
<b>Fund Balance - January 1</b>	<b>2,783,755</b>	<b>2,783,755</b>	<b>2,783,755</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,783,755</b>	<b>\$ 2,783,755</b>	<b>\$ 2,881,498</b>	<b>\$ 97,743</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 195,555	\$ 195,555	\$ 196,664	\$ 1,109
Investment earnings	5,000	5,000	-	(5,000)
<b>Total Revenues</b>	<b>\$ 200,555</b>	<b>\$ 200,555</b>	<b>\$ 196,664</b>	<b>\$ (3,891)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	195,555	195,555	223,727	(28,172)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ (27,063)</b>	<b>\$ (32,063)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	3,455	3,455
Transfers out	(5,000)	(5,000)	-	5,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (5,000)</b>	<b>\$ (5,000)</b>	<b>\$ 3,455</b>	<b>\$ 8,455</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (23,608)</b>	<b>\$ (23,608)</b>
<b>Fund Balance - January 1</b>	<b>842,769</b>	<b>842,769</b>	<b>842,769</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 842,769</b>	<b>\$ 842,769</b>	<b>\$ 819,161</b>	<b>\$ (23,608)</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

***EXHIBIT A-5***

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 498,400	\$ 498,400	0.0%	\$ 2,632,510	18.9%

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 4,215,038	\$ 3,905,701	\$ 309,337
Family Services Special Revenue	2,722,138	2,391,809	330,329
Ditch Special Revenue	223,727	195,555	28,172

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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5. Other Postemployment Benefits - Funded Status

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

See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**SUPPLEMENTARY INFORMATION**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT B-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>CHILDREN'S MENTAL HEALTH COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 168,354	\$ 67,428	\$ 59,686	\$ 176,096
<b><u>Liabilities</u></b>				
Due to other governments	\$ 168,354	\$ 67,428	\$ 59,686	\$ 176,096
 <b><u>FORFEITED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 15,767	\$ 13,478	\$ 17,897	\$ 11,348
<b><u>Liabilities</u></b>				
Due to other governments	\$ 15,767	\$ 13,478	\$ 17,897	\$ 11,348
 <b><u>SOCIAL WELFARE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 5,097	\$ 51,546	\$ 48,705	\$ 7,938
<b><u>Liabilities</u></b>				
Accounts payable	\$ 5,097	\$ 51,546	\$ 48,705	\$ 7,938

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT B-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 12,793	\$ 1,176,221	\$ 1,175,026	\$ 13,988
<b><u>Liabilities</u></b>				
Due to other governments	\$ 12,793	\$ 1,176,221	\$ 1,175,026	\$ 13,988
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 156,634	\$ 12,352,034	\$ 12,383,334	\$ 125,334
Due from other governments	-	114,491	-	114,491
<b>Total Assets</b>	<b>\$ 156,634</b>	<b>\$ 12,466,525</b>	<b>\$ 12,383,334</b>	<b>\$ 239,825</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 156,634	\$ 12,466,525	\$ 12,383,334	\$ 239,825
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 358,645	\$ 13,660,707	\$ 13,684,648	\$ 334,704
Due from other governments	-	114,491	-	114,491
<b>Total Assets</b>	<b>\$ 358,645</b>	<b>\$ 13,775,198</b>	<b>\$ 13,684,648</b>	<b>\$ 449,195</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 5,097	\$ 51,546	\$ 48,705	\$ 7,938
Due to other governments	353,548	13,723,652	13,635,943	441,257
<b>Total Liabilities</b>	<b>\$ 358,645</b>	<b>\$ 13,775,198</b>	<b>\$ 13,684,648</b>	<b>\$ 449,195</b>

## **OTHER SCHEDULES**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT C-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
<b>Appropriations and Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 3,889,153	\$ -
Market value credit	122,182	6,672
PERA rate reimbursement	12,441	66
Disparity reduction aid	51,120	-
Police aid	62,197	-
County program aid	207,674	-
Enhanced 911	84,143	-
Aquatic invasive species aid	19,852	-
Select Committee on Recycling and the Environment (SCORE)	63,803	-
	<hr/>	<hr/>
<b>Total appropriations and shared revenue</b>	<b>\$ 4,512,565</b>	<b>\$ 6,738</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 285,079	\$ -
<b>Local</b>		
Countryside Public Health	33,618	-
Lac qui Parle County	-	28,138
	<hr/>	<hr/>
<b>Total reimbursement for services</b>	<b>\$ 318,697</b>	<b>\$ 28,138</b>
<b>Payments</b>		
<b>Local</b>		
Local contributions	\$ 3,146	\$ -
Payments in lieu of taxes	198,811	-
	<hr/>	<hr/>
<b>Total payments</b>	<b>\$ 201,957</b>	<b>\$ -</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT C-1  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board/Office of		
Public Safety	\$ 6,354	\$ 2,251
Enterprise Technology	5,000	-
Human Services	438,057	-
Natural Resources	64,656	-
Revenue	3,529	-
Transportation	6,563	-
Water and Soil Resources	158,753	26,248
Veterans Affairs	7,500	-
Pollution Control Agency	-	51,535
	<hr/>	<hr/>
<b>Total state</b>	<b>\$ 690,412</b>	<b>\$ 80,034</b>
<b>Federal</b>		
Department of		
Agriculture	\$ 95,389	\$ -
Transportation	1,549,799	-
Health and Human Services	553,147	-
Homeland Security	48,141	7,505
	<hr/>	<hr/>
<b>Total federal</b>	<b>\$ 2,246,476</b>	<b>\$ 7,505</b>
<b>Total state and federal grants</b>	<b>\$ 2,936,888</b>	<b>\$ 87,539</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 7,970,107</b>	<b>\$ 122,415</b>



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT C-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<b>\$ 84,829</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,543,827
Passed Through Minnesota Department of Public Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	5,972
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,549,799</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 1,692
Temporary Assistance for Needy Families	93.558	36,694
Child Support Enforcement	93.563	80,951
Refugee and Entrant Assistance - State-Administered Programs	93.566	474
Child Care and Development Block Grant	93.575	778
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,115
Foster Care - Title IV-E	93.658	82,878
Social Services Block Grant	93.667	62,189
Children's Health Insurance Program	93.767	36
Medical Assistance Program	93.778	268,332
Block Grants for Community Mental Health Services	93.958	3,192
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 538,331</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT C-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 6,393
Passed Through United Way Emergency Food and Shelter National Board Program	97.024	3,129
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	28,685
Emergency Management Performance Grants	97.042	<u>17,439</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 55,646</b>
<b>Total Federal Awards</b>		<b>\$ <u>2,228,605</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lac qui Parle County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lac qui Parle County, it is not intended to and does not present the financial position or changes in net position of Lac qui Parle County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	
Primary Government - Lac qui Parle County	\$ 2,246,476
Unavailable revenue in 2013, recognized as revenue in 2014	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)	(10,560)
Temporary Assistance for Needy Families (CFDA #93.558)	(3,375)
Child Support Enforcement (CFDA #93.563)	(11,441)
Component Unit - Lac qui Parle-Yellow Bank Watershed District	7,505
Expenditures per Schedule of Expenditures of Federal Awards	\$ 2,228,605

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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5. Subrecipients

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	\$ 1,594

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

***EXHIBIT D-1***

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<u><b>Governmental Activities</b></u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,422,744
Special assessments receivable	
Noncurrent	378,515
Accounts receivable	1,778
Accrued interest receivable	861
Due from other governments	18,175
Capital assets	
Non-depreciable	628,458
Depreciable - net of accumulated depreciation	4,379,138
	<u>6,829,669</u>
<b>Total Assets</b>	<b>\$ 6,829,669</b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 17,719
Contracts payable	439
Due to other governments	8,755
Salaries payable	7,679
Unearned revenue	307,131
ISTS loans	
Due in one year	43,834
Due in more than one year	468,648
Compensated absences	
Due within one year	1,340
Due in more than one year	6,676
	<u>862,221</u>
<b>Total Liabilities</b>	<b>\$ 862,221</b>
<b><u>Net Position</u></b>	
Investment in capital assets	\$ 5,007,596
Restricted for conservation of natural resources	226,721
Unrestricted	733,131
	<u>5,967,448</u>
<b>Total Net Position</b>	<b>\$ 5,967,448</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT D-2*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<b><u>Functions/Programs</u></b>				
<b>Governmental activities</b>				
Culture and recreation	\$ 120,956	\$ 98,267	\$ -	\$ -
Conservation of natural resources	430,188	99,886	105,921	-
Interest	6,171	-	-	-
	<u>6,171</u>	<u>-</u>	<u>-</u>	<u>(6,171)</u>
<b>Total Governmental Activities</b>	<b>\$ 557,315</b>	<b>\$ 198,153</b>	<b>\$ 105,921</b>	<b>\$ -</b>
 <b>General Revenues</b>				
Property taxes				\$ 280,647
Grants and contributions not restricted to specific programs				6,738
Investment income				4,087
Miscellaneous				61,630
				<u>353,102</u>
<b>Total general revenues</b>				<b>\$ 353,102</b>
<b>Change in net position</b>				<b>\$ 99,861</b>
<b>Net Position - Beginning</b>				<b>5,867,587</b>
<b>Net Position - Ending</b>				<b>\$ 5,967,448</b>



**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT D-3**

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2014**

	<b>General</b>	<b>Ditch Special Revenue</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,332,768	\$ 89,976	\$ 1,422,744
Special assessments receivable			
Noncurrent	374,715	3,800	378,515
Accounts receivable	1,778	-	1,778
Accrued interest receivable	690	171	861
Due from other governments	18,175	-	18,175
	<b>\$ 1,728,126</b>	<b>\$ 93,947</b>	<b>\$ 1,822,073</b>
<b>Total Assets</b>	<b>\$ 1,728,126</b>	<b>\$ 93,947</b>	<b>\$ 1,822,073</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 16,527	\$ 1,192	\$ 17,719
Contracts payable	439	-	439
Due to other governments	8,755	-	8,755
Salaries payable	7,679	-	7,679
Unearned revenue	307,131	-	307,131
	<b>\$ 340,531</b>	<b>\$ 1,192</b>	<b>\$ 341,723</b>
<b>Total Liabilities</b>	<b>\$ 340,531</b>	<b>\$ 1,192</b>	<b>\$ 341,723</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 374,715</b>	<b>\$ 3,800</b>	<b>\$ 378,515</b>
<b>Fund Balances</b>			
Restricted for			
Septic/sewer loans	\$ 137,766	\$ -	\$ 137,766
Ditch repairs and maintenance	-	88,955	88,955
Assigned to			
Flood control	432,059	-	432,059
Unassigned	443,055	-	443,055
	<b>\$ 1,012,880</b>	<b>\$ 88,955</b>	<b>\$ 1,101,835</b>
<b>Total Fund Balance</b>	<b>\$ 1,012,880</b>	<b>\$ 88,955</b>	<b>\$ 1,101,835</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,728,126</b>	<b>\$ 93,947</b>	<b>\$ 1,822,073</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT D-4**

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

<b>Fund balance - total governmental funds (Exhibit D-3)</b>	<b>\$ 1,101,835</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,007,596
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.	378,515
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	(512,482)
Compensated absences	<u>(8,016)</u>
<b>Net Position of Governmental Activities (Exhibit D-1)</b>	<b><u><u>\$ 5,967,448</u></u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT D-5*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>General</b>	<b>Ditch Special Revenue</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 282,007	\$ -	\$ 282,007
Special assessments	68,031	2,481	70,512
Intergovernmental	112,659	9,756	122,415
Charges for services	98,267	-	98,267
Investment earnings	3,358	729	4,087
Gifts and contributions	500	-	500
Miscellaneous	72,753	-	72,753
	<b>\$ 637,575</b>	<b>\$ 12,966</b>	<b>\$ 650,541</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ 116,693	\$ -	\$ 116,693
Conservation of natural resources	344,822	24,801	369,623
<b>Debt service</b>			
Principal	42,971	-	42,971
Interest	6,171	-	6,171
	<b>\$ 510,657</b>	<b>\$ 24,801</b>	<b>\$ 535,458</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ 126,918</b>	<b>\$ (11,835)</b>	<b>\$ 115,083</b>
<b>Other Financing Sources (Uses)</b>			
Loans issued	\$ 58,680	\$ -	\$ 58,680
<b>Net Change in Fund Balance</b>	<b>\$ 185,598</b>	<b>\$ (11,835)</b>	<b>\$ 173,763</b>
<b>Fund Balance - January 1</b>	<b>827,282</b>	<b>100,790</b>	<b>928,072</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,012,880</b>	<b>\$ 88,955</b>	<b>\$ 1,101,835</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT D-6*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -- GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net change in fund balance - total governmental funds (Exhibit D-5) \$ 173,763**

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

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

Deferred inflows of resources - December 31	\$ 378,515	
Deferred inflows of resources - January 1	<u>(371,880)</u>	6,635

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

Expenditures for capital assets	\$ 9,648	
Current year depreciation	<u>(72,404)</u>	(62,756)

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability. (58,680)

Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level. 42,971

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

Change in compensated absences		<u>(2,072)</u>
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**Change in Net Position of Governmental Activities (Exhibit D-2) \$ 99,861**

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT D-7*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 282,007	\$ 282,007
Special assessments	-	-	68,031	68,031
Intergovernmental	-	-	112,659	112,659
Charges for services	105,200	105,200	98,267	(6,933)
Gifts and contributions	-	-	500	500
Investment earnings	-	-	3,358	3,358
Miscellaneous	-	-	72,753	72,753
<b>Total Revenues</b>	<b>\$ 105,200</b>	<b>\$ 105,200</b>	<b>\$ 637,575</b>	<b>\$ 532,375</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ 104,625	\$ 104,625	\$ 116,693	\$ (12,068)
<b>Conservation of natural resources</b>				
Watershed	285,000	285,000	344,822	(59,822)
<b>Debt service</b>				
Principal	-	-	42,971	(42,971)
Interest	-	-	6,171	(6,171)
<b>Total Expenditures</b>	<b>\$ 389,625</b>	<b>\$ 389,625</b>	<b>\$ 510,657</b>	<b>\$ (121,032)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (284,425)</b>	<b>\$ (284,425)</b>	<b>\$ 126,918</b>	<b>\$ 411,343</b>
<b>Other Financing Sources (Uses)</b>				
Loans issued	\$ -	\$ -	\$ 58,680	\$ 58,680
<b>Net Change in Fund Balance</b>	<b>\$ (284,425)</b>	<b>\$ (284,425)</b>	<b>\$ 185,598</b>	<b>\$ 470,023</b>
<b>Fund Balance - January 1</b>	<b>827,282</b>	<b>827,282</b>	<b>827,282</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 542,857</b>	<b>\$ 542,857</b>	<b>\$ 1,012,880</b>	<b>\$ 470,023</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT D-8*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 2,481	\$ 2,481
Intergovernmental	-	-	9,756	9,756
Investment earnings	-	-	729	729
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,966</b>	<b>\$ 12,966</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Conservation - other	5,000	5,000	24,801	(19,801)
<b>Net Change in Fund Balance</b>	<b>\$ (5,000)</b>	<b>\$ (5,000)</b>	<b>\$ (11,835)</b>	<b>\$ (6,835)</b>
<b>Fund Balance - January 1</b>	<b>100,790</b>	<b>100,790</b>	<b>100,790</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 95,790</b>	<b>\$ 95,790</b>	<b>\$ 88,955</b>	<b>\$ (6,835)</b>



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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major program is:

Highway Planning and Construction

CFDA #20.205

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1999-001

#### Segregation of Duties

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

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

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

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

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

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

#### Client's Response:

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

Finding 2006-007

Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

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

**Context:** The inability to make all necessary accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustments were necessary to be recorded for December 31, 2014:

Governmental Activities

- Decreased the other postemployment benefits payable liability and related expenditures by \$75,723, as the calculation for the year-end liability did not include all of the necessary components.

General Fund

- Decreased unearned revenue and increased intergovernmental state grant revenue by \$24,231 for the portion of the Natural Resources Block Grant expended during 2014.

Road and Bridge Special Revenue Fund

- Decreased assigned fund balance and the increase/decrease in inventories account on the statement of revenues, expenditures, and changes in fund balance by \$220,601 to appropriately reflect the current year decrease in materials inventory; and
- Decreased accounts payable and contract payment expenditures by \$240,081, as the client recorded contracts payable had been recorded by both a journal entry and by using accrual codes in the financial system.

## Family Services Special Revenue Fund

- Increased intergovernmental state and federal grant revenues and related expenditures by \$26,428 to recognize Lac qui Parle County's share of the Minnesota Family Investment Program (MFIP) and Temporary Assistance for Needy Families grant program activities, as these grant programs are administered by Chippewa County.

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

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

### Client's Response:

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

### PREVIOUSLY REPORTED ITEM RESOLVED

#### **Network/Application Password Controls (2011-001)**

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

#### **Resolution**

In 2014, the County Board approved and adopted a Network Password Policy, which appropriately restricts access to the IFS application.

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

### IV. OTHER FINDINGS AND RECOMMENDATIONS

#### A. MINNESOTA LEGAL COMPLIANCE

##### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2012-005

##### Publication of Financial Statements

**Criteria:** The County is required by Minn. Stat. § 375.17 to annually publish its financial statements in a form prescribed by the State Auditor, for one issue in a duly qualified legal newspaper in the county.

**Condition:** The County Auditor-Treasurer-Coordinator did not publish the financial statements for 2011, 2012, or 2013.

**Context:** Historically, the County defers publishing its financial statements until the audit of its financial statements is complete.

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

**Cause:** The County does not have the resources to make printing the financial statements a priority.

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

##### Client's Response:

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

Finding 2012-006

Publication of Board Minutes

**Criteria:** Minnesota Statute § 375.12 states that “Within 30 days of each meeting, the county board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the county.”

**Condition:** We reviewed the affidavits of publication related to the publishing of a summary of the County Board minutes for 2014 and found that some of the summaries were not published in the County’s official newspaper within the 30-day requirement.

**Context:** Of the eight published summaries reviewed, three were not published within the 30-day requirement.

**Effect:** Noncompliance with Minn. Stat. § 375.12.

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

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

Client’s Response:

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

PREVIOUSLY REPORTED ITEMS RESOLVED

**Ditch Fund Cash Deficits (1996-001)**

As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures; however, any loans made must be repaid with interest. At December 31, 2013, six of the 103 individual ditch systems had deficit cash balances totaling \$47,769. No interest was paid on loans made to the ditches with deficit cash balances.

### **Resolution**

On January 6, 2015, the County Board approved a three percent annual interest rate to be paid on loans made to ditches with deficit cash balances.

### **Alternative Dissemination of Bids (2013-001)**

Pursuant to Minn. Stat. § 331A.03, subd. 3 (b), “A political subdivision may use its Web site or recognized industry trade journals as an alternative means of dissemination. A dissemination by alternative means must be in substantially the same format and for the same period of time as a publication required by this chapter.” Further, Minn. Stat. § 331A.03, subd. 3 (a), allows a political subdivision to “. . . disseminate solicitations of bids, requests for information, and requests for proposals by a means authorized in paragraph (b), if the political subdivision simultaneously publishes, either as part of the minutes of a regular meeting of the governing body or in a separate notice published in the official newspaper, a description of all solicitations or requests so disseminated, along with the means by which the dissemination occurred.” In the prior audit, we noted the County solicited bids for highway projects via the County website, but did not simultaneously provide notice in the official newspaper.

### **Resolution**

The County provided affidavits of publication for the solicitation of bids for all contracts tested during the current audit.

### **Depository Pledge Agreement and Pledge Receipt (2013-002)**

According to Minn. Stat. § 118A.03A, subd. 4, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.” During the prior audit, the County could not provide a depository pledge agreement for the State Bank of Bellingham for deposits at year-end.

### **Resolution**

During the current audit, the County provided depository pledge agreements for all banks. All agreements included the appropriate language to meet statutory requirements.

## **B. OTHER ITEM FOR CONSIDERATION**

### **GASB Statement No. 68, Accounting and Financial Reporting for Pensions**

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Lac qui Parle County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

#### Independent Auditor's Report

Board of County Commissioners  
Lac qui Parle County  
Madison, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lac qui Parle County Economic Development Authority, a discretely presented component unit, as described in our report on Lac qui Parle County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1999-001 and 2006-007 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lac qui Parle County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the County does not have debt, and we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Lac qui Parle County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2012-005 and 2012-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Other Matters**

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported it for that purpose.

### **Lac qui Parle County's Response to Findings**

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

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 23, 2015

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

### Independent Auditor's Report

Board of County Commissioners  
Lac qui Parle County  
Madison, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Lac qui Parle County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2014. Lac qui Parle County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lac qui Parle County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, Lac qui Parle County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 23, 2015

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR