

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**NICOLLET COUNTY**  
**ST. PETER, MINNESOTA**

**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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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**Year Ended December 31, 2013**



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

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2013**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Marie Dranttel	January 2017
2nd District	James Stenson	January 2015
3rd District	David Haack*	January 2017
4th District	Jack Kolars	January 2015
5th District	Dr. Bruce Beatty	January 2017
<b>Officers Elected</b>		
Attorney	Michelle Zehnder Fischer	January 2015
County Judge	Allison Krehbiel	January 2017
County Judge	Todd Westphal	January 2015
County Recorder	Kathryn Conlon	January 2015
Registrar of Titles	Kathryn Conlon	January 2015
Sheriff	David Lange	January 2015
<b>Officers Appointed</b>		
Assessor	Doreen Pehrson	December 2016
Auditor-Treasurer	Bridgette Kennedy	February 2014
Court Administrator	Carol Melick	Indefinite
Public Works Director	Seth Greenwood	May 2017
Probation Officer (Court Services Director)	Richard Molitor	Indefinite
Surveyor	Peter Blethen	Indefinite
Veterans Service Officer	Charles Dempewolf	November 2015
Coroner	Dr. Michael McGee	January 2014
Administrator	Ryan Krosch	Indefinite
Social Services Director	Joan Tesdahl	Indefinite
Public Health Director	Mary Hildebrandt	Indefinite
Environmental Services Director	Mandy Landkamer	Indefinite
Extension Director	Nathan Crane	Indefinite
Human Resources Director	Jamie Haefner	Indefinite
Emergency Management Director	Denise Wright	Indefinite
Technologies Director	Dayle Moore	Indefinite
Facilities Maintenance Director	Douglas Krueger	Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Nicollet 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 Nicollet 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 Nicollet County as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

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

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nicollet County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, on our consideration of Nicollet 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 Nicollet 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

September 5, 2014

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

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Nicollet County exceeded its liabilities by \$100,692,000 at the close of 2013. Of this amount, \$11,320,920 (unrestricted net position) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.
- Nicollet County's total net position increased by \$3,773,044 in 2013, or 3.9 percent.
- At the close of 2013, Nicollet County's governmental funds reported combined ending fund balances of \$38,478,058, an increase of \$12,424,857 in comparison with the prior year. Of the total fund balance, \$10,024,837 is available for spending at the County's discretion and is noted as unassigned fund balance.
- At the close of 2013, the unassigned fund balance for the General Fund was \$10,199,443, or 66 percent, of total General Fund expenditures.
- Nicollet County's total debt increased by \$12,000,000, or 112 percent, during 2013. The key factor in the increase was due to the issuance of general obligation bonds and notes, primarily for the construction of the new Health and Human Services Building.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Nicollet County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. 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 Nicollet County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Nicollet 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 Nicollet 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 (uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on Exhibits 1 and 2.

## **Fund 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. Nicollet 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 Nicollet County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

- 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.

Nicollet County reports six 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, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Governmental fund financial statements are on Exhibits 3 through 7.

- Proprietary funds--Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 through 10.
- 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. Nicollet County's fiduciary funds consist of five agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. Fiduciary funds are on Exhibit 11.

## **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, this report also presents certain required supplementary information concerning Nicollet County's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on Exhibit A-1.

In addition, the County also provides supplementary information on Nicollet County's intergovernmental revenue on Exhibit D-1.

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service 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. Nicollet County's assets exceeded liabilities by \$100,692,000 at the close of 2013. The largest portion of Nicollet County's net position (69 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

### Governmental Net Position

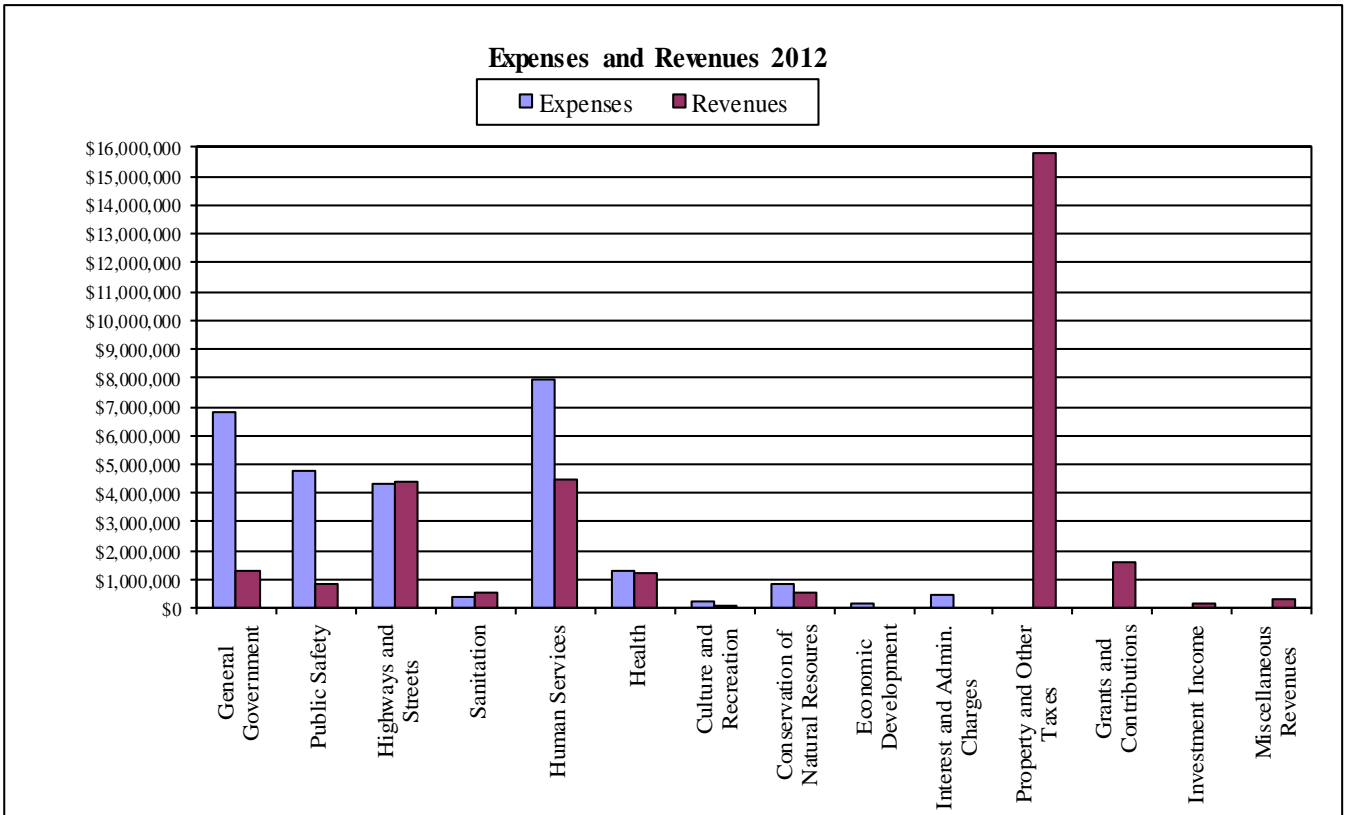
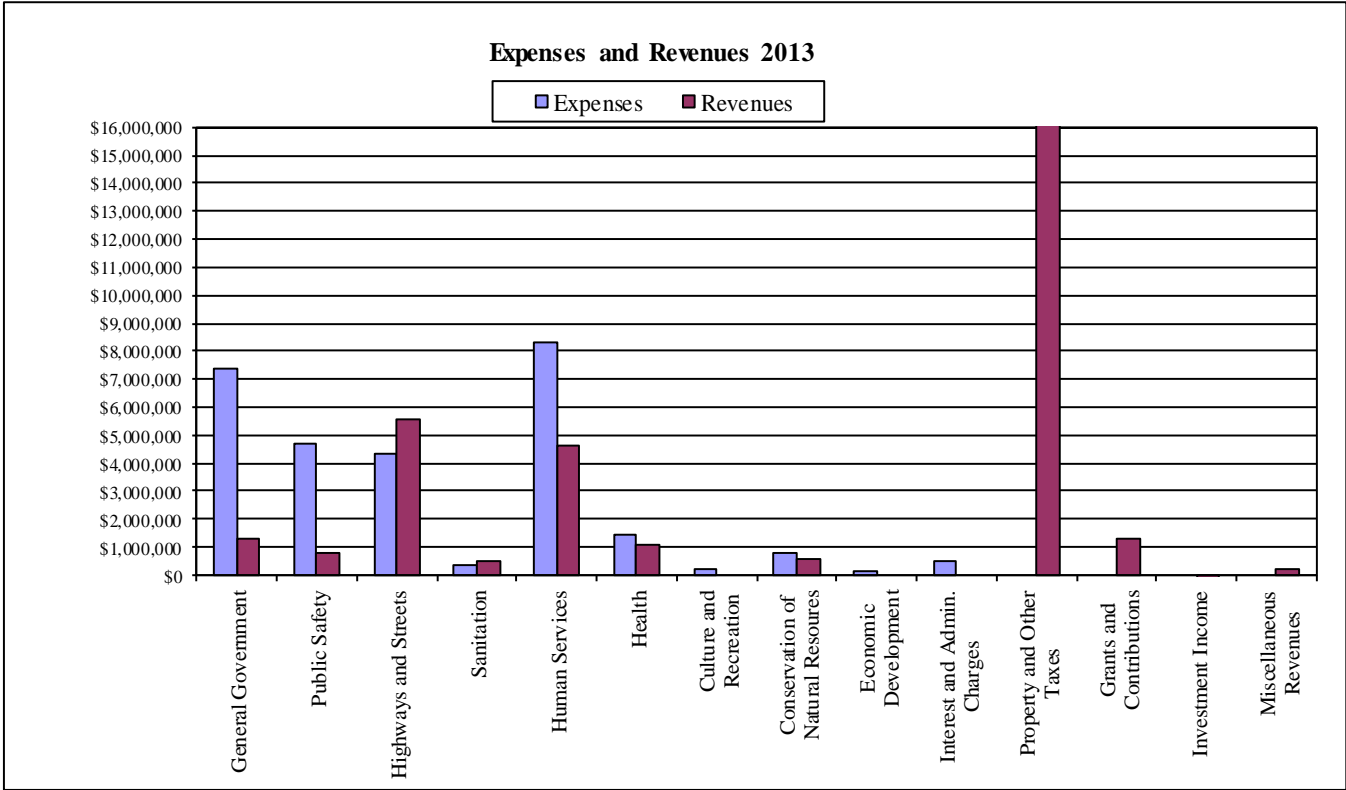
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 48,402,253	\$ 35,428,289
Capital assets	<u>80,479,217</u>	<u>77,815,252</u>
Total Assets	<u>\$ 128,881,470</u>	<u>\$ 113,243,541</u>
Long-term liabilities outstanding	\$ 26,584,256	\$ 14,218,524
Other liabilities	<u>1,605,214</u>	<u>2,106,061</u>
Total Liabilities	<u>\$ 28,189,470</u>	<u>\$ 16,324,585</u>
Net Position		
Net investment in capital assets	\$ 69,925,383	\$ 66,967,997
Restricted	19,445,697	6,731,743
Unrestricted	<u>11,320,920</u>	<u>23,219,216</u>
Total Net Position	<u>\$ 100,692,000</u>	<u>\$ 96,918,956</u>

The unrestricted net position amount of \$11,320,920 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens and creditors.

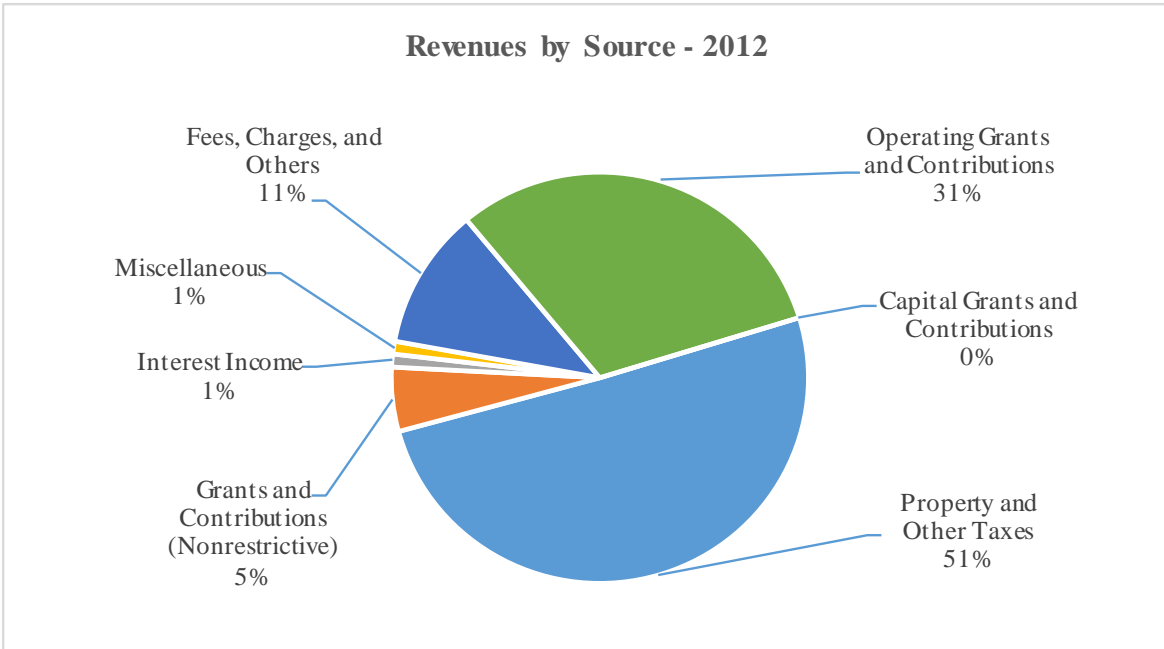
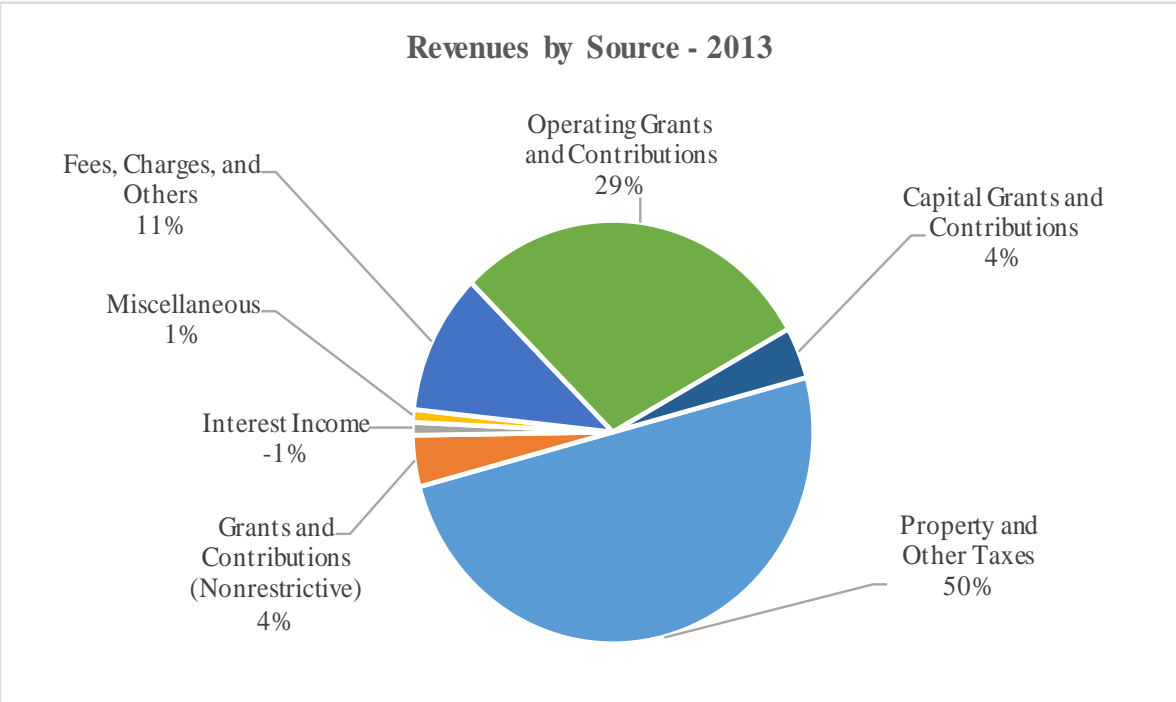
## GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net position by \$3,773,044, or four percent, over the 2012 net position. The following table summarizes the changes in net position for 2013.

	<b>Changes in Net Position</b>	
	2013	2012
Revenues		
Program revenues		
Charges for services	\$ 3,607,755	\$ 3,555,787
Operating grants and contributions	9,625,445	9,748,908
Capital grants and contributions	1,232,679	19,687
General revenues		
Property taxes	16,159,598	15,737,124
Other	1,356,588	2,131,651
Total Revenues	\$ 31,982,065	\$ 31,193,157
Expenses		
General government	\$ 7,353,561	\$ 6,823,049
Public safety	4,679,566	4,741,178
Highways and streets	4,321,582	4,303,018
Sanitation	394,085	419,566
Human services	8,339,452	7,979,426
Health	1,446,702	1,322,346
Culture and recreation	207,583	267,958
Conservation of natural resources	794,424	844,396
Economic development	136,996	131,258
Interest	535,070	428,951
Total Expenses	\$ 28,209,021	\$ 27,261,146
Increase in Net Position	\$ 3,773,044	\$ 3,932,011
Net Position, January 1	96,918,956	92,986,945
Net Position, December 31	\$ 100,692,000	\$ 96,918,956







## **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, unassigned 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 \$38,478,058, an increase of \$12,424,857 in comparison with the prior year. The majority of this amount (\$20,992,785) constitutes assigned and unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$10,949,443, while total fund balance was \$22,983,495. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total fund expenditures. The assigned and unassigned fund balance represents 70 percent of total General Fund expenditures, while total fund balance represents 148 percent of that same amount. In 2013, the fund balance amount in the General Fund increased by \$10,291,893, primarily due to the issuance of general obligation bonds and notes.

The Road and Bridge Special Revenue Fund's restricted fund balance increased by \$442,945 in 2013. The main reason for this increase was due to the issuance of general obligation capital notes for equipment that was not spent by year-end. The increase in the assigned fund balance is mainly due to increase in amounts due from the state at year-end.

The Debt Service Special Revenue Fund's restricted fund balance increased by \$1,720,936. The increase was due to the issuance of general obligation bonds and notes.

### **General Fund Budgetary Highlights**

The actual revenues did not meet the budgeted revenues by \$469,785. This was largely due to a decrease in the market value of investments at December 31, 2013. The actual expenditures were more than budgeted expenditures by \$1,408,518. The major reason for variances of actual expenditures from final budget in this case are the unbudgeted expenditures for drug court, recorder - future equipment, Health and Human Services Building, ARMER, Nicollet Collaborative, LANA grant, and general government capital outlay.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2013, was \$80,479,217 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was three percent. The major capital asset events in 2013 were additional infrastructure and acquisition of machinery, vehicles, furniture, and equipment.

	<b>Capital Assets</b>	
	<u>2013</u>	<u>2012</u>
Land	\$ 4,204,205	\$ 3,663,046
Construction in progress	851,193	447,535
Land improvements	139,470	157,858
Building	8,819,220	9,192,541
Machinery, vehicles, furniture, and equipment	2,269,800	1,803,172
Infrastructure	<u>64,195,329</u>	<u>62,551,100</u>
Totals	<u>\$ 80,479,217</u>	<u>\$ 77,815,252</u>

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

### Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$22,725,000, which is backed by the full faith and credit of the government.

	<b>Outstanding Debt</b>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 21,345,000	\$ 10,725,000
General obligation notes	<u>1,380,000</u>	<u>-</u>
Total	<u>\$ 22,725,000</u>	<u>\$ 10,725,000</u>

The County's debt related to general obligation bonds increased by \$12,000,000 (112 percent) during the fiscal year. The primary reason for the increase was the issuance of the general obligation bonds for the new Health and Human Services Building.

Nicollet County's bond rating is "Aa2" from Moody's.

Minnesota statutes limit the amount of net debt to three percent of the market value of taxable property in the County. As of the end of 2013, Nicollet County is below the three percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in Note 3.C. in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- Nicollet County's unemployment rate was 3.4 percent as of the end of 2013. This is moderately below the statewide rate of 4.7 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics - LAUS Data.)
- Nicollet County's population remains steady at 33,018. Industries are maintaining, and agricultural property values continue to grow.

At the end of 2013, Nicollet County set its 2014 revenue and expenditure budgets.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the 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 Nicollet County Auditor/Treasurer, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 1**

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

**Assets**

Cash and pooled investments	\$	40,579,721
Taxes receivable		
Prior - net		333,072
Special assessments receivable		
Delinquent - net		14,061
Noncurrent - net		1,142,653
Accounts receivable - net		778,815
Accrued interest receivable		18,762
Due from other governments		5,054,235
Inventories		445,823
Prepaid items		35,111
Capital assets		
Non-depreciable		5,055,398
Depreciable - net of accumulated depreciation		75,423,819
<b>Total Assets</b>	<b>\$</b>	<b>128,881,470</b>

**Liabilities**

Accounts payable	\$	739,163
Salaries payable		266,362
Contracts payable		167,436
Due to other governments		128,030
Accrued interest payable		222,150
Unearned revenue		82,073
Long-term liabilities		
Due within one year		4,172,908
Due in more than one year		22,411,348
<b>Total Liabilities</b>	<b>\$</b>	<b>28,189,470</b>

**Net Position**

Net investment in capital assets	\$	69,925,383
Restricted for		
General government		724,125
Public safety		379,795
Highways and streets		4,191,583
Conservation of natural resources		408,831
Capital purchases		11,373,077
Debt service		2,368,286
Unrestricted		11,320,920
<b>Total Net Position</b>	<b>\$</b>	<b>100,692,000</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 2**

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

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 7,353,561	\$ 897,607	\$ 394,466	\$ -	\$ (6,061,488)
Public safety	4,679,566	286,488	538,160	-	(3,854,918)
Highways and streets	4,321,582	66,492	4,287,059	1,232,679	1,264,648
Sanitation	394,085	413,477	80,483	-	99,875
Human services	8,339,452	596,745	4,020,659	-	(3,722,048)
Health	1,446,702	771,630	304,618	-	(370,454)
Culture and recreation	207,583	-	-	-	(207,583)
Conservation of natural resources	794,424	575,316	-	-	(219,108)
Economic development	136,996	-	-	-	(136,996)
Interest and administrative charges	535,070	-	-	-	(535,070)
<b>Total Governmental Activities</b>	<b>\$ 28,209,021</b>	<b>\$ 3,607,755</b>	<b>\$ 9,625,445</b>	<b>\$ 1,232,679</b>	<b>\$ (13,743,142)</b>
<b>General Revenues</b>					
Property taxes					\$ 16,159,598
Mortgage registry and deed tax					42,272
Payments in lieu of tax					33,822
Grants and contributions not restricted to specific programs					1,276,348
Unrestricted investment earnings					(180,994)
Miscellaneous					185,140
<b>Total general revenues</b>					<b>\$ 17,516,186</b>
<b>Change in net position</b>					<b>\$ 3,773,044</b>
<b>Net Position - January 1</b>					<b>96,918,956</b>
<b>Net Position - December 31</b>					<b>\$ 100,692,000</b>

**FUND FINANCIAL STATEMENTS**

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 12,618,034	\$ 6,143,550
Taxes receivable		
Delinquent - net	187,169	38,618
Special assessments		
Delinquent - net	7,834	-
Noncurrent - net	-	-
Accounts receivable - net	45,345	-
Accrued interest receivable	18,762	-
Due from other funds	10,556,321	452,897
Due from other governments	194,072	4,192,309
Prepaid items	-	-
Inventories	-	445,823
	<b>\$ 23,627,537</b>	<b>\$ 11,273,197</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 202,735	\$ 67,869
Salaries payable	168,822	32,667
Contracts payable	-	167,436
Due to other funds	471	-
Due to other governments	31,880	4,089
Matured interest payable	-	-
Unearned revenue	82,073	-
	<b>\$ 485,981</b>	<b>\$ 272,061</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 4,155,889	\$ 584,027	\$ 120,151	\$ 14,854,401	\$ 38,476,052
66,379	-	-	40,906	333,072
-	6,147	80	-	14,061
-	577,341	565,312	-	1,142,653
733,470	-	-	-	778,815
-	-	-	-	18,762
195	-	96,657	-	11,106,070
667,854	-	-	-	5,054,235
35,111	-	-	-	35,111
-	-	-	-	445,823
<u><b>\$ 5,658,898</b></u>	<u><b>\$ 1,167,515</b></u>	<u><b>\$ 782,200</b></u>	<u><b>\$ 14,895,307</b></u>	<u><b>\$ 57,404,654</b></u>
\$ 291,189	\$ -	\$ 11,362	\$ -	\$ 573,155
64,873	-	-	-	266,362
-	-	-	-	167,436
19,716	-	9,676	11,076,207	11,106,070
92,061	-	-	-	128,030
-	-	-	36,924	36,924
-	-	-	-	82,073
<u><b>\$ 467,839</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 21,038</b></u>	<u><b>\$ 11,113,131</b></u>	<u><b>\$ 12,360,050</b></u>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 158,061</b>	<b>\$ 4,222,113</b>
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 445,823
Prepaid items	-	-
Restricted for		
Law library	70,038	-
Recorder's equipment	553,442	-
Enhanced 911	262,303	-
Handgun permit fees	76,059	-
Sheriff's contingency	3,855	-
Forfeited sheriff property	37,578	-
Forfeited attorney property	37,654	-
Veteran van	62,336	-
Veteran grave markers	655	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Capital purchases	10,930,132	442,945
Assigned for		
Equipment	200,000	-
Court costs	500,000	-
Elections	50,000	-
Road and bridge	-	5,890,255
Human services	-	-
Septic/sewer loans	-	-
Unassigned	10,199,443	-
<b>Total Fund Balances</b>	<b>\$ 22,983,495</b>	<b>\$ 6,779,023</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 23,627,537</b>	<b>\$ 11,273,197</b>

**EXHIBIT 3**  
**(Continued)**

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>\$ 1,005,940</u>	<u>\$ 583,477</u>	<u>\$ 565,218</u>	<u>\$ 31,737</u>	<u>\$ 6,566,546</u>
\$ -	\$ -	\$ -	\$ -	\$ 445,823
35,111	-	-	-	35,111
-	-	-	-	70,038
-	-	-	-	553,442
-	-	-	-	262,303
-	-	-	-	76,059
-	-	-	-	3,855
-	-	-	-	37,578
-	-	-	-	37,654
-	-	-	-	62,336
-	-	-	-	655
-	-	-	3,750,439	3,750,439
-	406,353	-	-	406,353
-	-	370,550	-	370,550
-	-	-	-	11,373,077
-	-	-	-	200,000
-	-	-	-	500,000
-	-	-	-	50,000
-	-	-	-	5,890,255
4,150,008	-	-	-	4,150,008
-	177,685	-	-	177,685
-	-	(174,606)	-	10,024,837
<u>\$ 4,185,119</u>	<u>\$ 584,038</u>	<u>\$ 195,944</u>	<u>\$ 3,750,439</u>	<u>\$ 38,478,058</u>
<u>\$ 5,658,898</u>	<u>\$ 1,167,515</u>	<u>\$ 782,200</u>	<u>\$ 14,895,307</u>	<u>\$ 57,404,654</u>

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 3A*

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 38,478,058</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		80,479,217
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		6,566,546
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and notes	\$ (22,725,000)	
Less: unamortized discount on bonds payable	1,673	
Unamortized premium on bonds and notes payable	(943,706)	
Accrued interest payable	(185,226)	
Loans payable	(708,642)	
Compensated absences payable	(1,475,704)	
Net OPEB liability	<u>(732,877)</u>	(26,769,482)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net position.		<u>1,937,661</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 100,692,000</u></u></b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 9,484,558	\$ 1,813,284
Special assessments	292,649	-
Licenses and permits	71,273	-
Intergovernmental	2,014,130	4,913,966
Charges for services	1,500,932	49,358
Fines and forfeits	31,841	-
Gifts and contributions	25,759	850
Investment earnings	(180,859)	-
Miscellaneous	511,827	16,284
	<b>\$ 13,752,110</b>	<b>\$ 6,793,742</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 7,886,301	\$ -
Public safety	4,772,510	-
Highways and streets	-	5,720,887
Sanitation	316,326	-
Human services	-	-
Health	1,483,700	-
Culture and recreation	105,044	71,708
Conservation of natural resources	324,828	1,208
Economic development	136,996	-
<b>Intergovernmental</b>	100,578	174,741
<b>Capital outlay</b>	342,980	615,979
<b>Debt service</b>		
Principal	80,000	205,000
Interest	2,400	14,043
Bond issuance costs	-	-
Administrative charges	750	-
	<b>\$ 15,552,413</b>	<b>\$ 6,803,566</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,800,303)</b>	<b>\$ (9,824)</b>

**EXHIBIT 4**

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 3,051,494	\$ -	\$ -	\$ 1,898,745	\$ 16,248,081
-	171,532	632,916	-	1,097,097
-	-	-	-	71,273
4,090,356	-	-	17,893	11,036,345
328,600	-	-	-	1,878,890
-	-	-	-	31,841
-	-	-	-	26,609
132	-	-	-	(180,727)
227,327	-	11,114	-	766,552
<b>\$ 7,697,909</b>	<b>\$ 171,532</b>	<b>\$ 644,030</b>	<b>\$ 1,916,638</b>	<b>\$ 30,975,961</b>
\$ -	\$ -	\$ -	\$ -	\$ 7,886,301
-	-	-	-	4,772,510
-	-	-	-	5,720,887
-	76,873	-	-	393,199
8,393,851	-	-	-	8,393,851
-	-	-	-	1,483,700
-	-	-	-	176,752
-	-	481,661	-	807,697
-	-	-	-	136,996
-	-	-	-	275,319
-	-	-	-	958,959
-	122,171	60,000	1,455,000	1,922,171
-	12,605	19,083	319,485	367,616
-	-	-	60,922	60,922
-	-	-	2,469	3,219
<b>\$ 8,393,851</b>	<b>\$ 211,649</b>	<b>\$ 560,744</b>	<b>\$ 1,837,876</b>	<b>\$ 33,360,099</b>
<b>\$ (695,942)</b>	<b>\$ (40,117)</b>	<b>\$ 83,286</b>	<b>\$ 78,762</b>	<b>\$ (2,384,138)</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 21,696	\$ 93,000
Transfers out	(93,000)	-
General obligation bonds issued	10,922,876	-
Refunding bonds issued	-	-
Capital notes issued	612,049	755,030
Premium on bonds issued	577,124	-
Premium on refunding bonds issued	-	-
Premium on notes issued	51,451	63,470
	<b>\$ 12,092,196</b>	<b>\$ 911,500</b>
<b>Net Change in Fund Balances</b>	<b>\$ 10,291,893</b>	<b>\$ 901,676</b>
<b>Fund Balances - January 1</b>	<b>12,691,602</b>	<b>5,692,526</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>184,821</b>
<b>Fund Balances - December 31</b>	<b>\$ 22,983,495</b>	<b>\$ 6,779,023</b>

**EXHIBIT 4**  
**(Continued)**

<b>Human Services</b>	<b>Revolving Loan</b>	<b>Ditch</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 114,696
-	(21,696)	-	-	(114,696)
-	-	-	72,124	10,995,000
-	-	-	1,345,000	1,345,000
-	-	-	12,921	1,380,000
-	-	-	123,000	700,124
-	-	-	39,129	39,129
-	-	-	50,000	164,921
<b>\$ -</b>	<b>\$ (21,696)</b>	<b>\$ -</b>	<b>\$ 1,642,174</b>	<b>\$ 14,624,174</b>
\$ (695,942)	\$ (61,813)	\$ 83,286	\$ 1,720,936	\$ 12,240,036
4,881,061	645,851	112,658	2,029,503	26,053,201
-	-	-	-	184,821
<b>\$ 4,185,119</b>	<b>\$ 584,038</b>	<b>\$ 195,944</b>	<b>\$ 3,750,439</b>	<b>\$ 38,478,058</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 4A**

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Net change in fund balances - total governmental funds (Exhibit 4)** **\$ 12,240,036**

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

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

Unavailable revenue - December 31	\$ 6,566,546	
Unavailable revenue - January 1	<u>(5,560,442)</u>	1,006,104

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 sold.

Expenditures for general capital assets and infrastructure	\$ 5,372,485	
Net book value of assets sold	(12,169)	
Current year depreciation	<u>(2,696,351)</u>	2,663,965

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 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 activities.

Proceeds of new debt		
General obligation bonds and notes	\$ (13,720,000)	
Premium on bonds and notes	<u>(904,174)</u>	(14,624,174)
Principal repayments	\$ 1,922,171	
Amortization of premium/discount on bonds and notes	21,574	
Deferred charges not previously expensed	<u>(96,299)</u>	1,847,446

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 inventories	\$ 184,821	
Change in accrued interest payable	(28,588)	
Change in net OPEB liability	(80,235)	
Change in compensated absences payable	<u>394,932</u>	470,930

The net income of the Internal Service Fund is reported with governmental activities. 168,737

**Change in Net Position of Governmental Activities (Exhibit 2)** **\$ 3,773,044**

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 9,807,252	\$ 9,807,252	\$ 9,484,558	\$ (322,694)
Special assessments	280,000	280,000	292,649	12,649
Licenses and permits	51,000	51,000	71,273	20,273
Intergovernmental	1,747,998	1,747,998	2,014,130	266,132
Charges for services	1,594,510	1,594,510	1,500,932	(93,578)
Fines and forfeits	50,000	50,000	31,841	(18,159)
Gifts and contributions	10,115	10,115	25,759	15,644
Investment earnings	250,200	250,200	(180,859)	(431,059)
Miscellaneous	430,820	430,820	511,827	81,007
<b>Total Revenues</b>	<b>\$ 14,221,895</b>	<b>\$ 14,221,895</b>	<b>\$ 13,752,110</b>	<b>\$ (469,785)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 305,938	\$ 305,938	\$ 292,466	\$ 13,472
Courts	53,000	53,000	59,903	(6,903)
Courts - CHIPS/TPR	60,000	60,000	50,003	9,997
Drug court	-	-	159,174	(159,174)
Law library	35,000	35,000	46,540	(11,540)
County administrator	258,404	258,404	262,417	(4,013)
Capital improvements	6,000	6,000	800	5,200
Auditor-Treasurer	658,698	658,698	698,763	(40,065)
Accounting and auditing	75,100	75,100	63,343	11,757
Assessor	593,578	593,578	612,895	(19,317)
Human resources	90,278	90,278	101,679	(11,401)
Office of technologies	1,072,052	1,072,052	977,267	94,785
Machine room	79,000	79,000	64,737	14,263
Elections	18,600	18,600	31,705	(13,105)
Other general government	980,178	980,178	500,695	479,483
County attorney	833,922	833,922	871,254	(37,332)
Recorder/abstracter	450,374	450,374	411,308	39,066
Recorder - future equipment	-	-	106,817	(106,817)
Surveyor	15,000	15,000	14,911	89
Telephone	147,901	147,901	266,515	(118,614)
Courthouse operations	566,955	566,955	614,975	(48,020)
NM county offices building	16,000	16,000	10,150	5,850
Health and human services building	-	-	685,894	(685,894)
Building fund department	50,000	50,000	341,589	(291,589)
Veterans service	111,526	111,526	120,501	(8,975)
Environmental services	493,906	493,906	508,030	(14,124)
Connect Nicollet County	-	-	11,970	(11,970)
<b>Total general government</b>	<b>\$ 6,971,410</b>	<b>\$ 6,971,410</b>	<b>\$ 7,886,301</b>	<b>\$ (914,891)</b>

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

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,562,037	\$ 1,562,037	\$ 1,483,856	\$ 78,181
ARMER	-	-	167,440	(167,440)
Boat and water safety	1,129	1,129	42,233	(41,104)
Prisoner commissions account	7,750	7,750	3,833	3,917
Sheriff - snowmobile safety enforcement	2,919	2,919	3,224	(305)
Enhanced 911 system	36,500	36,500	38,704	(2,204)
Sheriff - forfeited property proceeds	2,000	2,000	1,949	51
Sheriff - offroad highway grant	4,479	4,479	1,051	3,428
Coroner	45,000	45,000	30,539	14,461
Dispatch center	616,568	616,568	641,713	(25,145)
Corrections	1,177,199	1,177,199	1,228,209	(51,010)
Probation department	981,603	981,603	982,740	(1,137)
Nicollet collaborative	-	-	36,117	(36,117)
Emergency services	111,673	111,673	110,902	771
<b>Total public safety</b>	<b>\$ 4,548,857</b>	<b>\$ 4,548,857</b>	<b>\$ 4,772,510</b>	<b>\$ (223,653)</b>
<b>Sanitation</b>				
Solid waste management	<b>\$ 327,932</b>	<b>\$ 327,932</b>	<b>\$ 316,326</b>	<b>\$ 11,606</b>
<b>Health</b>				
LANA grant	\$ -	\$ -	\$ 2,453	\$ (2,453)
Public health nurse	398,140	398,140	408,397	(10,257)
WIC program	148,356	148,356	135,962	12,394
Maternal and child health	206,515	206,515	195,079	11,436
Bioterrorism grant	21,284	21,284	25,505	(4,221)
Waivered programs	638,909	638,909	590,907	48,002
Loan closet account	660	660	467	193
Core function - nursing department	24,750	24,750	24,999	(249)
Senior citizen transportation	95,381	95,381	99,931	(4,550)
<b>Total health</b>	<b>\$ 1,533,995</b>	<b>\$ 1,533,995</b>	<b>\$ 1,483,700</b>	<b>\$ 50,295</b>
<b>Culture and recreation</b>				
Historical society	<b>\$ 106,290</b>	<b>\$ 106,290</b>	<b>\$ 105,044</b>	<b>\$ 1,246</b>
<b>Conservation of natural resources</b>				
Agricultural society	\$ 44,100	\$ 44,100	\$ 44,100	\$ -
County extension	194,232	194,232	194,462	(230)
Soil and water conservation district	84,945	84,945	85,566	(621)
Tri-county fair	700	700	700	-
<b>Total conservation of natural resources</b>	<b>\$ 323,977</b>	<b>\$ 323,977</b>	<b>\$ 324,828</b>	<b>\$ (851)</b>



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 5  
(Continued)*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Economic development	\$ 37,596	\$ 37,596	\$ 28,896	\$ 8,700
Housing and redevelopment authority	108,100	108,100	108,100	-
<b>Total economic development</b>	<b>\$ 145,696</b>	<b>\$ 145,696</b>	<b>\$ 136,996</b>	<b>\$ 8,700</b>
<b>Intergovernmental</b>				
Culture and recreation - regional library	\$ 100,188	\$ 100,188	\$ 100,578	\$ (390)
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 342,980	\$ (342,980)
<b>Debt service</b>				
Principal	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Interest	4,800	4,800	2,400	2,400
Administrative charges	750	750	750	-
<b>Total debt service</b>	<b>\$ 85,550</b>	<b>\$ 85,550</b>	<b>\$ 83,150</b>	<b>\$ 2,400</b>
<b>Total Expenditures</b>	<b>\$ 14,143,895</b>	<b>\$ 14,143,895</b>	<b>\$ 15,552,413</b>	<b>\$ (1,408,518)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 78,000</b>	<b>\$ 78,000</b>	<b>\$ (1,800,303)</b>	<b>\$ (1,878,303)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 15,000	\$ 15,000	\$ 21,696	\$ 6,696
Transfers out	(93,000)	(93,000)	(93,000)	-
General obligation bonds issued	-	-	10,922,876	10,922,876
Capital notes issued	-	-	612,049	612,049
Premium on bonds issued	-	-	577,124	577,124
Premium on notes issued	-	-	51,451	51,451
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (78,000)</b>	<b>\$ (78,000)</b>	<b>\$ 12,092,196</b>	<b>\$ 12,170,196</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,291,893</b>	<b>\$ 10,291,893</b>
<b>Fund Balance - January 1</b>	<b>12,691,602</b>	<b>12,691,602</b>	<b>12,691,602</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,691,602</b>	<b>\$ 12,691,602</b>	<b>\$ 22,983,495</b>	<b>\$ 10,291,893</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 6*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,820,118	\$ 1,820,118	\$ 1,813,284	\$ (6,834)
Intergovernmental	5,752,519	5,752,519	4,913,966	(838,553)
Charges for services	21,000	21,000	49,358	28,358
Gifts and contributions	-	-	850	850
Miscellaneous	20,663	20,663	16,284	(4,379)
<b>Total Revenues</b>	<b>\$ 7,614,300</b>	<b>\$ 7,614,300</b>	<b>\$ 6,793,742</b>	<b>\$ (820,558)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 280,575	\$ 280,575	\$ 280,811	\$ (236)
Maintenance	1,729,846	1,729,846	1,671,913	57,933
Construction	4,452,573	4,452,573	3,275,517	1,177,056
Equipment maintenance shops	503,550	503,550	492,646	10,904
<b>Total highways and streets</b>	<b>\$ 6,966,544</b>	<b>\$ 6,966,544</b>	<b>\$ 5,720,887</b>	<b>\$ 1,245,657</b>
<b>Culture and recreation</b>				
Parks	\$ 95,625	\$ 95,625	\$ 71,708	\$ 23,917
<b>Conservation of natural resources</b>				
Agricultural inspection	\$ 13,975	\$ 13,975	\$ 1,208	\$ 12,767
<b>Intergovernmental</b>				
Highways and streets	\$ 169,106	\$ 169,106	\$ 174,741	\$ (5,635)
<b>Capital outlay</b>				
Highways and streets	\$ 243,000	\$ 243,000	\$ 615,979	\$ (372,979)
<b>Debt service</b>				
Principal	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest	14,050	14,050	14,043	7
<b>Total debt service</b>	<b>\$ 219,050</b>	<b>\$ 219,050</b>	<b>\$ 219,043</b>	<b>\$ 7</b>
<b>Total Expenditures</b>	<b>\$ 7,707,300</b>	<b>\$ 7,707,300</b>	<b>\$ 6,803,566</b>	<b>\$ 903,734</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (93,000)	\$ (93,000)	\$ (9,824)	\$ 83,176
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 93,000	\$ 93,000	\$ 93,000	\$ -
Capital notes issued	-	-	755,030	755,030
Premium on notes issued	-	-	63,470	63,470
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 93,000</b>	<b>\$ 93,000</b>	<b>\$ 911,500</b>	<b>\$ 818,500</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 901,676</b>	<b>\$ 901,676</b>
<b>Fund Balance - January 1</b>	<b>5,692,526</b>	<b>5,692,526</b>	<b>5,692,526</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>184,821</b>	<b>184,821</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,692,526</b>	<b>\$ 5,692,526</b>	<b>\$ 6,779,023</b>	<b>\$ 1,086,497</b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON STATEMENT  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,050,808	\$ 3,050,808	\$ 3,051,494	\$ 686
Intergovernmental	4,342,604	4,342,604	4,090,356	(252,248)
Charges for services	353,450	353,450	328,600	(24,850)
Investment earnings	-	-	132	132
Miscellaneous	238,000	238,000	227,327	(10,673)
<b>Total Revenues</b>	<b><u>\$ 7,984,862</u></b>	<b><u>\$ 7,984,862</u></b>	<b><u>\$ 7,697,909</u></b>	<b><u>\$ (286,953)</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,761,950	\$ 2,761,950	\$ 2,702,214	\$ 59,736
Social services	5,522,912	5,522,912	5,691,637	(168,725)
<b>Total Expenditures</b>	<b><u>\$ 8,284,862</u></b>	<b><u>\$ 8,284,862</u></b>	<b><u>\$ 8,393,851</u></b>	<b><u>\$ (108,989)</u></b>
<b>Change in Fund Balance</b>	<b><u>\$ (300,000)</u></b>	<b><u>\$ (300,000)</u></b>	<b><u>\$ (695,942)</u></b>	<b><u>\$ (395,942)</u></b>
<b>Fund Balance - January 1</b>	<b><u>4,881,061</u></b>	<b><u>4,881,061</u></b>	<b><u>4,881,061</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 4,581,061</u></u></b>	<b><u><u>\$ 4,581,061</u></u></b>	<b><u><u>\$ 4,185,119</u></u></b>	<b><u><u>\$ (395,942)</u></u></b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF FUND NET POSITION  
GOVERNMENTAL ACTIVITIES  
SELF-INSURANCE INTERNAL SERVICE FUND  
DECEMBER 31, 2013**

**Assets**

Current assets	
Cash and pooled investments	\$ 2,103,669

**Liabilities**

Current liabilities	
Accounts payable	<u>166,008</u>

**Net Position**

Unrestricted	<u><u>\$ 1,937,661</u></u>
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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 9*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
GOVERNMENTAL ACTIVITIES  
SELF-INSURANCE INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Operating Revenues</b>	
Charges for services	\$ 3,729,125
<b>Operating Expenses</b>	
Professional services	<u>3,560,388</u>
<b>Net Income (Loss)</b>	<b>\$ 168,737</b>
<b>Net Position - January 1</b>	<u>1,768,924</u>
<b>Net Position - December 31</b>	<u><u>\$ 1,937,661</u></u>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF CASH FLOWS  
SELF-INSURANCE INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 3,729,125
Payments to suppliers	<u>(3,537,114)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 192,011</b>
<b>Cash and Cash Equivalents at January 1</b>	<u><b>1,911,658</b></u>
<b>Cash and Cash Equivalents at December 31</b>	<u><u><b>\$ 2,103,669</b></u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ 168,737
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Increase (decrease) in accounts payable	<u>23,274</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u><b>\$ 192,011</b></u></u>

NICOLLET COUNTY  
ST. PETER, MINNESOTA

*EXHIBIT 11*

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

Assets

Cash and pooled investments	<u>\$ 1,620,333</u>
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Liabilities

Due to other governments	<u>\$ 1,620,333</u>
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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

Nicollet County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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 Governmental Accounting Standards Board (GASB) Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established 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. for additional information regarding the County's deferred outflows/inflows of resources.

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

A. Financial Reporting Entity

Nicollet County was established March 5, 1853, 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. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 5.B. The County also participates in several jointly-governed organizations described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the 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 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, and (3) unrestricted. 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.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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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, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual funds, with each displayed as a separate column in the fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It is used to account 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 restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for restricted revenue sources from the federal, state, and other oversight agencies, as well as assigned property tax revenues from the County to be used for economic assistance and community social services programs.

The Revolving Loan Special Revenue Fund is used to account for restricted and assigned special assessment revenue for the financial transactions resulting from loans for the replacement of existing septic systems.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Debt Service Fund is used to account for property tax revenues for the payment of principal, interest, and related costs of County debt.

Additionally, the County reports the following funds:

The Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, 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. Nicollet 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.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

The County's cash and pooled investments are considered to be cash equivalents.

2. 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. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment loss for 2013 was \$180,859 at the governmental fund level. The investment loss was due to the significant mark to market value adjustment that was made at year-end.

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;

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Deposits and Investments (Continued)

- (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.

Investments of the County are reported at fair value.

3. Receivables and Payables

Outstanding balances between funds are reported as “due to/from other funds.”

All accounts and taxes receivable are shown net of an allowance for uncollectibles. Accounts receivable are individually analyzed to arrive at the accounts receivable allowance for uncollectibles. The taxes receivable allowance is equal to 1/4 percent of outstanding property taxes at year-end.

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.

Special assessments receivable consist of delinquent special assessments payable in the years 2007 through 2013 and noncurrent special assessments payable in 2014 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

All inventories are valued using a weighted average method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), 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 \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Land improvements	20 - 30
Infrastructure	50 - 75
Machinery and equipment	5 - 15

6. Compensated Absences

It is Nicollet County's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

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

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. The County does not have any types of deferred outflows of resources in the current year.

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

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

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

Restricted - 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 - the amount of net position that is not included in the net investment in capital assets or restricted components.

10. Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

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.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (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.

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 and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Debt Service Fund. All annual appropriations lapse at year-end.

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and 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 did not amend the revenue and expenditure budgets.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

On the full accrual basis of accounting, 31 of the 85 drainage systems have incurred expenses in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund equity as of December 31, 2013, using the full accrual basis of accounting.

Account balances	\$	327,114
Account balance deficit		(86,236)
Fund Equity - Full Accrual Basis	<b>\$</b>	<b>240,878</b>

Using the modified accrual basis of accounting, noncurrent receivables do not affect fund balance. Noncurrent receivables are deferred inflows of resources. Using this basis of accounting, 38 ditches had fund deficits.

Account balances	\$	370,550
Account balance deficit		(174,606)
Fund Balance - Modified Accrual Basis	<b>\$</b>	<b>195,944</b>

C. Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
General Fund	\$ 15,552,413	\$ 14,143,895	\$ 1,408,518
Human Services Special Revenue Fund	8,393,851	8,284,862	108,989

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 38,476,052
Internal Service Fund	
Cash and pooled investments	2,103,669
Fiduciary funds - agency funds	
Cash and pooled investments	<u>1,620,333</u>
 Total Cash and Investments	 <u>\$ 42,200,054</u>

a. Deposits

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

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured deposits. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

b. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. At December 31, 2013, the County had the following investments:

Investment Type	Carrying (Fair) Value	Maturity Dates	
		0 - 1 Year	Over 1 Year
Mutual funds	\$ 21,678,892	\$ 21,678,892	\$ -
Negotiable certificates	742,108	-	742,108
U.S. government securities (1)	5,907,687	-	5,907,687
Total	<u>\$ 28,328,687</u>	<u>\$ 21,678,892</u>	<u>\$ 6,649,795</u>

(1) These notes have step provisions which could result in the notes being called prior to maturity.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. The County's exposure to credit risk as of December 31, 2013, is as follows:

<u>S&amp;P Rating</u>	<u>Fair Value</u>
AA+	\$ 5,907,687
AAAm	<u>21,678,892</u>
Total	<u>\$ 27,586,579</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers to hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased in excess of available SIPC coverage are transferred to an approved third-party custodian. At December 31, 2013, none of the County's investments were subject to custodial credit risk.



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one issuer that represents five percent or more of the County's investments are as follows:

Issuer	Reported Amount
Federal Home Loan Bank (FHLB)	\$ 4,415,462
Federal Home Loan Mortgage Corporation (FHLMC)	1,492,225
Total	\$ 5,907,687

2. Receivables

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

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - prior	\$ 333,072	\$ -
Special assessments - prior	14,061	-
Special assessments - noncurrent	1,142,653	845,879
Accounts	778,815	-
Accrued interest	18,762	-
Due from other governments	5,054,235	-
Total Governmental Activities	\$ 7,341,598	\$ 845,879

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,663,046	\$ 541,159	\$ -	\$ 4,204,205
Construction in progress	447,535	612,633	208,975	851,193
Total capital assets not depreciated	<u>\$ 4,110,581</u>	<u>\$ 1,153,792</u>	<u>\$ 208,975</u>	<u>\$ 5,055,398</u>
Capital assets depreciated				
Buildings	\$ 15,238,289	\$ 12,774	\$ -	\$ 15,251,063
Land improvements	459,156	-	-	459,156
Machinery and equipment	6,005,092	1,042,602	292,324	6,755,370
Infrastructure	85,414,170	3,372,292	-	88,786,462
Total capital assets depreciated	<u>\$ 107,116,707</u>	<u>\$ 4,427,668</u>	<u>\$ 292,324</u>	<u>\$ 111,252,051</u>
Less: accumulated depreciation for				
Buildings	\$ 6,045,748	\$ 386,095	\$ -	\$ 6,431,843
Land improvements	301,298	18,388	-	319,686
Machinery and equipment	4,201,920	563,805	280,155	4,485,570
Infrastructure	22,863,070	1,728,063	-	24,591,133
Total accumulated depreciation	<u>\$ 33,412,036</u>	<u>\$ 2,696,351</u>	<u>\$ 280,155</u>	<u>\$ 35,828,232</u>
Total capital assets depreciated, net	<u>\$ 73,704,671</u>	<u>\$ 1,731,317</u>	<u>\$ 12,169</u>	<u>\$ 75,423,819</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 77,815,252</u>	<u>\$ 2,885,109</u>	<u>\$ 221,144</u>	<u>\$ 80,479,217</u>

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

General government	\$ 374,816
Public safety	169,756
Highways and streets, including depreciation of infrastructure assets	2,112,839
Human services	35,401
Culture and recreation	1,961
Conservation of natural resources	692
Sanitation	886
Total Depreciation Expense	<u>\$ 2,696,351</u>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Human Services	\$ 19,716	Utilities and services
	Debt Service	10,536,605	Bond proceeds
Road and Bridge	General	276	Fuel
	Ditch	9,676	Labor and maintenance
	Debt Service	442,945	Bond proceeds
Human Services	General	195	Services
Ditch	Debt Service	96,657	Debt interest reimbursement
Total Due To/From Other Funds		<u>\$ 11,106,070</u>	

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Transfers

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

Transfer to General Fund from Revolving Loan Special Revenue Fund	\$ 21,696	Septic loan interest payments
Transfer to Road and Bridge Special Revenue Fund from General Fund	<u>93,000</u>	Appropriation for County parks
Total Interfund Transfers	<u>\$ 114,696</u>	

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

Nicollet County provides postemployment health care benefits for early retirees and elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans. As of December 31, 2013, two retiree families were receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2013, the County recognized \$19,255 of expenditures. A separate, audited GAAP-basis postemployment plan report is not issued.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. As of January 1, 2012, there were approximately 42 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$91,591 for 2013. A separate, audited GAAP-basis postemployment plan report is not issued.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB) (Continued)

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	\$	202,681
Interest on net OPEB obligation		29,369
Adjustment to ARC		<u>(40,969)</u>
Annual OPEB cost (expense)	\$	191,081
Contributions made		<u>(110,846)</u>
Increase in net OPEB obligation	\$	80,235
Net OPEB Obligation - Beginning of Year		<u>652,642</u>
Net OPEB Obligation - End of Year	\$	<u><u>732,877</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2011	\$ 205,596	\$ 88,521	43.06%	\$ 551,957
December 31, 2012	192,870	92,185	47.80	652,642
December 31, 2013	191,081	110,846	58.01	732,877

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB) (Continued)

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 \$1,575,848, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,575,848. The covered payroll (annual payroll of active employees covered by the plan) was \$9,263,282, and the ratio of the UAAL to the covered payroll was 17.0 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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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 Nicollet 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. Neither rate includes an inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 24 years.

2. Capital Lease

On October 31, 2013, the County submitted its final payment of \$80,000 on the Human Services Building Capital Lease. The lease payment was made from the General Fund.

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
General obligation bonds					
2002A G.O. State-Aid Road Bonds	2014	\$205,000	4.60	\$ 2,450,000	\$ 205,000
2004A G.O. Capital Improvement Bonds	2015	\$285,000 - \$295,000	3.55 - 3.70	2,605,000	580,000
2006A G.O. Capital Improvement Bonds	2017	\$420,000 - \$470,000	4.00	3,970,000	1,775,000
2008A G.O. Road Reconstruction Bonds	2024	\$405,000 - \$615,000	3.50 - 3.65	6,985,000	5,515,000
2008A G.O. Drainage Bonds	2023	\$45,000 - \$55,000	3.30 - 3.60	815,000	520,000

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
2009A G.O. Capital Improvement Refunding Bonds	2014	\$410,000	2.50	1,945,000	410,000
2013A G.O. Capital Improvement Bonds (Social Services Building)	2029	\$30,000 - \$1,105,000	3.00 - 5.00	10,530,000	10,530,000
2013A G.O. Capital Improvement Bonds	2019	\$110,000 - \$125,000	3.00 - 5.00	465,000	465,000
2013B G.O. Capital Improvement Refunding Bonds	2017	\$435,000 - \$460,000	2.00	<u>1,345,000</u>	<u>1,345,000</u>
Total general obligation bonds				<u>\$ 31,110,000</u>	\$ 21,345,000
General obligation notes					
2013A G.O. Capital Improvement Notes	2019	\$325,000 - \$370,000	3.00 - 5.00	<u>\$ 1,380,000</u>	1,380,000
Less: unamortized discount					(1,673)
Plus: unamortized premium					<u>943,706</u>
Total General Obligation Bonds and Notes, Net					<u>\$ 23,667,033</u>

Capital improvement bonds and notes are being retired by the Debt Service Fund, drainage bonds are paid by the Ditch Special Revenue Fund, and state-aid road bonds are paid by the Road and Bridge Special Revenue Fund.



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects. The loans are secured by special assessments.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
1995 Groundwater Implementation CWP Project	2014	\$ 12,067	-	\$ 362,000	\$ 12,066
2002 Seven Mile Creek CWP Project	2015	\$ 11,936	2.00	215,392	35,104
2005 Seven Mile Creek Watershed Continuation CWP Project	2018	\$ 10,694	2.00	192,974	101,283
2006 Rush River Watershed	2018	\$ 5,141	2.00	92,781	44,042
2007 Middle Minnesota Watershed	2020	\$ 17,108	2.00	308,726	222,469
2007 Rush River Watershed	2021	\$ 10,442	2.00	188,425	153,678
2011 Middle River Watershed	2024	\$ 16,874	2.00	140,000	140,000
Totals				<u>\$ 1,500,298</u>	<u>\$ 708,642</u>

Payments on the loans are made by the Revolving Loan Special Revenue Fund.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		General Obligation Notes		Loans*	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 3,135,000	\$ 619,108	\$ -	\$ 44,363	\$ 112,074	\$ 10,634
2015	1,205,000	660,680	-	59,150	90,082	8,624
2016	1,085,000	627,298	325,000	54,275	79,837	6,933
2017	1,115,000	595,610	335,000	42,700	81,442	5,328
2018	1,180,000	553,660	350,000	27,250	77,938	3,691
2019 - 2023	6,960,000	1,931,477	370,000	9,250	127,269	3,812
2024 - 2028	5,560,000	712,442	-	-	-	-
2029	1,105,000	22,100	-	-	-	-
<b>Total</b>	<b>\$ 21,345,000</b>	<b>\$ 5,722,375</b>	<b>\$ 1,380,000</b>	<b>\$ 236,988</b>	<b>\$ 568,642</b>	<b>\$ 39,022</b>

\*The debt service requirements for the loan from the Minnesota Pollution Control Agency of \$140,000 are not known as of December 31, 2013.

Debt Refunding

On November 1, 2013, the County issued \$1,345,000 of General Obligation Refunding Bonds, Series 2013B, with an average interest rate of 2.0 percent to refund \$1,355,000 of the Capital Improvement Bonds, Series 2006A, with an average interest rate of 4.0 percent. The County will continue to make principal and interest payments on the Series 2006A bonds through the call date of February 1, 2014. The County is refunding the bonds to reduce its total debt service payments by \$58,775 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$58,008.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. 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
Bonds and notes payable					
General obligation bonds	\$ 10,725,000	\$ 12,340,000	\$ 1,720,000	\$ 21,345,000	\$ 3,135,000
General obligation notes	-	1,380,000	-	1,380,000	-
Less: unamortized discounts	(3,795)	-	(2,122)	(1,673)	-
Plus: unamortized premiums	63,228	904,174	23,696	943,706	-
Total bonds and notes payable	\$ 10,784,433	\$ 14,624,174	\$ 1,741,574	\$ 23,667,033	\$ 3,135,000
Capital leases	80,000	-	80,000	-	-
Loans payable	830,813	-	122,171	708,642	112,074
Net OPEB liability	652,642	191,081	110,846	732,877	-
Compensated absences	1,870,636	-	394,932	1,475,704	925,834
Total Long-Term Liabilities	<u>\$ 14,218,524</u>	<u>\$ 14,815,255</u>	<u>\$ 2,449,523</u>	<u>\$ 26,584,256</u>	<u>\$ 4,172,908</u>

D. 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. The County self-insures for employee health and dental coverage. 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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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3. Detailed Notes on All Funds

D. Risk Management (Continued)

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.

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

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$175,000 stop-loss per family per year (\$3,416,400 aggregate) for the health plan. There is a maximum claim limit of \$750 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2013	2012
Unpaid claims, January 1	\$ 142,734	\$ 131,317
Incurred claims (including IBNRs)	2,786,782	2,396,555
Claims payments	(2,763,508)	(2,385,138)
Unpaid Claims, December 31	\$ 166,008	\$ 142,734

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Nicollet 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, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

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

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

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. 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. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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
Public Employees Correctional Fund	8.75

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 651,514	\$ 582,870	\$ 581,348
Public Employees Police and Fire Fund	120,760	112,584	102,898
Public Employees Correctional Fund	57,760	50,755	52,753

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

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

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

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,429	\$ 6,429
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

B. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2012, the most current information available, the Health Services Board had a net position of \$716,268.

Complete financial statements for the Health Services Board can be obtained at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

Minnesota River Valley Drug Task Force

The Minnesota River Valley Drug Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a comprehensive and multi-jurisdictional effort to reduce felony-level criminal activity through the coordination of the law enforcement agencies.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Valley Drug Task Force (Continued)

The joint powers are Blue Earth, Nicollet, Watonwan, and Martin Counties and the Cities of St. Peter, Mankato, North Mankato, St. James, and Madelia. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Nicollet County contributed \$13,416 to the Task Force in 2013. Current financial statements are not available.

Nicollet County Family Services Collaborative

The Nicollet County Family Services Collaborative was established in 1998 through a joint powers agreement, pursuant to Minn. Stat. § 471.59. The Collaborative includes Nicollet County, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication.

Control of the Collaborative is vested in a five-member governing board consisting of one County Commissioner, one school board member from St. Peter and Nicollet Public Schools, one board member from Minnesota Valley Action Council, and one parent representative. Nicollet County acts as the fiscal agent for the Collaborative and accounts for it as an agency fund. Funding is provided by state and federal grants and contributions from participating members. Nicollet County contributed \$10,000 to the Collaborative in 2013. Current financial statements are not available.

Rush River Clean Water Partnership

Nicollet County entered into a joint powers agreement to create and operate Rush River Clean Water Partnership, pursuant to Minn. Stat. § 471.59 and a joint powers agreement effective February 26, 2008. Management of Rush River Clean Water Partnership is vested in the Board of Directors, which consists of five representatives, three from the Sibley County Board of Commissioners and two from the Nicollet County Board of Commissioners. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain clean water projects that promote citizen participation and water quality improvement.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rush River Clean Water Partnership (Continued)

The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. Nicollet County contributed \$1,000 to the Partnership in 2013. Current financial statements are not available.

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Radio Board. During 2013, the County contributed \$1,066 to the Joint Powers Board. Current financial statements are not available.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Waseca, Sibley, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota. During 2013, the County did not make financial contributions to this Board. Separate financial information can be obtained from:

South Central Workforce Council  
706 North Victory Drive  
Mankato, Minnesota 56001

Tri-County Solid Waste

Nicollet County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$82,065 in 2013. Sibley County is the fiscal agent. Current financial statements are not available.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

C. Jointly-Governed Organizations

Sentence to Serve

Nicollet 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 Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Nicollet County has no operational or financial control over the STS program, Nicollet County budgets for a percentage of this program.

Joint Airport Zoning Board

The Joint Airport Zoning Board was established by joint action of Nicollet County, Le Sueur County, and the City of St. Peter, and has representation from each entity. The purpose of the Board is to create an ordinance to prevent the creation or establishment of airport hazards and to ensure public safety.

Mankato/North Mankato Area Planning Organization

The Mankato/North Mankato Area Planning Organization's (MAPO) general purpose is to meet and maintain a continuing, cooperative, and comprehensive metropolitan transportation planning process. MAPO membership is comprised of Blue Earth County, Nicollet County, and various cities and townships within the two counties.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Nicollet County expended \$80,582 to the MCCC.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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.

Minnesota River Board

The Minnesota River Board promotes orderly water quality improvement and management of the Minnesota River Watershed. During the year, the County paid \$1,250 to the Board.

South Central Community-Based Initiative

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 10, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board comprises one representative appointed by each party to the agreement.

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services Joint Powers Board provides various emergency medical services to several counties. During the year, the County made no contributions to the South Central Minnesota Emergency Medical Services Joint Powers Board.

South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$6,320 to the Board.

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Southeast Minnesota Homeland Security/Emergency Management

The Southeast Minnesota Homeland Security/Emergency Management Joint Powers Board's purpose is to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in the event of a disaster within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board.

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2013 is \$108,100. The proportionate shares of the counties may change for years 2014 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

B. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2013.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT A-1*

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
January 1, 2008	\$ -	\$ 1,471,483	\$ 1,471,483	0.0%	\$ 8,227,736	17.9%
January 1, 2010	-	1,580,922	1,580,922	0.0%	9,600,349	16.5%
January 1, 2012	-	1,575,848	1,575,848	0.0%	9,263,282	17.0%

See Note 3.C.1., Other Postemployment Benefits, for more information.

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**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SCHEDULES**

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**DEBT SERVICE FUND**

The Debt Service Fund is used to account for property tax revenues for the payment of the principal, interest, and related costs of County debt.

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT B-1*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,888,483	\$ 1,888,483	\$ 1,898,745	\$ 10,262
Intergovernmental	17,893	17,893	17,893	-
<b>Total Revenues</b>	<b>\$ 1,906,376</b>	<b>\$ 1,906,376</b>	<b>\$ 1,916,638</b>	<b>\$ 10,262</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,586,891	\$ 1,586,891	\$ 1,455,000	\$ 131,891
Interest	319,485	319,485	319,485	-
Bond issuance costs	-	-	60,922	(60,922)
Administrative charges	-	-	2,469	(2,469)
<b>Total Expenditures</b>	<b>\$ 1,906,376</b>	<b>\$ 1,906,376</b>	<b>\$ 1,837,876</b>	<b>\$ 68,500</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 78,762</b>	<b>\$ 78,762</b>
<b>Other Financing Sources (Uses)</b>				
General obligation bonds issued	\$ -	\$ -	\$ 72,124	\$ 72,124
Refunding bonds issued	-	-	1,345,000	1,345,000
Capital notes issued	-	-	12,921	12,921
Premium on bonds issued	-	-	123,000	123,000
Premium on refunding bonds issued	-	-	39,129	39,129
Premium on notes issued	-	-	50,000	50,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,642,174</b>	<b>\$ 1,642,174</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,720,936</b>	<b>\$ 1,720,936</b>
<b>Fund Balance - January 1</b>	<b>2,029,503</b>	<b>2,029,503</b>	<b>2,029,503</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,029,503</b>	<b>\$ 2,029,503</b>	<b>\$ 3,750,439</b>	<b>\$ 1,720,936</b>

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**AGENCY FUNDS**

The Agency Fund is used to account for all assets not accounted for by other agency funds and held by the County as an agent for individuals, private organizations, other governments, or other funds.

The Settlement Fund accounts for all taxes and penalties collected and the distribution of the taxes.

The State Revenue Fund accounts for collections for and disbursements to the State of Minnesota.

The Community Health Service Fund accounts for collections and disbursements for Brown-Nicollet Community Health Services.

The Family Services Collaborative Fund accounts for collections and disbursements for the Family Services Collaborative.

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT C-1*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>AGENCY FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 44,220	\$ 378,646	\$ 406,364	\$ 16,502
<b><u>Liabilities</u></b>				
Due to other governments	\$ 44,220	\$ 378,646	\$ 406,364	\$ 16,502
 <b><u>SETTLEMENT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 397,708	\$ 64,358,874	\$ 64,289,854	\$ 466,728
<b><u>Liabilities</u></b>				
Due to other governments	\$ 397,708	\$ 64,358,874	\$ 64,289,854	\$ 466,728
 <b><u>STATE REVENUE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 171,066	\$ 3,830,108	\$ 3,844,568	\$ 156,606
<b><u>Liabilities</u></b>				
Due to other governments	\$ 171,066	\$ 3,830,108	\$ 3,844,568	\$ 156,606

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>COMMUNITY HEALTH SERVICE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 559,555	\$ 1,184,412	\$ 1,197,649	\$ 546,318
<b><u>Liabilities</u></b>				
Due to other governments	\$ 559,555	\$ 1,184,412	\$ 1,197,649	\$ 546,318
 <b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 457,505	\$ 175,907	\$ 199,233	\$ 434,179
<b><u>Liabilities</u></b>				
Due to other governments	\$ 457,505	\$ 175,907	\$ 199,233	\$ 434,179
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,630,054	\$ 69,927,947	\$ 69,937,668	\$ 1,620,333
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,630,054	\$ 69,927,947	\$ 69,937,668	\$ 1,620,333



**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

*EXHIBIT D-1*

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

**Shared Revenue**

**State**

Highway users tax	\$	3,464,178
County program aid		1,091,535
PERA rate reimbursement		34,276
Disparity reduction aid		11,666
Police aid		85,052
Enhanced 911		119,682
Market value credit		138,871
		138,871

**Total shared revenue** **\$ 4,945,260**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	590,538
		590,538

**Payments**

**Local**

Payments in lieu of taxes	\$	33,822
		33,822

**Grants**

**State**

Minnesota Department of Public Safety	\$	6,387
Health		109,550
Natural Resources		25,336
Human Services		1,165,790
Veterans Affairs		5,787
Corrections		262,995
Water and Soil Resources Board		95,136
Pollution Control Agency		80,483
		80,483

**Total state** **\$ 1,751,464**

**Federal**

Department of Agriculture	\$	281,162
Transportation		1,232,679
Health and Human Services		2,080,293
Homeland Security		121,127
		121,127

**Total federal** **\$ 3,715,261**

**Total state and federal grants** **\$ 5,466,725**

**Total Intergovernmental Revenue** **\$ 11,036,345**

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT D-2**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 110,024
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>171,138</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 281,162</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<b><u>\$ 1,232,679</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	\$ 21,343
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$528,218)	93.558	18,183
Medical Assistance Program (Total Medical Assistance Program 93.778 \$714,573)	93.778	25,253
Maternal and Child Health Services Block Grant to the States	93.994	20,265
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	255
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$528,218)	93.558	510,035
Child Support Enforcement	93.563	682,655
Refugee and Entrant Assistance - State-Administered Programs	93.566	416
Child Care and Development Block Grant	93.575	25,414
Stephanie Tubbs Jones Child Welfare Services Program	93.645	253
Foster Care - Title IV-E	93.658	147,968
Social Services Block Grant	93.667	135,964
Chafee Foster Care Independence Program	93.674	2,236
Children's Health Insurance Program	93.767	73
Medical Assistance Program (Total Medical Assistance Program 93.778 \$714,573)	93.778	689,320
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>76,543</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>\$ 2,356,176</u></b>

**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 33,990
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	61,131
Emergency Management Performance Grants	97.042	24,456
Pre-Disaster Mitigation	97.047	1,550
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 121,127</b>
<b>Total Federal Awards</b>		<b>\$ 3,991,144</b>

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**NICOLLET COUNTY  
ST. PETER, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Nicollet 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 Nicollet 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 Nicollet County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Nicollet 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	\$ 3,715,261
Grants received more than 60 days after year-end, unavailable in 2013	
Temporary Assistance for Needy Families	135,995
Foster Care - Title IV-E	10,062
Medical Assistance Program	129,826
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,991,144

5. Subrecipients

During 2013, the County did not pass any federal money to subrecipients.

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**NICOLLET COUNTY  
ST. PETER, 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? **No**

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major program is:

Highway Planning and Construction

CFDA #20.205

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

Nicollet County qualified as a low-risk auditee? **Yes**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-001

#### Audit Adjustments

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

**Condition:** During our audit, we proposed audit adjustments which were reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal control.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were necessary to be recorded for December 31, 2013:

- An adjustment of \$4,191,583 was required in the Road and Bridge Special Revenue Fund to record additional highway allotments revenue due to the County at year-end.
- The Human Services Special Revenue Fund was adjusted by \$309,068 to record additional TANF, IV-E, and MA funding that was due to the County at year-end.
- An adjustment of \$133,360 was made in the Ditch Special Revenue Fund to record additional deferred special assessments.
- Adjustments of \$10,930,132, \$356,170, \$198,970, and \$1,832,500 were made respectively to the General Fund, Ditch Special Revenue Fund, Revolving Loan Special Revenue Fund, and the Debt Service Fund, to record restricted fund balances for constraints placed on the use of resources.

- Numerous adjustments were required to reclassify revenue, expenditure, and fund balance accounts to properly record the County's issuance of \$12,375,000 General Obligation Capital Improvement Bonds and Notes as well as the issuance of \$1,345,000 General Obligation Capital Improvement Plan Refunding Bonds.

**Cause:** County employees' assigned functions were changed due to some personnel changes. The County informed us that employees did not detect the errors in the normal course of performing their newly assigned functions.

**Recommendation:** We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

Client's Response:

*Nicollet County will continue to provide training to appropriate staff in the effort to reduce and eliminate audit adjustments.*

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

None.

### IV. OTHER FINDINGS AND RECOMMENDATIONS

#### MINNESOTA LEGAL COMPLIANCE

#### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-001

#### Ditch Fund Deficit Cash Balances

**Criteria:** Drainage system costs are required by Minn. Stat. § 103E.655 to be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, this statute allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Such loans must be paid back with interest.

Additionally, individual ditch systems should be maintained with a positive fund balance to display solvency. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

**Condition:** The County had ditch systems with individual deficit cash balances and individual fund deficit balances at December 31, 2013.

**Context:** At December 31, 2013, 38 ditch systems had negative cash balances totaling \$153,868, and 31 ditch systems had fund deficit balances totaling \$86,236.

**Effect:** The County is not in compliance with Minnesota statutes by having ditch systems with negative cash balances. Ditch systems with fund deficit balances indicate that measures have not been taken to ensure an individual ditch system can meet financial obligations.

**Cause:** The County informed us that expenditures had been made for ditch systems with insufficient cash to cover the expenditures. Additionally, special assessments levied for systems had not been sufficient to meet all obligations of the systems.

**Recommendation:** We recommend that the County eliminate the cash deficits by borrowing from eligible funds with surplus cash balances under Minn. Stat. § 103E.655. Fund deficit balances should be eliminated by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance of the ditch systems.

Client's Response:

*Over the past few years, we have shown an aggressive attempt to bring all ditch systems into a positive balance. It is the intention to continue this process until all ditches in the County carry a positive balance.*



REBECCA OTTO  
STATE AUDITOR

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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  
Nicollet 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 Nicollet 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 September 5, 2014.

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

In planning and performing our audit of the financial statements, we considered Nicollet 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.

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 2012-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nicollet 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 the County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Nicollet 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 item 1996-001. 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.

## **Nicollet County's Response to Findings**

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 5, 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  
Nicollet County

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

We have audited Nicollet 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. Nicollet County's major federal program is 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 Nicollet 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 Nicollet 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, Nicollet County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

**Report on Internal Control Over Compliance**

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

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

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 5, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR