STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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NORMAN COUNTY
ADA, MINNESOTA

For the Year Ended December 31, 2013

Audit Practice Division
Office of the State Auditor
State of Minnesota

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NORMAN COUNTY
ADA, MINNESOTA

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NORMAN COUNTY
ADA, MINNESOTA

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Introductory Section

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NORMAN COUNTY
ADA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2013

			Term Expires
Elected			
Commissioners			
Board Member	Marvin Gunderson	District 1	January 2017
Vice Chair	Nathan Redland	District 2	January 2015
Board Member	Steve Jacobson	District 3	January 2017
Board Member	Lee Ann Hall	District 4	January 2015
Chair	Steven Bommersbach	District 5	January 2017
Attorney	James Brue*		January 2015
Auditor-Treasurer	Richard D. Munter		January 2015
County Recorder	Kari Aanenson		January 2015
Registrar of Deeds	Kari Aanenson		January 2015
County Sheriff	Jeremy Thornton		January 2015
Appointed			
Assessor	James Haley		December 2016
County Engineer	Tom Knakmuhs		May 2017
Coroner	Dr. Mary Ann Sens**		Indefinite
Court Administrator	Lori Wiebolt		Indefinite
Emergency Services	Garry Johanson		May 2016
Veterans Service Officer	John Rosenberger		December 2016
Social Services Board			
Chair	Nathan Redland		January 2015
Vice Chair	Lee Ann Hall		January 2015
Secretary	Marian Cerkowniak		May 2014
Member	Steven Bommersbach		January 2017
Member	Marvin Gunderson		January 2017
Member	Carol Sorenson		May 2015
Member	Steve Jacobson		January 2017
Director	Chris Kujava		Indefinite

*James Brue was appointed when the previous attorney resigned. He is the County Attorney until January 2015.

**Norman County does not have a signed contract at the present time; therefore, the term of the Coroner's position
is indefinite until there is a signed contract.

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Norman County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norman 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 June 13, 2014, on our consideration of Norman 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 Norman County's internal control over financial reporting and compliance.

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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 13, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORMAN COUNTY
ADA, MINNESOTA

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

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

FINANCIAL HIGHLIGHTS

The assets of Norman County exceeded its liabilities by $60,717,015 at the close of 2013. Of this amount, $4,272,185 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2013, Norman County's governmental funds reported combined ending fund balances of $5,170,618, an increase of $36,675 in comparison with the prior year.

At the close of 2013, unrestricted fund balance for the General Fund was $3,228,725, or 75.8 percent of total General Fund expenditures.

Norman County currently has $230,300 of bonded indebtedness. The money was used for the Perley and Hendrum dike projects completed the summer of 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to Norman County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents information on all of Norman County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Norman County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Norman County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Level Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Norman County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Norman County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. 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, County fund level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norman County reports eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net position. These activities are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, supplementary information is provided on Norman County's budgeted funds, deposits and investments, ditch balances, intergovernmental revenues and expenditures of federal awards.

Norman County adopts an annual appropriated budget for its General Fund and all special revenue funds except for the Ditch Special Revenue Fund and Gravel Tax Special Revenue Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Norman County's assets exceeded liabilities by $60,717,015 at the close of 2013. The largest portion of Norman County's net position (88 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2013	2012
Current and other assets	$ 8,414,091	$ 8,786,433
Capital assets	53,613,650	53,665,615
Total Assets	$ 62,027,741	$ 62,452,048
Long-term liabilities outstanding	$ 811,010	$ 789,321
Other liabilities	499,716	664,190
Total Liabilities	$ 1.310,726	$ 1,453,511
Net Position		
Invested in capital assets	$ 53,610,657	$ 53,661,089
Restricted	2,834,173	3,290,045
Unrestricted	4,272,185	4,047,403
Total Net Position	$ 60,717,015	$ 60,998,537

The unrestricted net position amount of $4,272,185 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities decreased net position by $281,522, or 0.4 percent, under the 2012 net position. The key element of the decrease was a decrease in restricted assets.

Changes in Net Position

	2013	2012
Revenues		
Program revenues		
Charges for services	$ 1,310,395	$ 916,048
Operating grants and contributions	4,613,415	6,869,945
Capital grants and contributions	205,867	2,215,886
General revenues		
Property taxes	4,444,020	4,077,245
Gravel taxes	60,128	36,973
Grants and contributions not restricted to specific programs	272,223	390,064
Other	281,543	279,058
Total Revenues	$ 11,187,591	$ 14,785,219

	2013	2012
Expenses		
General government	$ 1,830,641	$ 1,966,403
Public safety	1,103,199	1,221,170
Highways and streets	4,920,098	5,643,295
Sanitation	385,060	361,758
Human services	2,179,473	2,158,161
Health	299,230	302,492
Culture and recreation	295,969	133,554
Conservation of natural resources	275,258	413,797
Economic development	170,717	-
Interest	9,468	9,858
Total Expenses	$ 11,469,113	$ 12,210,488
Increase (Decrease) in Net Position	$ (281,522)	$ 2,574,731
Net Position, January 1	60,998,537	58,423,806
Net Position, December 31	$ 60,717,015	$ 60,998,537

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of $5,170,618, an increase of $36,675 in comparison with the prior year.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unrestricted fund balance of the General Fund was $3,228,725, while total fund balance was $3,622,175. As a measure of the General Fund’s liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 76 percent of total General Fund expenditures. The County Board has determined that the County should maintain minimum unrestricted fund balance of 16 percent of the total General Fund expenditures. At December 31, 2013, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2013, fund balance in the General Fund decreased by $394,388.

The Road and Bridge Special Revenue Fund's fund balance increased by $454,667 in 2013. The main reason for this increase was a transfer of funds to Road and Bridge from the General Fund.

The Social Services Special Revenue Fund's fund balance decreased by $59,759 due to excess expenditures over revenues. Excess expenditures over revenues were budgeted to reduce the fund balance and provide additional levy revenue for other funds.

General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by $670,991, and actual expenditures were higher than budgeted expenditures by $741,059. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for county buildings for general government, ambulance expenditures for health, Agassiz Trail Project for culture and recreation, and Northwest Minnesota Multi-County Housing Redevelopment Authority for economic development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2013, was $53,613,650 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total decrease in Norman County's investment in capital assets for the current fiscal year was less than one percent.

Governmental Capital Assets
(Net of Depreciation)

	2013	2012
Land	$ 928,653	$ 943,843
Construction in progress	-	245,031
Infrastructure	48,128,023	48,479,573
Buildings	2,401,434	2,264,883
Furniture, equipment, and machinery	2,155,540	1,732,285
Total	$ 53,613,650	$ 53,665,615

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, Norman County had $230,300 of bonded indebtedness. This debt was issued for the Perley and Hendrum dike projects completed in 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget. Due to the cuts in the state-aid payments, the Norman County budget is not balanced for 2013.

- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Norman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Norman County Auditor-Treasurer, P. O. Box 266, Ada, Minnesota 56510.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Assets		
Cash and pooled investments	$	4,478,819
Taxes receivable delinquent		87,191
Special assessments receivable		
Prior - net		46,116
Deferred - net		118,163
Accounts receivable - net		139,018
Accrued interest receivable		1,292
Due from other governments		2,924,159
Inventories		505,229
Advance to watershed		114,104
Capital assets		
Non-depreciable		928,653
Depreciable - net of accumulated depreciation		52,684,997
Total Assets	**$**	**62,027,741**
Liabilities		
Accounts payable	$	248,997
Salaries payable		15,365
Contracts payable		192,556
Due to other governments		35,123
Customer deposits		3,863
Accrued interest payable		3,812
Long-term liabilities		
Due within one year		139,063
Due in more than one year		671,947
Total Liabilities	**$**	**1,310,726**
Net Position		
Net investments in capital assets	$	53,610,657
Restricted for		
General government		285,464
Public safety		107,986
Highways and streets		2,181,901
Conservation of natural resources		258,822
Unrestricted		4,272,185
Total Net Position	**$**	**60,717,015**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 1,830,641	$ 195,423	$ 245,971	$ -	$ (1,389,247)
Public safety	1,103,199	56,050	126,201	35,150	(885,798)
Highways and streets	4,920,098	27,888	3,072,012	-	(1,820,198)
Sanitation	385,060	276,538	55,950	-	(52,572)
Human services	2,179,473	440,227	1,018,309	-	(720,937)
Health	299,230	217,223	1,000	-	(81,007)
Culture and recreation	295,969	-	93,500	-	(202,469)
Conservation of natural resources	275,258	97,046	472	-	(177,740)
Economic development	170,717	-	-	170,717	-
Interest	9,468	-	-	-	(9,468)
Total Governmental Activities	**$ 11,469,113**	**$ 1,310,395**	**$ 4,613,415**	**$ 205,867**	**$ (5,339,436)**

General Revenues	
Property taxes	$ 4,444,020
Gravel taxes	60,128
Mortgage registry and deed taxes	
Grants and contributions not restricted to specific programs	272,223
Payments in lieu of tax	68,500
Investment earnings	7,338
Miscellaneous	205,705
Total general revenues	**$ 5,057,914**
Change in net position	**$ (281,522)**
Net Position - Beginning	**60,998,537**
Net Position - Ending	**$ 60,717,015**

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Assets					
Cash and pooled investments	$ 2,899,453	$ -	$ 1,093,111	$ 339,124	$ 4,331,688
Petty cash and change funds	4,600	200	-	-	4,800
Undistributed cash in agency funds	88,585	20,779	13,858	19,109	142,331
Taxes receivable delinquent	55,986	18,154	12,107	944	87,191
Special assessments receivable					
Delinquent	43,991	-	-	2,125	46,116
Noncurrent	-	-	-	118,163	118,163
Accounts receivable	38,439	24,558	24,011	52,010	139,018
Accrued interest receivable	1,292	-	-	-	1,292
Due from other funds	697,401	3,582	58	-	701,041
Due from other governments	28,893	2,876,186	18,735	-	2,923,814
Inventories	-	505,229	-	-	505,229
Advance to watershed	-	-	-	114,104	114,104
Total Assets	**$ 3,858,640**	**$ 3,448,688**	**$ 1,161,880**	**$ 645,579**	**$ 9,114,787**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 91,529	$ 77,123	$ 77,377	$ 2,968	$ 248,997
Salaries payable	7,023	5,655	2,687	-	15,365
Contracts payable	47,911	144,645	-	-	192,556
Due to other funds	58	693,537	2,174	4,927	700,696
Due to other governments	1,043	1,771	11,122	21,187	35,123
Customer deposits	825	-	-	3,039	3,864
Total Liabilities	**$ 148,389**	**$ 922,731**	**$ 93,360**	**$ 32,121**	**$ 1,196,601**
Deferred Inflows of Resources					
Unavailable revenue	**$ 88,076**	**$ 2,485,339**	**$ 10,497**	**$ 163,656**	**$ 2,747,568**
Fund Balances					
Nonspendable					
Inventories	$ -	$ 505,229	$ -	$ -	$ 505,229
Advance to watershed	-	-	-	114,104	114,104
Restricted for					
Debt service	-	-	-	66,140	66,140
Law library	48,522	-	-	-	48,522
Recorder's technology equipment	67,686	-	-	-	67,686
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	97,359	-	-	-	97,359
Recorder's compliance	107,083	-	-	-	107,083
Gravel pit postclosure	-	-	-	87,951	87,951
Ditch maintenance and construction	-	-	-	170,871	170,871
By donors for specific purposes - K9	10,627	-	-	-	10,627
Attorney forfeitures	413	-	-	-	413
Committed to					
Township road restoration	-	229,199	-	-	229,199
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Human services	-	-	1,058,023	-	1,058,023
County homes	-	-	-	62,470	62,470
Unassigned	3,223,725	(693,810)	-	(51,734)	2,478,181
Total Fund Balances	**$ 3,622,175**	**$ 40,618**	**$ 1,058,023**	**$ 449,802**	**$ 5,170,618**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 3,858,640**	**$ 3,448,688**	**$ 1,161,880**	**$ 645,579**	**$ 9,114,787**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)			**$**	**5,170,618**
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.				53,613,650
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.				2,747,568
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
General obligation bonds	$	(230,300)		
Capital lease		(2,993)		
Accrued interest payable		(3,812)		
Compensated absences		(380,007)		
Net OPEB liability		(197,709)		(814,821)
Net Position of Governmental Activities (Exhibit 1)			**$**	**60,717,015**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 5

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

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Revenues					
Taxes	$ 2,846,881	$ 969,160	$ 612,704	$ 66,399	$ 4,495,144
Special assessments	209,113	-	-	68,045	277,158
Licenses and permits	16,122	-	-	400	16,522
Intergovernmental	907,291	3,393,913	1,057,330	59,672	5,418,206
Charges for services	223,375	29,637	303,050	306,777	862,839
Fines and forfeits	270	-	-	-	270
Gifts and contributions	1,529	-	250	-	1,779
Investment earnings	7,468	-	-	-	7,468
Miscellaneous	68,443	118,213	137,177	28,932	352,765
Total Revenues	**$ 4,280,492**	**$ 4,510,923**	**$ 2,110,511**	**$ 530,225**	**$ 11,432,151**
Expenditures					
Current					
General government	$ 1,962,315	$ -	$ -	$ 18,432	$ 1,980,747
Public safety	1,328,874	-	-	-	1,328,874
Highways and streets	-	4,151,117	-	-	4,151,117
Sanitation	-	-	-	384,281	384,281
Human services	4,500	-	2,168,305	-	2,172,805
Health	294,730	-	-	-	294,730
Culture and recreation	295,969	-	-	-	295,969
Conservation of natural resources	203,775	-	-	71,132	274,907
Economic development	170,717	-	-		170,717
Intergovernmental					
Highways and streets	-	320,137	-	-	320,137
Debt service					
Principal	-	-	1,532	11,000	12,532
Interest	-	-	307	9,225	9,532
Administrative fees	-	-	126	-	126
Total Expenditures	**$ 4,260,880**	**$ 4,471,254**	**$ 2,170,270**	**$ 494,070**	**$ 11,396,474**
Excess of Revenues Over (Under) Expenditures	**$ 19,612**	**$ 39,669**	**$ (59,759)**	**$ 36,155**	**$ 35,677**
Other Financing Sources (Uses)					
Transfers in	$ -	$ 414,000	$ -	$ -	$ 414,000
Transfers out	(414,000)	-	-	-	(414,000)
Total Other Financing Sources (Uses)	**$ (414,000)**	**$ 414,000**	**$ -**	**$ -**	**$ -**
Net Change in Fund Balance	**$ (394,388)**	**$ 453,669**	**$ (59,759)**	**$ 36,155**	**$ 35,677**
Fund Balance - January 1	**4,016,563**	**(414,049)**	**1,117,782**	**413,647**	**5,133,943**
Increase (decrease) in inventories	**-**	**998**	**-**	**-**	**998**
Fund Balance - December 31	**$ 3,622,175**	**$ 40,618**	**$ 1,058,023**	**$ 449,802**	**$ 5,170,618**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 35,677**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 2,173,413	
Current year depreciation	(2,225,378)	(51,965)
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 unavailable revenue.		
Unavailable revenue - December 31	$ 2,747,568	
Unavailable revenue - January 1	(2,992,176)	(244,608)
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.		
Principal repayments		
General obligation bonds	$ 11,000	
Capital lease	1,533	12,533
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 64	
Change in compensated absences	(1,046)	
Change in inventories	998	
Change in net OPEB liability	(33,175)	(33,159)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (281,522)**

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FIDUCIARY FUNDS

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	Children's Collaborative Investment Trust	Agency
Assets		
Cash and pooled investments	**$ 16,429**	**$ 184,360**
Liabilities		
Due to other funds	$ -	$ 345
Due to other governments	-	163,439
Funds held in trust	-	20,576
Total Liabilities	**$ -**	**$ 184,360**
Net Position		
Net position held in trust for pool participants	**$ 16,429**	

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

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

		Children's Collaborative Investment Trust
Additions		
Contributions from participants	$	34,120
Investment earnings		
Interest		8
Total Additions	**$**	**34,128**
Deductions		
Pool participant withdrawals		33,018
Change in Net Position	**$**	**1,110**
Net Position - Beginning of the Year		**15,319**
Net Position - End of the Year	**$**	**16,429**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, and amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8. in the notes to the financial statements for additional information regarding the County's deferred inflows/outflows of resources.

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

A. Financial Reporting Entity

Norman County was established February 17, 1881, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. 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.

1. Summary of Significant Accounting Policies

   A. Financial Reporting Entity (Continued)

      Joint Ventures

      The County participates in joint ventures, related organizations, and jointly-governed organizations described in Notes 6.C., 6.D., and 6.E., respectively.

   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 County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

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

         The County reports the following major governmental funds:

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

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

         The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs.

         Additionally, the County reports the following fund types:

         The Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the government.

         The Children's Collaborative Investment Trust Fund accounts for the external pooled and non-pooled investments on behalf of the Children's Collaborative (Serving Norman County Families).

         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.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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 County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were $7,338.

1. Summary of Significant Accounting Policies

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

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Norman County Children's Collaborative in an external investment pool. For the purposes of financial reporting, the Children's Collaborative portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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

No allowance has been made for uncollectible receivables.

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

1. Summary of Significant Accounting Policies

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

4. Advance to Watershed

Noncurrent portions of intergovernmental advances, reported as "advance to watershed," are offset by a nonspendable fund balance, which indicates that they do not constitute available resources.

In 2012, an advance of $109,400 was made to the Wild Rice Watershed District to cover expenses for Project 30. The outstanding balance of this advance at December 31, 2013, was $114,104. The balance plus accrued interest will be repaid in annual installments of $34,450, with the first payment due February 1, 2016.

5. Inventories

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold 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 government's capitalization threshold for capital assets is as follows:

Assets	Capitalization Threshold
Land	$ 1
All other classes of assets	5,000

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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.

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

Assets	Years
Buildings	25 - 50
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

7. 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. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that it becomes available.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of the debt issued is reported as an other financing source.

10. Classification of Net Position

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

Net investment in capital assets - represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

1. Summary of Significant Accounting Policies

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

10. 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.

11. Classification of Fund Balances

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

Nonspendable - amounts that cannot be spent because they are not in spendable form, or 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 on which constraints have been placed on the use of resources 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 (ordinance or 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 (ordinance or resolution) it employed to previously commit those amounts.

1. Summary of Significant Accounting Policies

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

11. 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 who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund 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.

The 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.

12. Minimum Fund Balance

Unrestricted fund balance (committed, assigned, and unassigned) may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the County's Board. In the event of projected revenue shortfalls, it is the responsibility of the County Auditor-Treasurer to report the projections to the County's Board on a quarterly basis and shall be recorded in the minutes.

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance (Continued)

Any budget revision that will result in the unrestricted fund balance dropping below the minimum level will require the approval of a 3/5 vote of the County Board.

The Fund Balance Policy establishes a minimum unrestricted fund balance equal to 16 percent of total General Fund expenditures. In the event that the balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established minimum level within two years.

13. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Solid Waste Special Revenue Fund

The Solid Waste Special Revenue Fund had a deficit fund balance of $399 as of December 31, 2013. The fund balance deficit will be eliminated through future collections.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Ditch Fund Deficits

Of 35 drainage systems, 5 have incurred expenditures in excess of their revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue and Debt Service Funds as of December 31, 2013:

Nonspendable fund balance	$	114,104
Restricted fund balances		237,011
Unassigned fund balances		(51,335)
Total Fund Balances	$	299,780

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2013.

	Expenditures	Budget	Excess
General Fund	$ 4,260,880	$ 3,519,821	$ 741,059
Special Revenue Funds			
Road and Bridge	4,471,254	2,883,283	1,587,971
Social Services	2,170,270	2,105,023	65,247
Solid Waste	384,281	375,643	8,638

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County’s total cash and investments follows:

Governmental activities		
Cash and pooled investments	$	4,478,819
Fiduciary funds		
Cash and pooled investments		
Investment trust fund		16,429
Agency funds		184,360
Total Cash and Investments	$	4,679,608

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments (Continued)

         b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2013, the County had no investments.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 87,191	$ -
Special assessments	164,279	118,163
Accounts	139,018	-
Interest	1,292	-
Due from other governments	2,924,159	-
Total	$ 3,315,939	$ 118,163

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 943,843	$ 20,130	$ 35,320	$ 928,653
Construction in progress	245,031	-	245,031	-
Total capital assets not depreciated	$ 1,188,874	$ 20,130	$ 280,351	$ 928,653
Capital assets depreciated				
Buildings	$ 3,780,606	$ 236,757	$ -	$ 4,017,363
Machinery, furniture, and equipment	4,794,626	733,909	151,767	5,376,768
Infrastructure	65,688,004	1,462,968	975,768	66,175,204
Total capital assets depreciated	$ 74,263,236	$ 2,433,634	$ 1,127,535	$ 75,569,335

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 1,515,723	$ 100,206	$ -	$ 1,615,929
Machinery, furniture, and equipment	3,062,341	310,654	151,767	3,221,228
Infrastructure	17,208,431	1,814,518	975,768	18,047,181
Total accumulated depreciation	$ 21,786,495	$ 2,225,378	$ 1,127,535	$ 22,884,338
Total capital assets depreciated, net	$ 52,476,741	$ 208,256	$ -	$ 52,684,997
Governmental Activities Capital Assets, Net	$ 53,665,615	$ 228,386	$ 280,351	$ 53,613,650

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

General government	$ 60,917
Public safety	61,090
Highways and streets, including depreciation of infrastructure assets	2,071,940
Human services	31,431
Total Depreciation Expense	$ 2,225,378

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund	$ 693,537
	Social Services Special Revenue Fund	2,174
	Other governmental funds	1,345
	Agency funds	345
Total Due to General Fund		$ 697,401
Road and Bridge Special Revenue Fund	Other governmental funds	3,582
Social Services Special Revenue Fund	General Fund	58
Total Due To/From Other Funds		$ 701,041

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

The amount due to the General Fund from the Road and Bridge Special Revenue Fund and the Solid Waste Special Revenue Fund is $693,537 and $1,345, respectively, to cover the cash deficit in those funds. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Interfund Transfers

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

Transfer to Road and Bridge Special Revenue Fund from the General Fund	$ 414,000	To cover a negative fund balance in the Road and Bridge Fund.

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

Accounts	$ 248,997
Salaries	15,365
Contracts	192,556
Due to other governments	35,123
Customer deposits	3,863
Total Payables	$ 495,904

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2013.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Courthouse remodel	$ 196,480	$ 4,600

3. Capital Leases

In 2011, the County entered into a lease agreement as lessee for financing the acquisition of a Canon copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2013:

Lease	Maturity	Installment	Payment Amount	Original	Balance
2011 copier	2015	Monthly	$ 153	$ 6,276	$ 2,993

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31	Governmental Activities
2014	$ 1,965
2015	1,475
Total minimum lease payments	$ 3,440
Less: amount representing interest	(447)
Present Value of Minimum Lease Payments	$ 2,993

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds 2010A G.O. Watershed Bonds	2031	$6,000 - $15,000	1.00 - 5.25	$ 247,300	$ 230,300

5. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2014	$ 11,000	$ 9,049
2015	11,000	8,832
2016	12,000	8,564
2017	12,000	8,246
2018	13,000	7,876
2019 - 2023	63,500	32,325
2024 - 2028	64,000	19,322
2029 - 2031	43,800	3,470
Total	$ 230,300	$ 97,684

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 241,300	$ -	$ 11,000	$ 230,300	$ 11,000
Capital lease	4,526	-	1,533	2,993	1,659
Net OPEB liability	164,534	33,175	-	197,709	-
Compensated absences	378,961	280,140	279,093	380,008	126,404
Total Long-Term Liabilities	$ 789,321	$ 313,315	$ 291,626	$ 811,010	$ 139,063

4. Pension Plans

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

4. Pension Plans

   A. Defined Benefit Plan

      Plan Description (Continued)

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

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

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund 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 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.

4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2013:

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

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

	2013	2012	2011
General Employees Retirement Fund	$ 186,532	$ 187,150	$ 188,166
Public Employees Police and Fire Fund	40,008	38,885	38,692

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

4. Pension Plans (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

	Employee	Employer
Contribution amount	$ 1,677	$ 1,677
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.0 percent.

4. Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Norman County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Norman County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2013, there were 77 participants in the plan, including 6 retirees.

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	$ 80,210
Interest on net OPEB obligation	7,404
Adjustment to ARC	(10,140)
Annual OPEB cost (expense)	$ 77,474
Contributions made	(44,299)
Increase in net OPEB obligation	$ 33,175
Net OPEB Obligation - Beginning of Year	164,534
Net OPEB Obligation - End of Year	$ 197,709

4. Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for December 31, 2013, was $77,474. The percentage of annual OPEB cost contributed to the plan was 57.2 percent, and the net OPEB obligation for 2013 was $197,709. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2011, 2012, and 2013, was as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2011	$ 64,894	$ 28,337	43.7%	$ 121,186
December 31, 2012	78,254	34,906	44.6	164,534
December 31, 2013	77,474	44,299	57.2	197,709

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $660,548, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $660,548. The covered payroll (annual payroll of active employees covered by the plan) was $2,830,548, and the ratio of the UAAL to the covered payroll was 23.3 percent.

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, will present multi-year trend information as it becomes available about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 26 years.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $470,000 per claim in 2013 and $480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

5. Risk Management (Continued)

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.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

B. Project 9

On July 21, 2005, Norman County entered into a joint powers agreement with Clay County, pursuant to Minn. Stat. § 471.59. Clay County sold $830,000 of bonds on behalf of the Wild Rice Watershed District for Project 9. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

C. Joint Ventures

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Community Corrections (Continued)

Control is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net position of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2013 was $387,882.

Complete financial information can be obtained from the Polk County Auditor's Office or the Northwest Regional Corrections Center located at 816 Marin Avenue, Suite 110, Crookston, Minnesota 56716.

Norman-Mahnomen Public Health

The Multi-County Nursing Service was established in 1997 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included Becker, Mahnomen, and Norman Counties. On June 24, 2003, the Becker County Board passed a resolution to withdraw from the Multi-County Nursing Service as of January 1, 2005. On January 1, 2005, Norman and Mahnomen Counties amended the joint powers agreement forming the Multi-County Nursing Service and started doing business as Norman-Mahnomen Public Health. Effective December 31, 2012, the Norman-Mahnomen Community Health Board was dissolved. Effective January 1, 2013, the Norman-Mahnomen Board of Health was created and does business under the name Norman-Mahnomen Public Health. The purpose of Norman-Mahnomen Public Health is the development, implementation, and operation of public health services throughout the member counties.

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman-Mahnomen Public Health (Continued)

Control of Norman-Mahnomen Public Health was vested in the Norman-Mahnomen Board of Health, which consisted of six members. Norman and Mahnomen Counties each appoint three members.

In the event of withdrawal from Norman-Mahnomen Public Health, the withdrawing county is not entitled to any reimbursement of funds contributed during the course of its membership, except to the extent of any surplus uncommitted monies remaining in the operation account upon expiration of the fiscal year of the county's withdrawal. Such surplus shall be distributed in the proportion that the withdrawing County's contribution bears to the aggregate contribution of all member parties for the year of withdrawal. Funds utilized for capital asset acquisition shall be paid only at the time of sale of such assets.

Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2013 was $86,024.

Complete financial information can be obtained from the Norman-Mahnomen Board of Health, 15 East 2nd Avenue, Room 107, Ada, Minnesota 56510.

Norman County-Ada-Twin Valley Joint Airport Authority

The Norman County-Ada-Twin Valley Joint Airport Authority was established in 1976 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The purpose of the Norman County-Ada-Twin Valley Joint Airport Authority is the construction, development, and maintenance of the Norman County-Ada-Twin Valley Joint Airport. As allowed by Minn. Stat. § 360.032, every municipality, through its governing body, may acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports. Control of the Norman County-Ada-Twin Valley Joint Airport is vested in the Norman County-Ada-Twin Valley Airport Authority, which consists of six members. As provided in the bylaws, the Norman County Board appoints two members, and each of the two City Councils appoints two members.

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman County-Ada-Twin Valley Joint Airport Authority (Continued)

The joint powers agreement remains in force until any single member gives the other parties one-year's written notice of termination. Any party terminating the agreement shall transfer its interest in the real and personal assets to the remaining parties for consideration of $1.

Financing of the capital costs and operations is provided by state and federal grants, charges for services, and appropriations from Norman County and the Cities of Ada and Twin Valley. Norman County's contribution for 2013 was $4,030.

Complete financial statements for the Norman County-Ada-Twin Valley Joint Airport Authority can be obtained from Norman County Abstracting and Accounting, Inc., 18 East 4th Avenue, Ada, Minnesota 56510.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board's convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

The purpose of the Northwest Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's bylaws.

6. Summary of Significant Contingencies and Other Items

   C. Joint Ventures

      Northwest Minnesota Regional Radio Board (Continued)

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

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

D. Related Organizations

Ambulance Service

Norman County and the City of Ada entered into an agreement to establish an Ambulance Advisory Committee, effective March 5, 1991. The purpose of the Committee is to provide coordinated funding and delivery of ambulance services within Norman County.

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers, composed of five members appointed by the Polk County Board for staggered terms of three years each.

E. Jointly-Governed Organizations

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

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnomen County appoints two members, and Norman County appoints three members.

Complete financial information can be obtained from the Wild Rice Watershed District office at 11 East 5th Avenue, Ada, Minnesota 56510.

Northwest Regional Development Commission

The Northwest Regional Development Commission (NWRDC) was created through the actions of local units of government in 1973. The Commission is a group of 35 representatives of counties, cities, townships, school districts, and special interest groups which sets the general policy and direction of the agency. The Commission appoints a Board of Directors made up of one member from each county and a Chairperson elected at large to conduct its monthly business. The Commission was created to “develop plans and implement programs which address growth and development issues” in Northwest Minnesota.

The Commission is authorized to levy a limited amount of local property taxes and to enter into contracts with other units of government and private foundations to operate programs and services which benefit the area. The NWRDC provides local match for each of the programs through the local tax levy. Norman County provided $27,781 to this organization in 2013.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Northwest Regional Development Commission (Continued)

In 2005, the NWRDC became part of a larger planning and service area covering 21 counties. This is a partnership between the NWRDC, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Norman County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board, comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (Continued)

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2013, the County contributed $225.

Complete financial statements can be obtained from the offices of The International Coalition at 119 - 5th Street South, Moorhead, Minnesota 56560.

Children's Collaborative (Serving Norman County Families)

The Children's Collaborative (Serving Norman County Families) was established in 1999 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Norman County Social Services, Ada-Borup Public Schools, Norman County East Public Schools, Norman County West Public Schools, Norman-Mahnomen Community Health Board, Northwestern Mental Health Center, and Tri-Valley Opportunity Council, Inc. The purpose of the Collaborative is to provide coordinated services and to commit resources to an integrated fund. Control of the Collaborative is vested in a Board of Directors, comprised of one member appointed by each member party.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to a refund of contributions made to the integrated fund or other fees paid to operate the Collaborative. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from its member parties. Complete financial information can be obtained from Norman County Social Services, 15 Second Avenue East, Ada, Minnesota 56510.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-220) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment, and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprising 18 members, with one representative from each of the seven counties, three members at large, and eight members representing local agencies. The joint powers agreement that created this Service Area terminated on June 30, 2002, and must be renewed by resolution of the participating County Boards. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake, Lake of the Woods, Mahnomen, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Norman County's responsibility does not extend beyond making this appointment.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed $87,594 to the Agassiz Regional Library during 2013.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Norman County's responsibility does not extend beyond making this appointment.

Sentence to Service

Norman County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Department of Corrections and Natural Resources, provide the funds needed to operate the STS program.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net position of the Joint Powers Board at that time shall be disposed of in accordance with law.

Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Communities Caring for Children

The Communities Caring for Children (CCC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CCC during 2013.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts				Actual		Variance with	
	Original		Final		Amounts		Final Budget	
Revenues								
Taxes	$	2,954,066	$	2,954,066	$	2,846,881	$	(107,185)
Special assessments		-		-		209,113		209,113
Licenses and permits		5,292		5,292		16,122		10,830
Intergovernmental		345,717		345,717		907,291		561,574
Charges for services		231,419		231,419		223,375		(8,044)
Fines and forfeits		-		-		270		270
Gifts and contributions		-		-		1,529		1,529
Investment earnings		15,150		15,150		7,468		(7,682)
Miscellaneous		57,857		57,857		68,443		10,586
Total Revenues	**$**	**3,609,501**	**$**	**3,609,501**	**$**	**4,280,492**	**$**	**670,991**
Expenditures								
Current								
General government								
Commissioners	$	194,470	$	194,470	$	180,732	$	13,738
Courts		50,000		50,000		60,422		(10,422)
Law library		6,300		6,300		6,481		(181)
County auditor-treasurer		282,140		282,140		264,433		17,707
County assessor		210,094		210,094		175,178		34,916
Elections		500		500		130		370
Accounting and auditing		55,000		55,000		51,893		3,107
Data processing		62,000		62,000		56,536		5,464
Attorney		165,390		165,390		155,696		9,694
Victim assistance		32,945		32,945		36,606		(3,661)
Recorder		303,025		303,025		297,196		5,829
Planning and zoning		35,572		35,572		63,320		(27,748)
County buildings		151,100		151,100		305,718		(154,618)
Buildings and plant		155,065		155,065		135,657		19,408
Veterans service officer		52,116		52,116		44,717		7,399
Cemeteries		-		-		75		(75)
Unallocated - general government		75,950		75,950		127,525		(51,575)
Total general government	**$**	**1,831,667**	**$**	**1,831,667**	**$**	**1,962,315**	**$**	**(130,648)**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 783,337	$ 783,337	$ 754,040	$ 29,297
Coroner	19,104	19,104	7,627	11,477
Radio tower	2,000	2,000	647	1,353
Hazardous materials training	10,700	10,700	6,669	4,031
Safety coordinator	6,662	6,662	10,075	(3,413)
E-911 system	35,375	35,375	79,754	(44,379)
Community corrections	388,408	388,408	387,882	526
Civil defense	34,252	34,252	50,151	(15,899)
Police and fire	200	200	833	(633)
Other public safety	1,500	1,500	31,196	(29,696)
Total public safety	**$ 1,281,538**	**$ 1,281,538**	**$ 1,328,874**	**$ (47,336)**
Human services				
Senior citizen centers	$ 7,000	$ 7,000	$ 3,500	$ 3,500
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	**$ 8,000**	**$ 8,000**	**$ 4,500**	**$ 3,500**
Health				
Nursing service	$ 90,632	$ 90,632	$ 86,173	$ 4,459
Ambulance	-	-	208,557	(208,557)
Total health	**$ 90,632**	**$ 90,632**	**$ 294,730**	**$ (204,098)**
Culture and recreation				
Historical society	$ 7,650	$ 7,650	$ 7,650	$ -
Agassiz trail project	500	500	199,505	(199,005)
Winter shows	800	800	800	-
County library	81,900	81,900	87,594	(5,694)
Celebrations	420	420	420	-
Total culture and recreation	**$ 91,270**	**$ 91,270**	**$ 295,969**	**$ (204,699)**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	$ 130,828	$ 130,828	$ 126,249	$ 4,579
Soil and water conservation	60,200	60,200	63,575	(3,375)
Agricultural society	12,150	12,150	12,150	-
Forfeited tax	-	-	366	(366)
Weed control	8,350	8,350	113	8,237
Predator control	5,186	5,186	1,322	3,864
Total conservation of natural resources	**$ 216,714**	**$ 216,714**	**$ 203,775**	**$ 12,939**
Economic development				
Northwest Minnesota Multi-County Housing and Redevelopment Authority	**$ -**	**$ -**	**$ 170,717**	**$ (170,717)**
Total Expenditures	**$ 3,519,821**	**$ 3,519,821**	**$ 4,260,880**	**$ (741,059)**
Excess of Revenues Over (Under) Expenditures	**$ 89,680**	**$ 89,680**	**$ 19,612**	**$ (70,068)**
Other Financing Sources (Uses)				
Transfers out	-	-	(414,000)	(414,000)
Net Change in Fund Balance	**$ 89,680**	**$ 89,680**	**$ (394,388)**	**$ (484,068)**
Fund Balance - January 1	**4,016,563**	**4,016,563**	**4,016,563**	**-**
Fund Balance - December 31	**$ 4,106,243**	**$ 4,106,243**	**$ 3,622,175**	**$ (484,068)**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 971,661	$ 971,661	$ 969,160	$ (2,501)
Intergovernmental	1,446,239	1,446,239	3,393,913	1,947,674
Charges for services	17,000	17,000	29,637	12,637
Miscellaneous	103,000	103,000	118,213	15,213
Total Revenues	**$ 2,537,900**	**$ 2,537,900**	**$ 4,510,923**	**$ 1,973,023**
Expenditures				
Current				
Highways and streets				
Administration	$ 357,063	$ 357,063	$ 381,964	$ (24,901)
Maintenance	1,654,060	1,654,060	1,622,390	31,670
Construction	240,250	240,250	1,571,306	(1,331,056)
Equipment and maintenance shop	631,910	631,910	575,457	56,453
Total highways and streets	**$ 2,883,283**	**$ 2,883,283**	**$ 4,151,117**	**$ (1,267,834)**
Intergovernmental				
Highways and streets	-	-	320,137	(320,137)
Total Expenditures	**$ 2,883,283**	**$ 2,883,283**	**$ 4,471,254**	**$ (1,587,971)**
Excess of Revenues Over (Under) Expenditures	**$ (345,383)**	**$ (345,383)**	**$ 39,669**	**$ 385,052**
Other Financing Sources (Uses)				
Transfers in	-	-	414,000	414,000
Net Change in Fund Balance	**$ (345,383)**	**$ (345,383)**	**$ 453,669**	**$ 799,052**
Fund Balance - January 1	**(414,049)**	**(414,049)**	**(414,049)**	**-**
Increase (decrease) in inventories	**-**	**-**	**998**	**998**
Fund Balance - December 31	**$ (759,432)**	**$ (759,432)**	**$ 40,618**	**$ 800,050**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 629,161	$ 629,161	$ 612,704	$ (16,457)
Intergovernmental	1,129,677	1,129,677	1,057,330	(72,347)
Charges for services	274,650	274,650	303,050	28,400
Gifts and contributions	-	-	250	250
Miscellaneous	54,500	54,500	137,177	82,677
Total Revenues	**$ 2,087,988**	**$ 2,087,988**	**$ 2,110,511**	**$ 22,523**
Expenditures				
Current				
Human services				
Income maintenance	$ 672,379	$ 672,379	$ 768,531	$ (96,152)
Social services	1,432,644	1,432,644	1,399,774	32,870
Total human services	**$ 2,105,023**	**$ 2,105,023**	**$ 2,168,305**	**$ (63,282)**
Debt service				
Principal	$ -	$ -	$ 1,532	$ (1,532)
Interest	-	-	307	(307)
Administrative - fiscal charges	-	-	126	(126)
Total debt service	**$ -**	**$ -**	**$ 1,965**	**$ (1,965)**
Total Expenditures	**$ 2,105,023**	**$ 2,105,023**	**$ 2,170,270**	**$ (65,247)**
Excess of Revenues Over (Under) Expenditures	**$ (17,035)**	**$ (17,035)**	**$ (59,759)**	**$ (42,724)**
Fund Balance - January 1	**1,117,782**	**1,117,782**	**1,117,782**	**-**
Fund Balance - December 31	**$ 1,100,747**	**$ 1,100,747**	**$ 1,058,023**	**$ (42,724)**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ -	$ 508,463	$ 508,463	0.0%	$2,750,246	18.5%
January 1, 2012	-	660,548	660,548	0.0	2,830,548	23.3

NORMAN COUNTY
ADA, MINNESOTA

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Gravel Reserve Tax Special Revenue Fund, and the Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Auditor-Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the Norman County Board for review. The Board continues to refine the budget, holds departmental budget meetings, and a final budget must be prepared and adopted no later than December 31.

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

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2013.

	Expenditures	Final Budget	Excess
General Fund	$ 4,260,880	$ 3,519,821	$ 741,059
Road and Bridge Special Revenue Fund	4,471,255	2,883,283	1,587,972
Social Services Special Revenue Fund	2,170,270	2,105,023	65,247

3. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2009. See Note 4.C. to the financial statements for more information.

3. Other Postemployment Benefits Funding Status (Continued)

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only two actuarial valuations are available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

NORMAN COUNTY
ADA, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Homes Fund - to account for the collection of rents and payment of expenses on small homes owned by Norman County that are rented to senior citizens.

Ditch Fund - to account for the financing and costs relating to all County ditches.

Gravel Reserve Tax Fund - to account for the proceeds of a special gravel removal or occupation tax which is restricted to expenditures for the restoration of abandoned gravel pits.

Solid Waste Fund - to account for the financing and costs relating to the Fosston Incinerator, demolition landfill, and public education. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

DEBT SERVICE FUND

Ditch Fund - to account for the accumulation of resources and the payment of principal and interest of ditch bond issues.

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
Assets			
Cash and pooled investments	$ 273,590	$ 65,534	$ 339,124
Undistributed cash in agency funds	18,647	462	19,109
Taxes receivable delinquent	944	-	944
Special assessments receivable			
Delinquent	442	1,683	2,125
Noncurrent	43,798	74,365	118,163
Accounts receivable	52,010	-	52,010
Advance to watershed	-	114,104	114,104
Total Assets	**$ 389,431**	**$ 256,148**	**$ 645,579**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 2,968	$ -	$ 2,968
Due to other funds	4,927	-	4,927
Due to other governments	21,187	-	21,187
Customer deposits	3,039	-	3,039
Total Liabilities	**$ 32,121**	**$ -**	**$ 32,121**
Deferred Inflows of Resources			
Unavailable revenue	**$ 87,752**	**$ 75,904**	**$ 163,656**
Fund Balances			
Nonspendable			
Advance to watershed	$ -	$ 114,104	$ 114,104
Restricted for			
Debt service	-	66,140	66,140
Gravel pit postclosure	87,951	-	87,951
Ditch maintenance and construction	170,871	-	170,871
Assigned to			
County homes	62,470	-	62,470
Unassigned	(51,734)	-	(51,734)
Total Fund Balances	**$ 269,558**	**$ 180,244**	**$ 449,802**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 389,431**	**$ 256,148**	**$ 645,579**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT B-2

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

	Special Revenue (Exhibit C-2)	Ditch Debt Service	Total (Exhibit 5)
Revenues			
Taxes	$ 66,399	$ -	$ 66,399
Special assessments	53,096	14,949	68,045
Licenses and permits	400	-	400
Intergovernmental	59,672	-	59,672
Charges for services	290,455	16,322	306,777
Miscellaneous	28,932	-	28,932
Total Revenues	**$ 498,954**	**$ 31,271**	**$ 530,225**
Expenditures			
Current			
General government	$ 18,432	$ -	$ 18,432
Sanitation	384,281	-	384,281
Conservation of natural resources	71,132	-	71,132
Debt service			
Principal	-	11,000	11,000
Interest	-	9,225	9,225
Total Expenditures	**$ 473,845**	**$ 20,225**	**$ 494,070**
Excess of Revenues Over (Under) Expenditures	**$ 25,109**	**$ 11,046**	**$ 36,155**
Fund Balance - January 1	**244,449**	**169,198**	**413,647**
Fund Balance - December 31	**$ 269,558**	**$ 180,244**	**$ 449,802**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

	County Homes	Ditch	Gravel Reserve Tax	Solid Waste	Total (Exhibit B-1)
Assets					
Cash and pooled investments	$ 66,115	$ 122,577	$ 84,898	$ -	$ 273,590
Undistributed cash in agency funds	-	354	-	18,293	18,647
Taxes receivable delinquent	-	-	-	944	944
Special assessments receivable					
Delinquent	-	442	-	-	442
Noncurrent	-	43,798	-	-	43,798
Accounts receivable	-	-	3,053	48,957	52,010
Total Assets	**$ 66,115**	**$ 167,171**	**$ 87,951**	**$ 68,194**	**$ 389,431**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 606	$ -	$ -	$ 2,362	$ 2,968
Due to other funds	-	3,582	-	1,345	4,927
Due to other governments	-	-	-	21,187	21,187
Customer deposits	3,039	-	-	-	3,039
Total Liabilities	**$ 3,645**	**$ 3,582**	**$ -**	**$ 24,894**	**$ 32,121**
Deferred Inflows of Resources					
Unavailable revenue	**$ -**	**$ 44,053**	**$ -**	**$ 43,699**	**$ 87,752**
Fund Balances					
Restricted for					
Gravel pit postclosure	$ -	$ -	$ 87,951	$ -	$ 87,951
Ditch maintenance and construction	-	170,871	-	-	170,871
Assigned to					
County homes	62,470	-	-	-	62,470
Unassigned	-	(51,335)	-	(399)	(51,734)
Total Fund Balances	**$ 62,470**	**$ 119,536**	**$ 87,951**	**$ (399)**	**$ 269,558**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 66,115**	**$ 167,171**	**$ 87,951**	**$ 68,194**	**$ 389,431**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	County Homes	Ditch	Gravel Reserve Tax	Solid Waste	Total (Exhibit B-2)
Revenues					
Taxes	$ -	$ -	$ 9,356	$ 57,043	$ 66,399
Special assessments	-	53,096	-	-	53,096
Licenses and permits	-	-	-	400	400
Intergovernmental	-	-	-	59,672	59,672
Charges for services	-	22,800	-	267,655	290,455
Miscellaneous	28,932	-	-	-	28,932
Total Revenues	**$ 28,932**	**$ 75,896**	**$ 9,356**	**$ 384,770**	**$ 498,954**
Expenditures					
Current					
General government	$ 18,432	$ -	$ -	$ -	$ 18,432
Sanitation	-	-	-	384,281	384,281
Conservation of natural resources	-	71,132	-	-	71,132
Total Expenditures	**$ 18,432**	**$ 71,132**	**$ -**	**$ 384,281**	**$ 473,845**
Excess of Revenues Over (Under) Expenditures	**$ 10,500**	**$ 4,764**	**$ 9,356**	**$ 489**	**$ 25,109**
Fund Balance - January 1	**51,970**	**114,772**	**78,595**	**(888)**	**244,449**
Fund Balance - December 31	**$ 62,470**	**$ 119,536**	**$ 87,951**	**$ (399)**	**$ 269,558**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-3

BUDGETARY COMPARISON SCHEDULE
COUNTY HOMES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Miscellaneous	$ 30,240	$ 30,240	$ 28,932	$ (1,308)
Expenditures				
Current				
General government				
Low-income housing	23,450	23,450	18,432	5,018
Excess of Revenues Over (Under) Expenditures	**$ 6,790**	**$ 6,790**	**$ 10,500**	**$ 3,710**
Fund Balance - January 1	**51,970**	**51,970**	**51,970**	**-**
Fund Balance - December 31	**$ 58,760**	**$ 58,760**	**$ 62,470**	**$ 3,710**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 58,640	$ 58,640	$ 57,043	$ (1,597)
Licenses and permits	400	400	400	-
Intergovernmental	57,892	57,892	59,672	1,780
Charges for services	258,711	258,711	267,655	8,944
Total Revenues	**$ 375,643**	**$ 375,643**	**$ 384,770**	**$ 9,127**
Expenditures				
Current				
Sanitation				
Recycling	$ 100,075	$ 100,075	$ 79,736	$ 20,339
Landfill	22,000	22,000	22,000	-
Fosston incinerator	235,277	235,277	257,966	(22,689)
Household hazardous waste	18,291	18,291	24,579	(6,288)
Total Expenditures	**$ 375,643**	**$ 375,643**	**$ 384,281**	**$ (8,638)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 489**	**$ 489**
Fund Balance - January 1	**(888)**	**(888)**	**(888)**	**-**
Fund Balance - December 31	**$ (888)**	**$ (888)**	**$ (399)**	**$ 489**

NORMAN COUNTY
ADA, MINNESOTA

FIDUCIARY FUNDS

AGENCY FUNDS

State Revenue - to account for the collection and payment of amounts due to the state.

Taxes and Penalties - to account for the collection of taxes and penalties and their payment to the various taxing districts.

Watershed - to account for the collection and payments of amounts to the watershed.

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT D-1

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

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 24,610**	**$ 389,921**	**$ 406,963**	**$ 7,568**
Liabilities				
Due to other funds	$ 856	$ 345	$ 856	$ 345
Due to other governments	23,754	389,576	406,107	7,223
Total Liabilities	**$ 24,610**	**$ 389,921**	**$ 406,963**	**$ 7,568**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 170,139**	**$ 4,489,297**	**$ 4,484,950**	**$ 174,486**
Liabilities				
Due to other governments	$ 164,425	$ 4,457,312	$ 4,467,827	$ 153,910
Funds held in trust	5,714	31,985	17,123	20,576
Total Liabilities	**$ 170,139**	**$ 4,489,297**	**$ 4,484,950**	**$ 174,486**
WATERSHED				
Assets				
Cash and pooled investments	**$ -**	**$ 423,117**	**$ 420,811**	**$ 2,306**
Liabilities				
Due to other governments	**$ -**	**$ 423,117**	**$ 420,811**	**$ 2,306**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT D-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 194,749**	**$ 5,302,335**	**$ 5,312,724**	**$ 184,360**
Liabilities				
Due to other funds	$ 856	$ 345	$ 856	$ 345
Due to other governments	188,179	5,270,005	5,294,745	163,439
Funds held in trust	5,714	31,985	17,123	20,576
Total Liabilities	**$ 194,749**	**$ 5,302,335**	**$ 5,312,724**	**$ 184,360**

SCHEDULES

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2013

	Interest Rate (%)	Maturity Date		Fair Value
Deposits and Investments				
Unrestricted				
Cash on hand	N/A	N/A	$	4,800
Noninterest-bearing checking (1)	N/A	Continuous		16,429
Interest-bearing checking (2)	0.01%	Continuous		1,596,619
Money market checking (1)	0.25%	Continuous		2,000,000
Certificates of deposit (2)	0.13% to 0.15%	June 19, 2014 to June 30, 2014		1,000,000
Total unrestricted			**$**	**4,617,848**
Restricted for real estate tax shortfall				
Certificates of deposit (3)	0.12% to 0.17%	December 22, 2014		61,760
Total Deposits and Investments			**$**	**4,679,608**

NORMAN COUNTY
ADA, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2013

	Assets					
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable Delinquent	Special Assessments Receivable Noncurrent	Advance To Watershed	Total
County Ditches						
5	$ 1,569	$ 40	$ -	845	$ -	$ 2,454
6	442	24	2	301	-	769
7	13,305	4	28	2,663	-	16,000
8	2,066	-	-	560	-	2,626
9	(10,184)	-	-	8,452	-	(1,732)
14	1,926	-	-	302	-	2,228
17	2,374	1	1	320	-	2,696
22	8,198	-	-	-	-	8,198
23	2,768	-	-	-	-	2,768
24	2,659	-	-	326	-	2,985
25	(17,591)	40	159	8,394	-	(8,998)
26	85	-	-	63	-	148
28 & 3	395	-	-	-	-	395
29	(397)	8	19	1,869	-	1,499
29 Lat. 1	2,224	-	-	647	-	2,871
31	4,227	-	-	-	-	4,227
33	23,671	-	44	-	-	23,715
34	21,492	-	3	505	-	22,000
36	3,004	-	-	332	-	3,336
39	696	-	-	307	-	1,003
40	2,755	26	-	559	-	3,340
41	1,721	2	-	288	-	2,011
42	17,535	-	-	-	-	17,535
46	1,284	-	-	-	-	1,284
47	7,509	115	70	-	-	7,694
49	3,327	3	72	511	-	3,913
62	2,693	4	44	282	-	3,023
65	3,847	-	-	1,021	-	4,868
69	6,179	23	-	1,233	-	7,435
73	13,066	-	-	1,963	-	15,029
75	2,607	53	-	-	-	2,660
Borup State Ditch	60	-	-	-	-	60
Judicial Ditches						
54 South	(22,540)	11	-	12,055	-	(10,474)
55	19,605	-	-	-	-	19,605
Watershed Ditches						
Project 43 - Perley	15,003	269	810	16,256	2,784	35,122
Project 44 - Hendum	50,531	193	873	58,109	111,320	221,026
Total	**$ 188,111**	**$ 816**	**$ 2,125**	**118,163**	**$ 114,104**	**$ 423,319**

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows, and Fund Balances
Due to Other Funds	**Unavailable Revenue**	**Total**	**Nonspendable Advance to Watershed**	**Restricted for Debt Service**	**Restricted for Ditch Maintenance and Construction**	**Unassigned**	**Total**	
$ -	$ 845	$ 845	$ -	$ -	$ 1,609	$ -	$ 1,609	$ 2,454
89	303	392	-	-	377	-	377	769
-	2,691	2,691	-	-	13,309	-	13,309	16,000
1,252	560	1,812	-	-	814	-	814	2,626
240	8,452	8,692	-	-	-	(10,424)	(10,424)	(1,732)
-	302	302	-	-	1,926	-	1,926	2,228
-	321	321	-	-	2,375	-	2,375	2,696
89	-	89	-	-	8,109	-	8,109	8,198
-	-	-	-	-	2,768	-	2,768	2,768
-	326	326	-	-	2,659	-	2,659	2,985
67	8,375	8,442	-	-	-	(17,440)	(17,440)	(8,998)
-	63	63	-	-	85	-	85	148
-	-	-	-	-	395	-	395	395
328	1,888	2,216	-	-	-	(717)	(717)	1,499
-	647	647	-	-	2,224	-	2,224	2,871
-	-	-	-	-	4,227	-	4,227	4,227
-	44	44	-	-	23,671	-	23,671	23,715
-	505	505	-	-	21,495	-	21,495	22,000
-	332	332	-	-	3,004	-	3,004	3,336
921	307	1,228	-	-	-	(225)	(225)	1,003
-	559	559	-	-	2,781	-	2,781	3,340
149	288	437	-	-	1,574	-	1,574	2,011
-	-	-	-	-	17,535	-	17,535	17,535
-	-	-	-	-	1,284	-	1,284	1,284
-	70	70	-	-	7,624	-	7,624	7,694
-	579	579	-	-	3,334	-	3,334	3,913
269	324	593	-	-	2,430	-	2,430	3,023
-	1,021	1,021	-	-	3,847	-	3,847	4,868
-	1,233	1,233	-	-	6,202	-	6,202	7,435
-	1,963	1,963	-	-	13,066	-	13,066	15,029
-	-	-	-	-	2,660	-	2,660	2,660
-	-	-	-	-	60	-	60	60
-	12,055	12,055	-	-	-	(22,529)	(22,529)	(10,474)
178	-	178	-	-	19,427	-	19,427	19,605
-	17,063	17,063	2,784	15,275	-	-	18,059	35,122
-	58,841	58,841	111,320	50,865	-	-	162,185	221,026
$ 3,582	**$ 119,957**	**$ 123,539**	**$ 114,104**	**$ 66,140**	**$ 170,871**	**$ (51,335)**	**$ 299,780**	**$ 423,319**

NORMAN COUNTY
ADA, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2013

	Assets					
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable - Delinquent	Special Assessments Receivable - Noncurrent	Advance To Watershed	Total
Presented as						
Ditch Special Revenue Fund	$ 122,577	$ 354	$ 442	43,798	$ -	$ 167,171
Ditch Debt Service Fund	65,534	462	1,683	74,365	114,104	256,148
Total	**$ 188,111**	**$ 816**	**$ 2,125**	**118,163**	**$ 114,104**	**$ 423,319**

EXHIBIT E-2
(Continued)

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows, and Fund Balances
Due to Other Funds	**Unavailable Revenue**	**Total**	**Nonspendable Advance to Watershed**	**Restricted for Debt Service**	**Restricted for Ditch Maintenance and Construction**	**Unassigned**	**Total**	
$ 3,582	$ 44,053	$ 47,635	$ -	$ -	$ 170,871	$ (51,335)	$ 119,536	$ 167,171
-	75,904	75,904	114,104	66,140	-	-	180,244	256,148
$ 3,582	**$ 119,957**	**$ 123,539**	**$ 114,104**	**$ 66,140**	**$ 170,871**	**$ (51,335)**	**$ 299,780**	**$ 423,319**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-3

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

Shared Revenue		
State		
Highway users tax	$	3,329,095
County program aid		149,708
PERA rate reimbursement		13,183
Disparity reduction aid		15,681
Police aid		32,573
Market value credit		93,651
Total shared revenue	**$**	**3,633,891**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**192,111**
Payments		
Local		
Payments in lieu of taxes	**$**	**68,500**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	536
Public Safety		112,682
Transportation		5,864
Natural Resources		128,992
Human Services		383,019
Health		1,000
Veterans Affairs		7,500
Water and Soil Resources		472
Office of Environmental Assistance		55,950
Peace Officer Standards and Training Board		1,367
Total state	**$**	**697,382**
Federal		
Department of		
Agriculture	$	41,363
Housing and Urban Development		170,717
Transportation		108,829
Health and Human Services		432,040
Homeland Security		73,373
Total federal	**$**	**826,322**
Total state and federal grants	**$**	**1,523,704**
Total Intergovernmental Revenue	**$**	**5,418,206**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-4

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	**$**	**41,363**
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	**$**	**170,717**
U.S. Department of Transportation			
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	$	93,500
Passed Through Minnesota Department of Public Safety			
State and Community Highway Safety	20.600		10,169
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		5,160
Total U.S. Department of Transportation		**$**	**108,829**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	$	3,324
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families	93.558		56,735
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program - ARRA	93.714		2,075
Child Support Enforcement	93.563		66,389
Refugee and Entrant Assistance - State-Administered Programs	93.566		153
Child Care and Development Block Grant	93.575		2,725
Community-Based Child Abuse Prevention Grants	93.590		2,342
Stephanie Tubbs Jones Child Welfare Services Program	93.645		1,662
Foster Care Title IV-E	93.658		20,233
Social Services Block Grant	93.667		72,117
Chafee Foster Care Independence Program	93.674		3,670
Children's Health Insurance Program	93.767		24
Medical Assistance Program	93.778		193,501
Passed Through Minnesota Department of Human Services and Polk County			
Block Grants for Community Mental Health Services	93.958		7,090
Total U.S. Department of Health and Human Services		**$**	**432,040**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

EXHIBIT E-4
(Continued)

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	$	34,614
Emergency Management Performance Grants	97.042		15,600
Pre-Disaster Mitigation	97.047		342
Passed Through Minnesota Department of Natural Resources			
Cooperating Technical Partners	97.045		37,881
Passed Through Minnesota Department of Public Safety and Headwaters Regional Development Commission			
Homeland Security Grant Program	97.067		19,550
Total U.S. Department of Homeland Security		**$**	**107,987**
Total Federal Awards		**$**	**860,936**

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

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Norman County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Norman County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Norman County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Norman 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	$	826,322
Grants received more than 60 days after year-end, deferred in 2013		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		187,397
Grants unavailable in 2012, recognized as revenue in 2013		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		(152,783)
Expenditures Per Schedule of Expenditures of Federal Awards	$	860,936

5. Clusters

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

Temporary Assistance for Needy Families Cluster	$	58,810

6. Subrecipients

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

CFDA Number	Program Name		Amount Provided to Subrecipients
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	$	170,717
20.219	Recreational Trails Program		93,500
97.045	Cooperating Technical Partners		37,881
	Total	$	302,098

7. American Recovery and Reinvestment Act

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

Management and Compliance Section

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NORMAN COUNTY
ADA, MINNESOTA

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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? **Yes**

The major programs are:

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CFDA #14.228
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

Norman 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 1996-006

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Norman County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office generally tries to segregate the record-keeping function from the custody function. However, due to breaks, vacations, and illness, staff assigned record-keeping responsibilities may be required to assist in receipting collections, and staff assigned the custody functions may be required to assist in posting. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: This is not unusual in operations the size of Norman 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 internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it believes it is more efficient to have fees specific to the services provided by a department collected within that department and periodically remit those fees to the Treasurer's Office. The County combined the Auditor-Treasurer position several years ago to reduce costs by limiting staff.

Recommendation: We recommend Norman County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Finding 2006-002

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Clarified Auditing Standards AU-6 Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements. The County provides a general ledger, which includes certain accruals, a GASB34 Audit List, and other supporting schedules necessary for preparing fund level and government-wide financial statements.

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

Effect: Audit adjustments were necessary in the General Fund to reclassify $414,000 from intergovernmental payments to transfers out to correctly reflect the transfer made to the Road and Bridge Special Revenue Fund, and to record a receivable in the amount of $694,883 to cover cash deficits in the Road and Bridge and Solid Waste Special Revenue Funds. Audit adjustments were necessary in the Road and Bridge Special Revenue Fund to adjust liabilities to reflect a payable to the General Fund of $693,538 to cover the cash deficit, to reduce deferred inflows by $347,295, to reduce receivables by $7,467, and to recognize revenue in the amount of $339,828 for receivables collected within the revenue recognition period for state-aid highway projects.

Cause: The transfer is not a recurring transaction in the County, and the entry for it was made in error. The entries necessary to reflect the amount due between funds for the deficit cash balances were not made. The client-prepared schedules for state-aid highway projects did not reflect a $339,828 receivable collected within the revenue recognition period, and receivables were overstated by $7,467.

Recommendation: We recommend that the County staff review the trial balances and journal entries in detail to ensure they have an understanding of all audit adjustments made so that, in future audits, the need for audit adjustments is eliminated.

Client's Response:

We are working on this.

Finding 2011-001

Network/Application Password Controls

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

Condition: Norman 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. Norman County contracts with a vendor for use of space on a mainframe IBM I Series system. For an employee of Norman County to access the new IFS application, the user must be signed on to the County network and have a current sign-on for the IFS application. The sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Norman County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

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

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

Cause: Norman County updated to a new web-based version of the IFS application software. Although County management was made aware of some of the password implications of this change during the previous audit, the County could not provide assurance that network controls were reviewed.

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

Client's Response:

We will check with our Vendor to see if we can comply.

ITEM ARISING THIS YEAR

Finding 2013-001

Sheriff's Departmental Control Procedures

Criteria: Check registers should be maintained current and routinely reconciled to bank statements. Unreconciled differences should be investigated and corrected timely. Deposits for fees collected should be deposited timely. Evidence obtained should be logged, tagged, and stored in a secure area.

Condition: During our audit of the Sheriff's Department, we noted several weaknesses in departmental control procedures. They are as follows:

- At the time of our visit, January 23, 2014, we noted the check register and bank reconciliations for the Bank of the West account had not been updated since January 31, 2013.

- The checking account at Frandsen Bank has had an unreconciled excess balance of $31.05 for over a year. The Office of the State Auditor suggested to the Office Deputy during a previous audit, that they should investigate the difference and, if they are unable to track it down, they should remit it to the County Auditor/Treasurer as a miscellaneous collection.

- During our review of collections and deposits for the month of November 2013, we noted that fees collected in August were included in a deposit made on November 7, 2013. Fees collected in September and October were included in a deposit made on November 21, 2013, and fees collected in November were not deposited until January 2, 2014.

- During our review of evidence, we noted one item in the evidence room that was tagged, but not listed on the evidence inventory listing. It appeared that an officer had started to fill out the evidence inventory log since a line on the log had a date listed, but no other information was completed on that line of the inventory log.

Context: The establishment and oversight of departmental control procedures is particularly important because, generally, these smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: Internal control procedures assumed to be in place may not be working as intended to ensure accounting records are properly maintained and compared with the underlying items they represent. If the internal controls are not working as intended, there is increased risk that errors or fraud could occur and not be detected timely.

Cause: The County Board relies on management within the individual departments to ensure proper internal controls have been established and are working as intended. Although individual department managers may be aware certain control procedures should be performed, there is limited formal guidance documenting the internal control policies and procedures and consequences for not complying with those policies and procedures.

Recommendation: Norman County's management should implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff.

The Office of the State Auditor has a Statement of Position 2007-1010 which discusses the importance of internal controls. It can be found on our website, state.auditor@state.mn.us, along with other useful information, and may offer additional guidance.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding 2013-002

Supervisory Review Over Eligibility - Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance (MA) Grant (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The state maintains the MAXIS computer system, which is used by the County to support the eligibility determination process. During our testing of controls over the MA case files, we noted no documented review process of case files by a supervisor.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility). The state maintains the computer systems supporting the eligibility determination process and actually pays the benefits to participants.

Effect: The lack of case file reviews increases the risk that clients will receive benefits when they are not eligible.

Cause: Supervising staff indicated that they had been short staffed so reviews were not done due to time constraints. The County recently hired for one replacement position and one new position.

Recommendation: We recommend Norman County establish a process for reviewing a sample of case files periodically by a person with knowledge of the program to ensure that all the required information affecting eligibility is obtained, is correctly entered into MAXIS, and is retained in the manual case file. We further recommend that those reviews be documented.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Mary Doyea, Financial Assistance Specialist

Corrective Action Planned:

She has set up a monthly time for her to perform random reviews of MA case files. She will document the reviews through case notes.

Anticipated Completion Date:

May 1, 2014

Finding 2013-003

Income Maintenance DHS-2550/Social Services DHS-2556 Reporting

Programs: U.S. Department of Health and Human Services' Child Support Enforcement (CFDA No. 93.563) and Medical Assistance (MA) (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Amounts reported for reimbursement should be accurate and agree with the accounting records.

Condition: During our testing of DHS-2550 and DHS-2556 quarterly reports, we noted expenditures reported on the DHS-2550 quarterly reports were overstated by $16,018 in 2013, and expenditures reported on the DHS-2556 quarterly reports were understated by $183 in 2013. Expenditures reported on the DHS-2550 report for the first quarter were overstated by $5,715, the second quarter were overstated by $2,502, and the fourth quarter were overstated by $7,801. Expenditures reported on the DHS-2556 report for the second quarter were understated by $322, and the fourth quarter were overstated by $139.

Questioned Costs: $16,018

Context: The amount of federal administrative reimbursements through DHS for several programs is determined based on the reporting done through the quarterly Income Maintenance DHS-2550 and Social Services DHS-2556 reports. Upon being told of these differences, the client resubmitted revised 2550s and 2556s to DHS to get things corrected.

Effect: The overstating of expenditures on the DHS-2550 reports would result in the County receiving more federal administrative aid than it was entitled to. The net understating of eligible expenditures on the DHS-2556 reports would result in the County receiving less federal revenue than it was entitled to.

Cause: A majority of the $16,018 overstated on the DHS-2550 reports was caused by the client not reporting refunds and cancellations of $13,366 in the first and fourth quarters. The client could not determine the source of the $2,502 that was overstated in the second quarter or an additional amount of $150 that was overstated in the first quarter. For the DHS-2556 reports, the client was able to tie the overstated amount of $139 in quarter four into a payment made on warrant #46479, but could not determine the source of the $322 understatement in quarter two.

Recommendation: We recommend Norman County report only amounts that agree with the accounting records.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

David Stene, Fiscal Supervisor

Corrective Action Planned:

Through communication with Minnesota Department of Human Services, the errors were corrected at the state level and the county level.

Anticipated Completion Date:

May 1, 2014

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Ditch Fund Cash Deficits

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

Condition: Four of the 36 individual ditch systems had deficit cash balances totaling $50,712 at December 31, 2013. This amount decreased from the prior year when we reported that 4 of the 36 individual ditch systems had deficit cash balances totaling $52,068.

Context: If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is larger.

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

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

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

Client's Response:

We have been working on this and will continue until it has been eliminated.

Finding 2011-002

Special Revenue Funds Cash Balance Deficits

Criteria: As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Auditor-Treasurer. The County Board has oversight responsibilities for the property, funds, and business of the County. The Board should be notified if a fund does not have sufficient money available to cover expenditures and provide temporary or permanent resources as needed for the fund.

Condition: At December 31, 2013, the Road and Bridge Special Revenue Fund had a deficit cash balance of $693,538, and the Solid Waste Special Revenue Fund had a deficit cash balance of $1,345.

Context: On July 2, 2013, the County Board approved a transfer of $414,000 into the Road and Bridge Special Revenue Fund to cover the fund balance deficit reported in the December 31, 2012, financial statements. This transfer was sufficient to bring the fund balance into a positive position, however, the transfer was not sufficient to cover the cash deficit. In 2012, the County increased solid waste fees to improve the Solid Waste Special Revenue Fund's condition.

Effect: Allowing the payment of expenditures from the Road and Bridge and Solid Waste Special Revenue Funds when there was no money available in those funds resulted in deficit cash balances and a violation of Minn. Stat. § 385.04.

Cause: Expenditures for projects are paid for in advance of the anticipated federal and state reimbursements. The Road and Bridge Special Revenue Fund did not have sufficient resources to cover these expenditures. Although the Board approved a transfer to the Road and Bridge Special Revenue Fund on July 2, 2013, the amount was not sufficient to cover the cash deficit. Although the Solid Waste Fund had excess revenues over expenditures, the cash balance decreased due to a reduction in accounts payable.

Recommendation: We recommend that the County borrow from another fund as provided by Minn. Stat. § 385.32 when the cash balances are so low as to cause the fund to have a cash deficit.

Client's Response:

We will make transfers as needed.

PREVIOUSLY REPORTED ITEM RESOLVED

Traffic Safety Course (2012-001)

Norman County established a Traffic Safety Course option in lieu of issuance or court filing of a state uniform traffic ticket. The Traffic Safety Course established by the County did not comply with the criteria prescribed by Minn. Stat. § 169.999.

Resolution

Norman County discontinued the practice of allowing traffic violators the option of attending the Traffic Safety Course in lieu of a state uniform traffic ticket.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-002

County Ditch Fund Deficits

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is greater.

Condition: As of December 31, 2013, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Five of the 36 individual ditch systems had deficit fund balances as of December 31, 2013, totaling $51,335, the largest being $22,529. Two of the ditch systems have sufficient current levies to cover the deficit; however, the other three ditch systems do not.

Effect: Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems.

Cause: Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

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

<u>Client's Response</u>:

We have been working on this and will continue until it has been eliminated.

<u>PREVIOUSLY REPORTED ITEM RESOLVED</u>

Road and Bridge Deficit Fund Balance (2012-003)

As of December 31, 2012, the assets in the County's Road and Bridge Fund did not exceed liabilities, resulting in a deficit fund balance of $414,049.

Resolution

On July 2, 2013, the County Board approved a transfer of $414,000 into the Road and Bridge Special Revenue Fund to cover the fund balance deficit reported in the December 31, 2012, financial statements. This transfer, along with an excess revenue over expenditure in 2013 resulted in a positive fund balance of $40,617 at December 31, 2013.

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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
Norman County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 13, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-002 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-006, 2011-001, and 2013-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norman 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 tax increment financing because Norman County had no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Norman County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001 and 2011-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Norman County's Response to Findings

Norman County's responses to the internal control, legal compliance, and management practices 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

June 13, 2014

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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
Norman County

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Norman County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norman County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

Norman County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Norman County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003, that we consider to be significant deficiencies.

Norman County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Norman County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

June 13, 2014