
Le Sueur County, MN

Tuesday, October 28, 2014

Board Meeting

Item 3

9:15 am Baker Tilly Presentation (45 minutes)

Staff Contact:

LE SUEUR COUNTY

Le Center, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

LE SUEUR COUNTY

TABLE OF CONTENTS As of and for the Year Ended December 31, 2013

Independent Auditors' Report	i – iii
Management's Discussion and Analysis	iv – xii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	6
Statement of Net Position – Fiduciary Funds	7
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	8
Notes to the Financial Statements	9 – 34
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – General Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Road and Bridge	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Human Services	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Environmental Health	38
Notes to Required Supplementary Information	39
Supplementary Information	
Nonmajor Governmental Funds	40
Combining Balance Sheet – Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Victim Witness	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Debt Service	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget – Capital Projects	45
Fiduciary Funds	46
Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds	47
Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	48
Combining Statement of Changes in Assets and Liabilities – Agency Funds	49 – 50
Schedule of Intergovernmental Revenues	51

INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners
Le Sueur County
Le Center, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority of Le Sueur County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Housing and Redevelopment Authority of Le Sueur County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Le Sueur 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 Le Sueur County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota, as of December 31, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, Le Sueur County adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are 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 budgetary comparison information for the major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Le Sueur County's basic financial statements. The combining fund financial statements, the budgetary comparison information for the nonmajor funds and the schedule of intergovernmental revenues as listed in the table of contents are presented for purposes of additional analysis and are 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 combining fund financial statements, the budgetary comparison information for the nonmajor funds and the schedule of intergovernmental revenues are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the County Board of Commissioners
Le Sueur County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014 on our consideration of Le Sueur 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 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 Le Sueur County's internal control over financial reporting and compliance.

Baker Tilly Vuchow Krause, LLP

Minneapolis, Minnesota
September 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As of and for the Year Ended December 31, 2013

As management of Le Sueur County, we offer readers of the Le Sueur County Financial Statements this narrative overview and analysis of the financial activities of Le Sueur 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 Le Sueur County exceeded its liabilities at the close of 2013 by \$91,301,852. Of this amount, \$13,800,313 (unrestricted net position) may be used to meet Le Sueur County's ongoing obligations to citizens and creditors.

Le Sueur County's total net position increased by \$390,827 in 2013.

At the close of 2013, Le Sueur County's governmental funds reported combined ending fund balances of \$17,810,615. Approximately \$4,862,749 is available for spending at the County's discretion and is noted as unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Le Sueur County's basic financial statements. Le Sueur County's basic financial statements are comprised of 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 Le Sueur County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Le Sueur 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 Le Sueur 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Government-wide financial statements list the functions of Le Sueur County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Le Sueur County include general government, public safety, highways and streets, sanitation, health and human services, culture, recreation and education, and conservation and development. There are no business-type activities within Le Sueur County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The Government-wide financial statements include not only Le Sueur County itself (the primary government), but also the legally separate Housing and Redevelopment Authority of Le Sueur County (HRA). The HRA, although legally separate, functions for all practical purposes as an integral part of Le Sueur County, and therefore has been included in the Government-wide financial statements. A copy of the HRA audit may be obtained from the Minnesota Valley Action Council, 464 Raintree Road, Mankato, MN 56001.

A summary of the Government-wide financial statements can be found on Exhibits 1 and 2.

Fund financial statements

A “*fund*” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Le Sueur 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 Le Sueur County can be divided into two categories: governmental 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 county’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 short-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 the County’s short-term financing requirements.

Le Sueur County reports four major funds and five non-major funds. The major funds are: General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund and Environmental Health Special Revenue Fund. The non-major funds are: Gravel Tax Special Revenue Fund, Victim Witness Special Revenue Fund, County Ditch Special Revenue Fund, a Debt Service Fund, and a Capital Projects Fund.

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. Le Sueur County’s fiduciary funds consist of five agency funds and two private-purpose Trust 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.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, Le Sueur County also provides supplementary information on Le Sueur County’s combining fund financial statements and intergovernmental revenues.

Le Sueur County adopts an annual appropriated budget for its general fund, special revenue funds, capital projects 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. Le Sueur County's assets exceeded liabilities by \$91,301,852 at the close of 2013. The largest portion of Le Sueur County's net position (80.7%) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. However, it should be noted that these assets are not available for future spending.

(EXHIBIT 1)

Le Sueur County's Governmental Net Position

		2013	2012
Current and other assets	\$	24,030,602	25,513,383
Capital assets	\$	86,121,882	85,412,624
Total assets	\$	110,152,484	110,926,007
Long-term liabilities outstanding	\$	14,880,626	16,765,939
Other liabilities	\$	3,936,380	3,249,043
Total liabilities	\$	18,817,006	20,014,982
Net position:			
Net investment in capital assets	\$	73,636,977	71,831,079
Restricted	\$	3,864,562	2,447,694
Unrestricted	\$	13,800,313	16,632,252
Total net position	\$	91,301,852	90,911,025

The unrestricted net position amount of \$13,800,313 as of December 31, 2013 may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

The table below summarizes the changes in net position for 2013.

(EXHIBIT 2)

Changes in Le Sueur County's Governmental Net Position

		2013	2012
Revenues:			
Program revenues:			
Charges for services	\$	3,562,256	5,542,444
Operating grants and contributions	\$	5,099,729	7,776,741
Capital grants and contributions	\$	4,883,148	3,463,395
General revenues:			
Property taxes	\$	14,876,461	14,199,914
Other	\$	2,270,275	2,383,890
Total revenues	\$	30,691,869	33,366,384
Expenses:			
General government	\$	4,825,687	4,631,625
Public safety	\$	4,027,070	3,669,111
Highways and streets	\$	10,069,005	6,438,845
Sanitation	\$	254,403	402,200
Health and Human Services	\$	8,802,184	8,224,421
Culture, recreation and education	\$	773,473	754,351
Conservation and development	\$	849,475	712,698
Interest and fiscal charges	\$	699,745	559,534
Total expenses	\$	30,301,042	25,392,785
Increase in net position	\$	390,827	7,973,598
Net position – January 1	\$	90,911,025	82,937,427
Net position – December 31	\$	91,301,852	90,911,025

Exhibit 4 2012 Revenues by Source

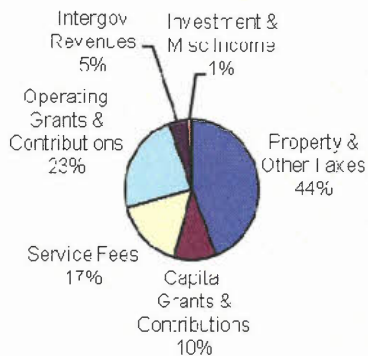
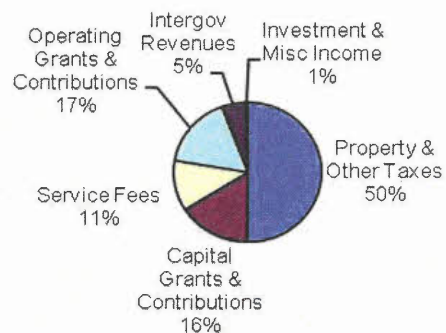
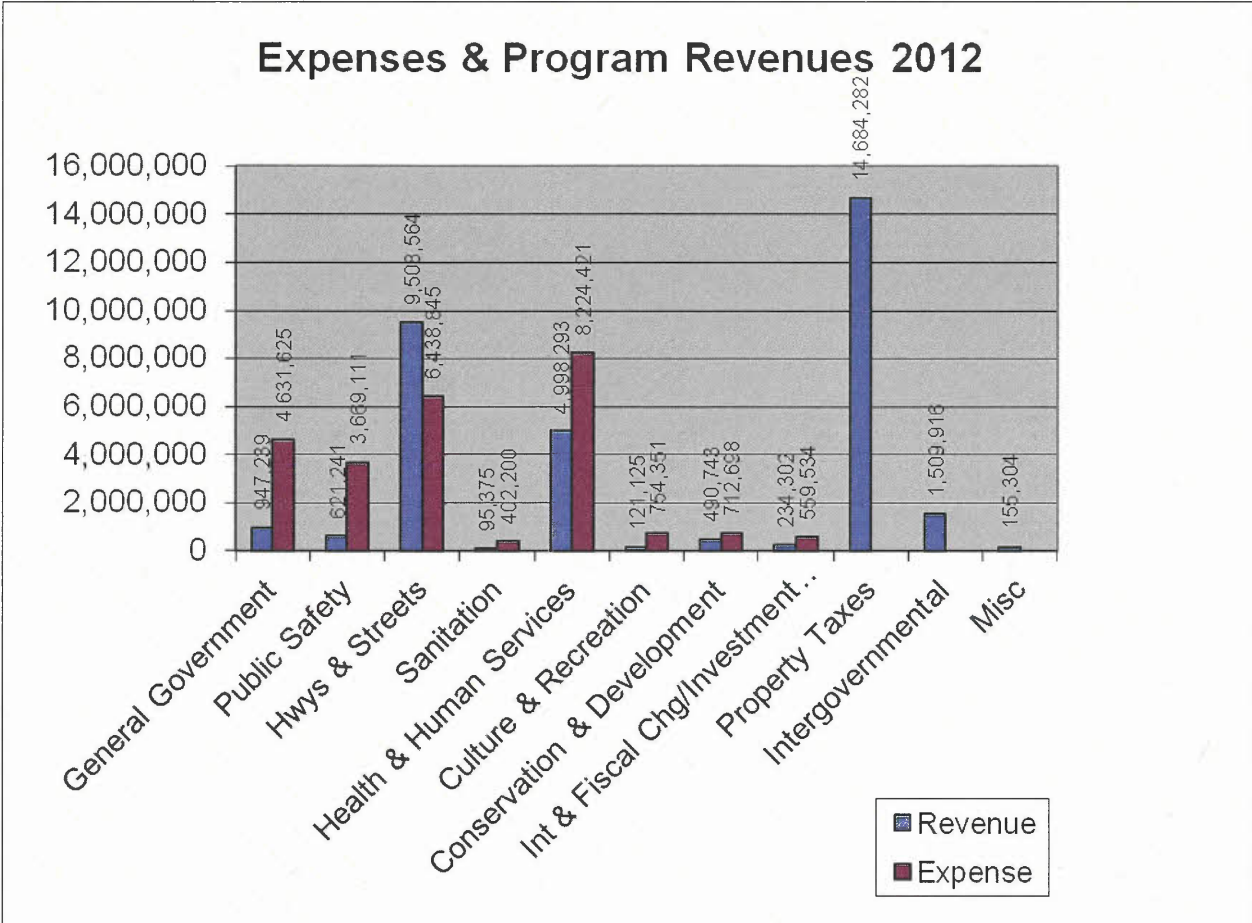


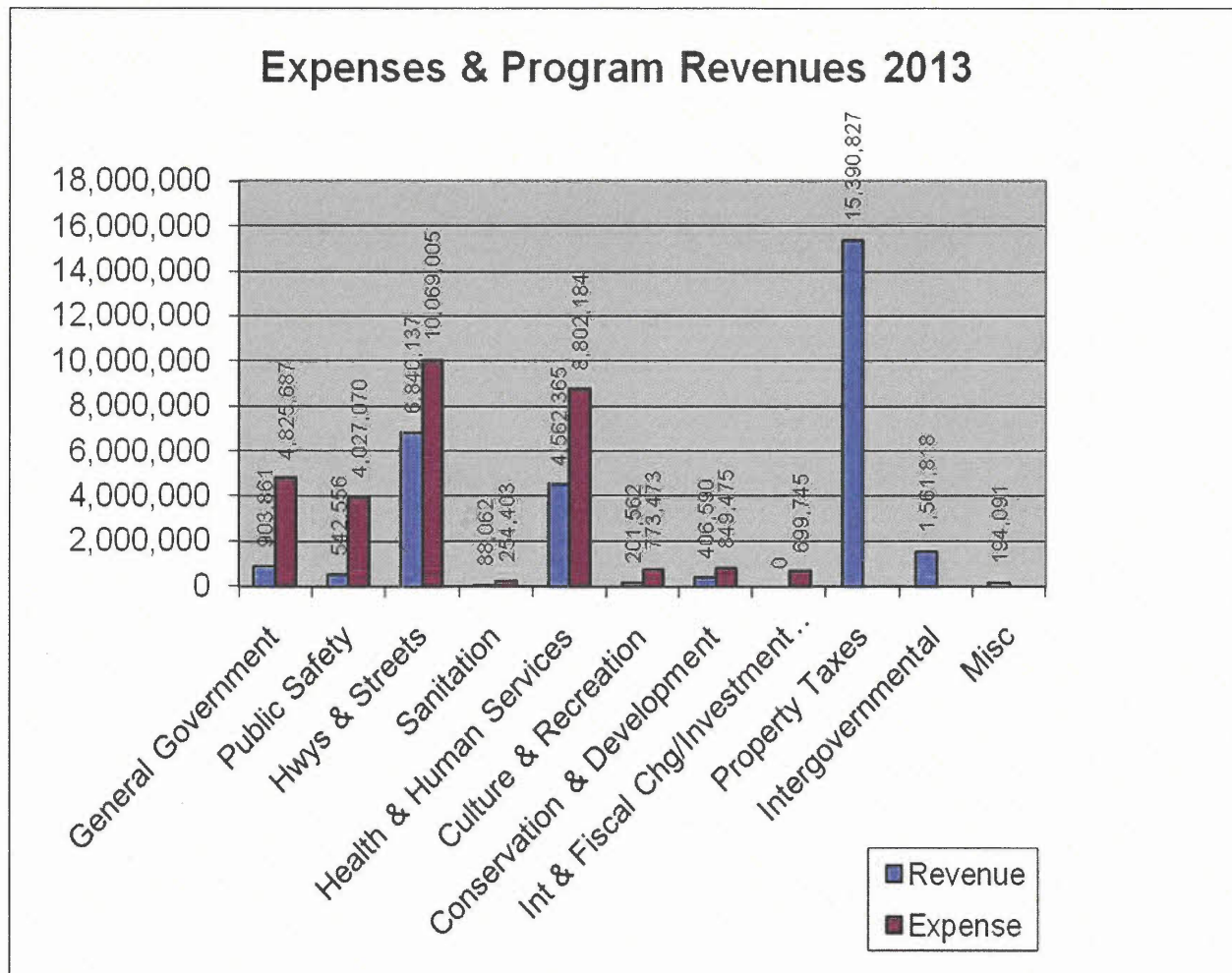
Exhibit 4 2013 Revenues by Source



(EXHIBIT 5)



(EXHIBIT 6)



Financial Analysis of the County'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, unreserved 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 \$17,810,615. The majority of this amount (\$13,087,571) constitutes unrestricted, spendable fund balance, which is available for spending at the county's discretion. The remainder of fund balance is nonspendable or restricted to indicate this it is not available for new spending because it has already been restricted for various reasons.

The four major operating funds of Le Sueur County are the General Fund, Road & Bridge, Environmental Health and Human Services Special Fund. At the end of the current fiscal year these funds showed the following balances:

	Assigned/Unassigned Fund Balance	Total Fund Balance
General	5,063,959	5,944,305
Road & Bridge	-189,210	1,378,982
Human Services	5,431,366	5,431,366
Environmental Health	1,715,485	1,983,895

As a measure of the liquidity of these funds, a comparison of unrestricted, spendable fund balance and total fund balance to total fund expenditures yields the following percentages:

	Liquidity Unrestricted, Spendable Fund	Liquidity Total Fund Balance
General	43.3%	50.8%
Road & Bridge	-	12.4%
Human Services	76.7%	76.7%
Environmental Health	274.2%	317.1%

Budgetary Highlights

The Le Sueur County Board may amend/revise the County Budgets. These revisions fall into one of three categories: new information regarding original budget estimates, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In Le Sueur County's General Fund the actual revenues and other financing sources were \$264,052 over budget. Total actual expenditures and other financing uses were \$598,314 over budget.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities as of December 31, 2013, amount to \$86,121,882 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. There were no major capital asset events in 2013.

Le Sueur County's Governmental Capital Assets **(net of Depreciation)**

	<u>2012</u>	<u>2013</u>
Land	\$ 4,768,459	\$ 4,841,879
Construction in Progress	6,390,431	1,911,059
Land Improvements	117,239	114,757
Building and Improvements	3,394,897	3,187,276
Machinery, Furniture & Equipment	3,570,482	4,081,347
Infrastructure	67,171,116	71,985,564
	<u>\$ 85,412,624</u>	<u>\$ 86,121,882</u>

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

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$13,825,000 which is backed by the full faith and credit of the government.

Le Sueur County's Governmental Outstanding Debt

	<u>2012</u>	<u>2013</u>
General Obligation Bonds	\$ <u>15,825,000</u>	\$ <u>13,825,000</u>

Le Sueur County's debt decreased by \$2,000,000 during 2013. The primary reason was that Le Sueur County did not issue any new bonds in 2013.

Le Sueur County's bond rating is "AA" from Standard & Poor's.

Minnesota statutes limit the amount of debt that a county may levy to 3% of its total market value. As of the end of 2013, Le Sueur County was well below the 3% debt limit imposed by state statutes.

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

Economic Factors & New Years Budgets and Rates

The County's officials and staff considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged.

Le Sueur County continues to see residential growth. The County's population has increased gradually since the 2010 census. The County's total taxable net tax capacity increased by 2% in 2013 and increased by 5.4% in 2014. As a result of the population increase, we are experiencing an increased demand for services particularly in police protection, land use policy, road construction, and road maintenance.

Property tax reforms at the state level significantly impacted government aid payments made to the County over the past several years. The County Program Aid of \$815,799 has decreased \$1,006,935 since the original 2003 certified amount of \$1,822,734 for similar state aids before the state made major cuts. Also, added is the impact of numerous unfunded mandates.

Le Sueur County's unemployment rate was 6.8% at the end of 2013. This is above the 4.7% statewide rate.

On December 17, 2013 the Le Sueur County Board of Commissioners approved the 2014 budget for \$31,472,755. This was a 1.5% increase from payable 2013. The 2014 levy is \$15,242,378, which is a 3.5% increase over payable 2013.

Audit/ Request for Information

Minnesota Statutes 6.48 requires an annual examination of books of accounts, financial records, and transactions of all County functions by the Office of the State Auditor and/or a private accounting firm. When complete, the report will be available for inspection upon request at the County Finance Director's Office during normal working hours. You may also request additional information by U.S. Mail at the following address: Office of the Le Sueur County Finance Director, Le Sueur County Courthouse, 88 South Park Avenue, Le Center, MN 56057

LE SUEUR COUNTY

STATEMENT OF NET POSITION As of December 31, 2013

	Primary Government	Component Unit
	Governmental Activities	Housing and Redevelopment Authority
ASSETS		
Cash and investments	\$ 19,850,069	\$ 88,209
Taxes receivable	572,952	-
Special assessments receivable	255,701	-
Accounts receivable (net)	835,243	-
Notes receivable	247,435	-
Loans receivable (net)	-	21,808
Interest receivable	257,783	-
Due from other governments	1,619,441	142
Prepaid items, materials and supplies	391,978	-
Capital Assets		
Construction in progress	1,911,059	-
Land	4,841,879	-
Other capital assets, net of depreciation	79,368,944	-
Total Assets	<u>110,152,484</u>	<u>110,159</u>
LIABILITIES		
Accounts payable	1,584,630	982
Accrued liabilities	512,307	-
Interest payable	183,093	-
Due to other governments	281,351	-
Advances from other governments	1,374,999	-
Liabilities		
Due within one year	2,113,563	-
Due in more than one year	12,767,063	-
Total Liabilities	<u>18,817,006</u>	<u>982</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	33,626	-
Total Deferred Inflows of Resources	<u>33,626</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	73,636,977	-
Restricted for		
Recorder equipment	357,172	-
Public safety	381,053	-
Highways and streets	659,572	-
Future septic loans	515,845	-
Culture and recreation	140,051	-
Reclamation/conservation	355,499	-
Ditch projects	275,901	-
Debt service	1,179,469	-
Housing assistance	-	42,500
Economic development	-	66,677
Unrestricted	<u>13,800,313</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 91,301,852</u>	<u>\$ 109,177</u>

See accompanying notes to financial statements.

Page 1

LE SUEUR COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit HRA
Primary Government						
Governmental Activities						
General government	\$ 4,825,687	\$ 730,269	\$ 173,592	\$ -	\$ (3,921,826)	\$ -
Public safety	4,027,070	339,039	203,517	-	(3,484,514)	-
Highways and streets	10,069,005	711,206	1,257,663	4,871,268	(3,228,868)	-
Sanitation	254,403	20,287	67,775	-	(166,341)	-
Health and human services	8,802,184	1,273,845	3,288,520	-	(4,239,819)	-
Culture, recreation, and education	773,473	175,762	25,800	-	(571,911)	-
Conservation and development	849,475	311,848	82,862	11,880	(442,885)	-
Interest and fiscal charges	699,745	-	-	-	(699,745)	-
Total Primary Government	<u>\$ 30,301,042</u>	<u>\$ 3,562,256</u>	<u>\$ 5,099,729</u>	<u>\$ 4,883,148</u>	<u>(16,755,909)</u>	<u>-</u>
Component Unit						
Housing and Redevelopment Authority (HRA)	\$ 459,789	\$ 36	\$ 457,733	\$ -	-	(2,020)
General Revenues						
Taxes						
Property taxes, levied for general purposes					13,284,526	-
Property taxes, levied for debt service					1,591,935	-
Other taxes					419,165	-
Payments in lieu of taxes					95,201	-
Intergovernmental revenues not restricted to specific programs					1,561,818	-
Investment income					27,907	18
Miscellaneous					166,184	-
Total General Revenues					<u>17,146,736</u>	<u>18</u>
Change in Net Position					390,827	(2,002)
NET POSITION - Beginning of Year					<u>90,911,025</u>	<u>111,179</u>
NET POSITION - END OF YEAR					<u>\$ 91,301,852</u>	<u>\$ 109,177</u>

See accompanying notes to financial statements.

LE SUEUR COUNTY

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2013

	General Fund	Special Revenue			Nonmajor Governmental Funds	Total Governmental Funds
		Road and Bridge	Human Services	Environmental Health		
ASSETS						
Cash and investments	\$ 6,225,115	\$ 2,824,192	\$ 5,664,228	\$ 2,043,919	\$ 3,092,615	\$ 19,850,069
Receivables						
Taxes	263,749	82,359	142,954	591	83,299	572,952
Special assessments	-	-	-	8,398	247,303	255,701
Accounts	167,630	280,666	386,745	-	202	835,243
Notes	-	-	-	247,435	-	247,435
Interest	257,783	-	-	-	-	257,783
Due from other governments	193,869	1,032,573	390,994	1,433	572	1,619,441
Prepaid items, materials and supplies	2,070	389,908	-	-	-	391,978
TOTAL ASSETS	<u>\$ 7,110,216</u>	<u>\$ 4,609,698</u>	<u>\$ 6,584,921</u>	<u>\$ 2,301,776</u>	<u>\$ 3,423,991</u>	<u>\$ 24,030,602</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 210,340	\$ 832,140	\$ 482,047	\$ 7,159	\$ 52,944	\$ 1,584,630
Accrued liabilities	311,991	67,840	119,869	9,729	2,878	512,307
Due to other governments	125,200	106,032	37,810	11,097	1,212	281,351
Advances from other governments	-	1,374,999	-	-	-	1,374,999
Total Liabilities	<u>647,531</u>	<u>2,381,011</u>	<u>639,726</u>	<u>27,985</u>	<u>57,034</u>	<u>3,753,287</u>
Deferred Inflows of Resources						
Unearned revenues	-	-	-	33,626	-	33,626
Unavailable revenues	518,380	849,705	513,829	256,270	294,890	2,433,074
Total Deferred Inflows of Resources	<u>518,380</u>	<u>849,705</u>	<u>513,829</u>	<u>289,896</u>	<u>294,890</u>	<u>2,466,700</u>
Fund Balances						
Nonspendable	2,070	389,908	-	-	-	391,978
Restricted	878,276	1,178,284	-	268,410	2,006,096	4,331,066
Assigned	12,000	-	5,431,366	1,715,485	1,065,971	8,224,822
Unassigned (deficit)	5,051,959	(189,210)	-	-	-	4,862,749
Total Fund Balances	<u>5,944,305</u>	<u>1,378,982</u>	<u>5,431,366</u>	<u>1,983,895</u>	<u>3,072,067</u>	<u>17,810,615</u>
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,110,216</u>	<u>\$ 4,609,698</u>	<u>\$ 6,584,921</u>	<u>\$ 2,301,776</u>	<u>\$ 3,423,991</u>	<u>\$ 24,030,602</u>

See accompanying notes to financial statements.

Page 3

LE SUEUR COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION As of December 31, 2013

Total fund balance - governmental funds		\$ 17,810,615
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:

Capital assets	\$ 117,479,928	
Accumulated depreciation	<u>(31,358,046)</u>	86,121,882

Revenues that are not available to pay current liabilities are reported as deferred revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements.

These types of deferred revenues at year end consist of:

Taxes	441,312	
Special assessments	255,701	
Governmental grants	1,024,646	
Accounts receivable	206,198	
Notes receivable	247,435	
Interest	<u>257,782</u>	2,433,074

Long-term liabilities, including bond and notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Long-term liabilities at year end consist of:

General obligation debt	(13,825,000)	
Debt premium	(97,626)	
Accrued interest on general obligation debt	(183,093)	
Compensated absences	<u>(958,000)</u>	(15,063,719)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 91,301,852</u>
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See accompanying notes to financial statements.

Page 4

LE SUEUR COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	General Fund	Special Revenue Road and Bridge	Human Services	Environmental Health	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 7,245,206	\$ 2,331,239	\$ 3,783,402	\$ 29,937	\$ 1,710,730	\$ 15,100,514
Special assessments	-	-	-	175,609	103,969	279,578
Intergovernmental	1,358,124	6,458,134	3,043,218	180,570	276,525	11,316,571
Licenses and permits	232,211	-	-	117,750	-	349,961
Charges for services	2,057,585	733,994	151,166	24,666	-	2,967,411
Investment income	58,928	1,423	-	-	3,179	63,530
Miscellaneous	386,158	795,006	438,710	17,450	9,547	1,646,871
Total Revenues	<u>11,338,212</u>	<u>10,319,796</u>	<u>7,416,496</u>	<u>545,982</u>	<u>2,103,950</u>	<u>31,724,436</u>
EXPENDITURES						
Current						
General government	4,806,233	-	-	-	-	4,806,233
Public safety	3,659,048	-	-	-	71,787	3,730,835
Highways and streets	-	9,746,763	-	-	-	9,746,763
Sanitation	-	-	-	342,245	-	342,245
Health and human services	1,873,852	-	7,085,695	147,347	-	9,106,894
Culture, recreation, and education	752,659	-	-	-	-	752,659
Conservation and development	402,395	-	-	135,971	133,533	671,899
Capital Outlay	200,377	489,118	-	-	495,518	1,185,013
Debt Service						
Principal	-	790,000	-	-	1,210,000	2,000,000
Interest and fiscal charges	-	92,779	-	-	417,318	510,097
Total Expenditures	<u>11,694,564</u>	<u>11,118,660</u>	<u>7,085,695</u>	<u>625,563</u>	<u>2,328,156</u>	<u>32,852,638</u>
Excess (deficiency) of revenues over expenditures	<u>(356,352)</u>	<u>(798,864)</u>	<u>330,801</u>	<u>(79,581)</u>	<u>(224,206)</u>	<u>(1,128,202)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	17,045	41	17,086
Transfers out	(17,086)	-	-	-	-	(17,086)
Total Other Financing Sources (Uses)	<u>(17,086)</u>	<u>-</u>	<u>-</u>	<u>17,045</u>	<u>41</u>	<u>-</u>
Net change in fund balances	(373,438)	(798,864)	330,801	(62,536)	(224,165)	(1,128,202)
FUND BALANCES - Beginning of Year	6,317,743	2,333,627	5,100,565	2,046,431	3,296,232	19,094,598
Change in reserve for materials and supplies	-	(155,781)	-	-	-	(155,781)
FUND BALANCES - END OF YEAR	\$ 5,944,305	\$ 1,378,982	\$ 5,431,366	\$ 1,983,895	\$ 3,072,067	\$ 17,810,615

See accompanying notes to financial statements.

LE SUEUR COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND 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	\$ (1,128,202)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:

Capital outlay is capitalized in the government-wide statements	1,185,013
Some capital outlay is not capitalized in the government-wide statements	(458,981)
Highway construction capitalized in the government-wide statements	2,060,202
Some other functional expenses are capitalized in the government-wide statements	731,562
Depreciation is reported in the government-wide statements	(2,805,401)
Loss on disposal of capital assets is reported in the government-wide statements	(3,137)

Taxes and other receivables that are not available to pay current liabilities are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. \$3,148,832 of taxes, grants and interest recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$2,433,074 of taxes, grants, notes and interest are reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year. (715,758)

Issuing debt provides current financial resources in the governmental funds, but the repayment of debt consumes current financial resources in the governmental funds.
Principal payments 2,000,000

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

The following did not require the use of current financial resources:

Change in compensated absences	(129,044)
Change in accrued interest expense	21,266
Amortization of debt discount, premium and debt issuance costs	(210,912)

The change in materials and supplies is reported as a change in fund balance in the fund financial statements, but is a change in expense in the government-wide statements. (155,781)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 390,827</u>
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See accompanying notes to financial statements.

Page 6

LE SUEUR COUNTY

STATEMENT OF NET POSITION - FIDUCIARY FUNDS As of December 31, 2013

	Private-Purpose Trusts	Agency Funds
ASSETS		
Cash and investments	\$ 60,692	\$ 1,389,462
Total Assets	<u>60,692</u>	<u>1,389,462</u>
LIABILITIES		
Accounts payable	-	5,209
Deposits	-	23,281
Due to other governments	-	1,360,972
Total Liabilities	<u>-</u>	<u>1,389,462</u>
NET POSITION HELD IN TRUST	<u>\$ 60,692</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Page 7

LE SUEUR COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS For the Year Ended December 31, 2013

	Private-Purpose Trusts
ADDITIONS	
Interest	\$ 21
DEDUCTIONS	
Payments in accordance with trust agreements	<u>20</u>
Change in Net Position	1
NET POSITION HELD IN TRUST - Beginning of Year	<u>60,691</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>\$ 60,692</u></u>

See accompanying notes to financial statements.

Page 8

LE SUEUR COUNTY

INDEX TO NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE	Page
I. Summary of Significant Accounting Policies	10
A. Reporting Entity	10
B. Government-Wide and Fund Financial Statements	11
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	14
D. Assets, Liabilities, Deferred Inflows of Resources and Net Position or Equity	15
1. Deposits and Investments	15
2. Receivables	17
3. Prepaid Items, Materials and Supplies	17
4. Capital Assets	17
5. Advances from Other Governments	18
6. Compensated Absences	18
7. Other Post Employment Benefits	18
8. Long-Term Obligations/Conduit Debt	19
9. Deferred Inflows of Resources	19
10. Equity Classifications	19
II. Stewardship, Compliance, and Accountability	21
A. Excess Expenditures Over Appropriations	21
III. Detailed Notes on All Funds	21
A. Deposits and Investments	21
B. Receivables	24
C. Capital Assets	25
D. Interfund Transfers	26
E. Long-Term Obligations	26
F. Net Position/Fund Balances	28
G. Component Unit	29
IV. Other Information	30
A. Pension Plans	30
B. Risk Management	32
C. Commitments and Contingencies	33
D. Joint Ventures	33
E. Jointly Governed Organizations	34
F. Effect of New Accounting Standards on Current Period Financial Statements	34

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Le Sueur County, Minnesota conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

Le Sueur County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Statute 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 report includes all of the funds of the county. The reporting entity for the county consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organization should also be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one or two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. *REPORTING ENTITY* (cont.)

Discretely Presented Component Unit

Housing and Redevelopment Authority

The government-wide statements include Housing and Redevelopment Authority of Le Sueur County (HRA) as a component unit. The HRA is a legally separate organization. The Board of County Commissioners appoints the board of the HRA. In addition, the Board of County Commissioners can hire, reassign, or dismiss persons responsible for the day-to-day operations of the HRA. As a component unit, the HRA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2013. Separately issued financial statements of the HRA may be obtained from the Minnesota Valley Action Council at 464 Raintree Road, Mankato, Minnesota, 56001. See Note III.G.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

In March 2012, the GASB issued statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. All of Le Sueur County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Le Sueur County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Le Sueur County or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all governmental funds.
- b. In addition, any other governmental fund that Le Sueur County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Le Sueur County reports the following major governmental funds:

General Fund – accounts for Le Sueur County's primary operating activities. It is used to account for all financial resources except those accounted for and reported in another fund.

Road and Bridge Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to the construction and maintenance of county roads, highways, and bridges.

Human Services Special Revenue Fund – used to account for and report grants and local revenues legally restricted, committed or assigned to economic assistance and community social services programs.

Environmental Health Special Revenue Fund – used to account for and report grants and local revenues legally restricted, committed or assigned to health, clean water partnership, recycling, and solid waste activities.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Le Sueur County reports the following nonmajor governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are legally restricted, committed or assigned to expenditures for specified purposes (other than debt service or capital projects).

Victim Witness
Gravel Tax
County Ditch

Debt Service Fund – used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payments of general long term debt principal, interest, and related costs.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

In addition, Le Sueur County reports the following fund types:

Private-Purpose Trust Funds – used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Cemetery Perpetual Care
U.S. Fish and Wildlife

Agency Funds – used to account for and report assets held by the county in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Agency
Taxes and Penalties
Social Welfare

Family Services Collaborative
Sheriff

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period Le Sueur County is entitled to the resources and the amounts are available. Amounts owed to the county which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as unavailable inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources management focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Minnesota statutes authorize the county board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Investments are limited to:

- > Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes;
- > Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- > State and local securities that meet specified bond ratings by a national rating service;
- > Banker’s acceptances of United States banks;
- > Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- > Repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts, with certain restrictions.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Le Sueur County has adopted an investment policy. That policy limits allowable investments to securities issued by the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Association, the Federal Home Loan Bank, brokered jumbo CD's covered by FDIC, repurchase agreements, and the MAGIC fund. The policy also requires that county deposits in bank CD's will have a maturity of not more than five years.

Custodial credit risk is not specifically addressed in the county's investment policy. The county follows state statutes related to this risk.

Credit risk is addressed through the investment restrictions detailed above. The policy also states that the county may request a rating from bidders; high bidders may be denied the investment based on that rating.

The policy addresses concentration of credit risk by stating that the Treasurer shall make investments with the consideration of diversification to limit risk.

The policy addresses interest rate risk by stating that the Treasurer shall schedule the maturity of investment securities to coincide with the payment of property tax settlements and other bill paying dates.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments funds is allocated to the general fund per Minn. Stat § 385.07. Other funds received investment earning based on other state statutes, grant agreements, contracts, and bond covenants. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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

See Note III.A. for further information.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

The county levies and collects property taxes and special assessments for all governmental units within the county. Property tax collections and payments to other governmental units and county funds are accounted for in agency funds.

Property taxes and special assessments 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.

The county is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in MN Statutes 276.

Accounts receivable have been shown net of an allowance for uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the county's demonstrated ability to recover any losses through the sale of the applicable property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Prepaid Items, Materials and Supplies

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

Governmental fund materials and supplies, if material, are valued at cost based on the FIFO method using the consumption method of accounting for all items except signs and posts, gravel stockpiles, recycled blacktop, and pea rock, which are valued using the average cost method.

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and the following initial cost:

Machinery, Equipment and Vehicles	\$	5,000
Land Improvements		25,000
Building and Building Improvements		25,000
Roads and Bridges (Infrastructure)		50,000
Intangibles		500,000

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery, Equipment and Vehicles	5-20 Years
Land Improvements	20-30 Years
Buildings and Building Improvements	15-40 Years
Infrastructure	50-75 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund upon acquisition.

5. Advances from Other Governments

The county records advance allotments on its county regular construction funds from the Minnesota Department of Transportation as advances from other governments.

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2013 are determined on the basis of current salary rates and include salary related payments.

7. Other Post Employment Benefits

The county does not offer any significant post employment benefits.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. The county has not issued any conduit debt.

For the government-wide statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method, which approximates the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the county board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The county board has adopted a financial policy authorizing the County Manager and Finance Director to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The county considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III.F. for further information.

Fiduciary fund equity is classified as held in trust on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the county believes it is in compliance with all significant restrictions.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds had 2013 expenditures and other financing uses in excess of appropriations:

Fund	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Over Budget
General Fund	\$ 11,113,336	\$ 11,711,650	\$ 598,314
Road and Bridge	10,218,032	11,118,660	900,628
Human Services	6,672,351	7,085,695	413,344
Victim Witness	70,873	71,787	914

The county controls expenditures at the fund level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the county's year-end budget to actual report.

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

The county's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand and time deposits	\$ 15,354,096	\$ 15,783,895	Custodial credit
US agencies	2,766,236	2,766,236	Custodial credit, credit, concentration of credit, interest rate
Negotiable CDs	922,114	922,114	Custodial credit, credit, concentration of credit, interest rate
Repurchase agreements	2,248,000	2,248,000	Custodial credit, credit, concentration of credit, interest rate
MAGIC	6,375	6,375	Credit, interest rate
Petty cash	3,402	-	N/A
Total Cash and Investments	<u>\$ 21,300,223</u>	<u>\$ 21,726,620</u>	

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments	\$ 19,850,069
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Per statement of net position –

Fiduciary Funds

Private purpose trusts	60,692
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Agency funds	<u>1,389,462</u>
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Total Cash and Investments	<u>\$ 21,300,223</u>
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Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). Wells Fargo Advisors' SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Wells Fargo Advisors has obtained additional protection for the remaining balance in the county's account.

The county maintains collateral agreements with its banks. At December 31, 2013, the banks had pledged various government securities in the amount of \$11,992,806 to secure the county's deposits.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county.

As of December 31, 2013, the county had no deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2013, the county had no investments exposed to custodial credit risk.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

As of December 31, 2013, the county's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service
US agencies	AA+	Aaa/NR
Repurchase agreements	AA+/AA/AA-/A/NR	Aaa/Aa3/Aa2/A1/NR

The county also had the following unrated investments:

Repurchase agreements
Minnesota Association of Governments Investing for Counties (MAGIC)
Negotiable certificates of deposit

Concentration of Credit Risk

At December 31, 2013, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Bank	US agencies and repurchase agreement	59.8%

Interest Rate Risk

As of December 31, 2013, the county's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	More than 3
US agencies	\$ 2,766,236	\$ -	\$ -	\$ 2,766,236
Negotiable CDs	922,114	-	-	922,114
Repurchase agreements	2,248,000	2,248,000	-	-
MAGIC	6,375	6,375	-	-
Totals	<u>\$ 5,942,725</u>	<u>\$ 2,254,375</u>	<u>\$ -</u>	<u>\$ 3,688,350</u>

See Note I.D.1. for further information on deposit and investment policies.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All receivables are expected to be collected within one year except for \$145,068 of interest in the general fund, \$207,923 of notes receivable in the environmental health fund, and \$181,270 of special assessments in the county ditch fund.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable	\$ -	\$ 441,312
Special assessments not yet due	-	255,701
Grants not received within 60 days of end of year	-	1,024,646
Accounts receivable not received within 60 days of end of year	-	206,198
Note receivable	-	247,435
Interest receivable	-	257,782
Grants received in advance	<u>33,626</u>	<u>-</u>
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 33,626</u>	<u>\$ 2,433,074</u>

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 6,390,431	\$ 2,712,617	\$ (7,191,989)	\$ 1,911,059
Land	4,768,459	73,420	-	4,841,879
Total Capital Assets Not Being Depreciated	<u>\$ 11,158,890</u>	<u>\$ 2,786,037</u>	<u>\$ (7,191,989)</u>	<u>\$ 6,752,938</u>
Other capital assets being depreciated				
Buildings and improvements	\$ 7,251,166	\$ -	\$ -	\$ 7,251,166
Land improvements	150,404	-	-	150,404
Machinery, furniture, and equipment	9,779,338	1,291,144	(378,725)	10,691,757
Infrastructure	86,001,059	6,632,604	-	92,633,663
Total Other Capital Assets Being Depreciated	<u>103,181,967</u>	<u>7,923,748</u>	<u>(378,725)</u>	<u>110,726,990</u>
Less: Accumulated depreciation for				
Buildings and improvements	(3,856,269)	(207,621)	-	(4,063,890)
Land improvements	(33,165)	(2,482)	-	(35,647)
Machinery, furniture, and equipment	(6,208,856)	(777,142)	375,588	(6,610,410)
Infrastructure	(18,829,943)	(1,818,156)	-	(20,648,099)
Total Accumulated Depreciation	<u>(28,928,233)</u>	<u>(2,805,401)</u>	<u>375,588</u>	<u>(31,358,046)</u>
Total Other Capital Assets, Net of Depreciation	<u>\$ 74,253,734</u>	<u>\$ 5,118,347</u>	<u>\$ (3,137)</u>	<u>\$ 79,368,944</u>

Depreciation expense was charged to functions as follows:

General government	\$ 189,900
Public safety	442,861
Highway and streets, which includes the depreciation of infrastructure	2,141,240
Human services	8,675
Culture, recreation and education	19,962
Conservation and development	2,763
Total Governmental Activities Depreciation Expense	<u>\$ 2,805,401</u>

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Ditch Fund	General Fund	\$ 41	Zero out Ditch #72
Environmental Health	General Fund	10,645	Share of 2013 water plan
Environmental Health	General Fund	6,400	Share of machine room
Subtotal – Fund Financial Statements		17,086	
Less: Fund eliminations		(17,086)	
Total Transfers – Government-Wide Statement of Activities		<u>\$ -</u>	

For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

E. LONG-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and Notes Payable					
General obligation debt	\$ 15,825,000	\$ -	\$ (2,000,000)	\$ 13,825,000	\$ 1,935,000
Premiums/(discounts)	111,983	-	(14,357)	97,626	-
Sub-totals	<u>15,936,983</u>	<u>-</u>	<u>(2,014,357)</u>	<u>13,922,626</u>	<u>1,935,000</u>
Other Liabilities					
Compensated absences	<u>828,956</u>	<u>129,044</u>	<u>-</u>	<u>958,000</u>	<u>178,563</u>
Total Long-Term Liabilities	<u>\$ 16,765,939</u>	<u>\$ 129,044</u>	<u>\$ (2,014,357)</u>	<u>\$ 14,880,626</u>	<u>\$ 2,113,563</u>

In accordance with Minnesota Statutes, net indebtedness of the county may not exceed 3% of the market value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2013, was \$100,973,613. General obligation debt outstanding at year end was \$13,825,000.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the county. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund and the road and bridge special revenue fund.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-13
Capital Improvement Bonds	2003	2014	2.00-3.55%	\$ 1,580,000	\$ 180,000
State-Aid Street Bonds	2003	2014	2.00-3.55%	2,670,000	265,000
State-Aid Street Bonds	2005	2015	3.00-4.00%	2,650,000	530,000
Capital Improvement Bonds	2005	2022	3.60-4.05%	2,145,000	1,420,000
Capital Improvement Bonds	2006	2023	4.00%	2,555,000	1,860,000
Capital Improvement Bonds	2007	2024	4.00-4.10%	2,555,000	2,015,000
Capital Improvement Bonds	2008	2024	3.00-4.30%	4,090,000	3,250,000
State-Aid Street Bonds	2009	2019	2.00-3.00%	2,600,000	1,560,000
Capital Improvement Bonds	2011	2022	0.50-2.75%	3,000,000	2,745,000
Total General Obligation Debt					<u>\$ 13,825,000</u>

Debt service requirements to maturity are as follows:

	General Obligation Debt	
	Principal	Interest
2014	\$ 1,935,000	\$ 438,201
2015	1,520,000	385,705
2016	1,280,000	343,574
2017	1,315,000	303,323
2018	1,350,000	259,942
2019 – 2023	5,840,000	630,943
2024	<u>585,000</u>	<u>12,353</u>
Totals	<u>\$ 13,825,000</u>	<u>\$ 2,374,041</u>

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

F. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position includes the following:

Net investment in capital assets	
Construction in progress	\$ 1,911,059
Land	4,841,879
Other capital assets, net of accumulated depreciation	79,368,944
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	(12,484,905)
Total Net Investment in Capital Assets	<u>\$ 73,636,977</u>

Governmental fund balances as of December 31, 2013, include the following items:

	General Fund	Road and Bridge	Human Services	Environmental Health	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Prepaid items, materials and supplies	\$ 2,070	\$ 389,908	\$ -	\$ -	\$ -	\$ 391,978
Restricted for:						
Recorder's equipment	357,172	-	-	-	-	357,172
Sheriff's forfeiture	53,757	-	-	-	-	53,757
Sheriff's drug and alcohol contingency	2,000	-	-	-	-	2,000
E-911	325,296	-	-	-	-	325,296
Parks	140,051	-	-	-	-	140,051
Capital projects	-	1,178,284	-	-	259,437	1,437,721
Future septic loans	-	-	-	268,410	-	268,410
Reclamation/conservation	-	-	-	-	355,499	355,499
Ditch projects	-	-	-	-	28,598	28,598
Debt service	-	-	-	-	1,362,562	1,362,562
Assigned to:						
2014 budget	12,000	-	-	-	-	12,000
Human services	-	-	5,431,366	-	-	5,431,366
Environmental health	-	-	-	1,715,485	-	1,715,485
Victim witness	-	-	-	-	44,850	44,850
Capital projects	-	-	-	-	1,021,121	1,021,121
Unassigned (deficit)	<u>5,051,959</u>	<u>(189,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,862,749</u>
Total Fund Balances	<u>\$ 5,944,305</u>	<u>\$ 1,378,982</u>	<u>\$ 5,431,366</u>	<u>\$ 1,983,895</u>	<u>\$ 3,072,067</u>	<u>\$ 17,810,615</u>

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

G. COMPONENT UNIT

This report contains the Housing and Redevelopment Authority of Le Sueur County (HRA), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Management Agreement

The HRA has entered into an agreement with the Minnesota Valley Action Council, Inc. (MVAC) to have MVAC manage all of the HRA's programs and act as its fiscal agent. Payment to MVAC for these services consists solely of the administrative fees allowed under the grant programs operated by the HRA. The HRA advances funds to MVAC as needed for disbursement under the programs.

b. Basis of Accounting and Measurement Focus

The HRA follows the full accrual basis of accounting and the economic resources measurement focus.

c. Deposits and Investments

The HRA's cash and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand deposits	\$ 88,209	\$ 87,356	Custodial credit risk

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the authority's deposits may not be returned to the authority.

The HRA does not have any deposits exposed to custodial credit risk.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

G. COMPONENT UNIT (cont.)

d. Loans Receivable

The HRA issued a loan through the Community Development Block Grant program. The loan was issued without bearing interest and is secured by property in Kilkenny, Minnesota. Payments of \$25 are due monthly with principal due in full upon sale of the property. The balance of the loan at September 30, 2013 is \$21,808.

The HRA has also issued loans to renovate and remodel residential and business properties through the Small Cities Payment Loan Program. The balance of these notes at September 30, 2013 is \$28,799. These loans are deferred for 10 years, at which time the loan is forgiven if the original property owner is still residing at the improved property. The loans will be forgiven by 2018. These notes are unlikely to be collected and an allowance for doubtful accounts is recorded for the amount of \$28,799.

NOTE IV – OTHER INFORMATION

A. PENSION PLANS

Plan Description

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

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

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

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – OTHER INFORMATION (cont.)

A. PENSION PLANS (cont.)

Plan Description (cont.)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – OTHER INFORMATION (cont.)

A. PENSION PLANS (cont.)

Funding Policy

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

Basic Plan members	11.78%
Coordinated Plan members	7.25
PEPFF members	14.40
PECF members	8.75

The county's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were \$500,273, \$483,053 and \$507,093, respectively. The county's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012 and 2011, were \$185,399, \$170,483 and \$171,870, respectively. The county's contributions to the PECF for the years ending December 31, 2013, 2012 and 2011 were \$54,519, \$47,101 and \$45,011, respectively. The county's contributions were equal to the contractually required contributions for each year as set by state statute.

B. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from property and casualty and workers compensation. The county purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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 liabilities of the property and casualty division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

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 claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per employee and \$1,500,000 per accident in 2013. Should workers compensation liabilities of the MCIT workers compensation division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the county is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the county attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the county's financial position or results of operations.

The county has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The county has active construction projects as of December 31, 2013. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The county had open construction contracts in the amount of \$946,365 at December 31, 2013.

D. JOINT VENTURES

Tri-County Solid Waste

Le Sueur, Nicollet, and Sibley counties have entered into a joint powers agreement to create and operate Tri-County Solid Waste. The primary purpose of the venture is to coordinate solid waste management programs within the tri-county area. Planning, recycling, hazardous waste, problem materials, and education are areas of focus.

The board of Tri-County Solid Waste is made up of two representatives from each of the participating members' Board of Commissioners. One-half of the financing for the venture is provided by an equal appropriation from the three counties and one-half is provided by appropriations from the counties based on population. Le Sueur County made payments totaling \$99,957 to Tri-County Solid Waste in 2013. The county believes that services will continue to be provided at similar rates in the future. Current financial statements are not available.

LE SUEUR COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV – OTHER INFORMATION (cont.)

E. JOINTLY GOVERNED ORGANIZATIONS

Jointly governed organizations are a regional government or multi-government arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility. Le Sueur County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The county appoints at least one member to the following organizations:

	<u>2013 Payments</u>
Family Services Collaborative	\$ -
South Central Workforce Council	-
Minnesota County Computer Cooperative	180,055
Waseca-LeSueur Regional Library	305,860
South Central Minnesota Regional Radio	-
Minnesota Rivers Board	-
U.S. Highway 169 Corridor Coalition	-
South Central Community Based Initiative	-
Criminal Justice Agency	-
South Central Workforce Service Area	-
South Central Regional Immtrack	4,392

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - GENERAL FUND For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 7,350,496	\$ 7,350,496	\$ 7,245,206	\$ (105,290)
Intergovernmental	1,166,094	1,166,094	1,358,124	192,030
Licenses and permits	191,570	191,570	232,211	40,641
Charges for services	2,017,740	2,017,740	2,057,585	39,845
Investment income	300,460	300,460	58,928	(241,532)
Miscellaneous	47,800	47,800	386,158	338,358
Total Revenues	11,074,160	11,074,160	11,338,212	264,052
EXPENDITURES				
Current				
General government	4,552,451	4,552,451	4,806,233	(253,782)
Public safety	3,508,727	3,508,727	3,659,048	(150,321)
Health and human services	1,901,204	1,901,204	1,873,852	27,352
Culture, recreation, and education	730,928	730,523	752,659	(22,136)
Conservation and development	198,122	198,122	402,395	(204,273)
Capital Outlay	205,601	205,601	200,377	5,224
Total Expenditures	11,097,033	11,096,628	11,694,564	(597,936)
Excess (Deficiency) of Revenues Over Expenditures	(22,873)	(22,468)	(356,352)	(333,884)
OTHER FINANCING USES				
Transfers out	(16,708)	(16,708)	(17,086)	(378)
Net change in fund balance	(39,581)	(39,176)	(373,438)	(334,262)
FUND BALANCE - Beginning of Year	6,317,743	6,317,743	6,317,743	-
FUND BALANCE - END OF YEAR	\$ 6,278,162	\$ 6,278,567	\$ 5,944,305	\$ (334,262)

See independent auditors' report and accompanying notes to required supplementary information.

Page 35

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ROAD AND BRIDGE For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 2,357,963	2,357,963	\$ 2,331,239	\$ (26,724)
Intergovernmental	6,273,175	8,480,393	6,458,134	(2,022,259)
Charges for services	120,000	345,000	733,994	388,994
Investment income	83,379	83,379	1,423	(81,956)
Miscellaneous	60,000	1,600,000	795,006	(804,994)
Total Revenues	<u>8,894,517</u>	<u>12,866,735</u>	<u>10,319,796</u>	<u>(2,546,939)</u>
EXPENDITURES				
Current				
Highways and streets				
Administration	431,643	431,643	456,109	(24,466)
Maintenance	2,092,496	2,092,496	2,004,377	88,119
Construction	4,455,376	5,667,594	6,315,119	(647,525)
Equipment maintenance and shop	637,920	637,920	971,158	(333,238)
Capital Outlay	403,703	515,000	489,118	25,882
Debt Service				
Principal	790,000	790,000	790,000	-
Interest and fiscal charges	83,379	83,379	92,779	(9,400)
Total Expenditures	<u>8,894,517</u>	<u>10,218,032</u>	<u>11,118,660</u>	<u>(900,628)</u>
Net change in fund balance	-	2,648,703	(798,864)	(3,447,567)
FUND BALANCE - Beginning of Year	2,333,627	2,333,627	2,333,627	-
Change in reserve for inventory	-	-	(155,781)	(155,781)
FUND BALANCE - END OF YEAR	<u>\$ 2,333,627</u>	<u>\$ 4,982,330</u>	<u>\$ 1,378,982</u>	<u>\$ (3,603,348)</u>

See independent auditors' report and accompanying notes to required supplementary information.

Page 36

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - HUMAN SERVICES For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 3,911,548	3,911,548	\$ 3,783,402	\$ (128,146)
Intergovernmental	2,495,603	2,495,603	3,043,218	547,615
Charges for services	55,600	55,600	151,166	95,566
Miscellaneous	<u>209,600</u>	<u>209,600</u>	<u>438,710</u>	<u>229,110</u>
Total Revenues	<u>6,672,351</u>	<u>6,672,351</u>	<u>7,416,496</u>	<u>744,145</u>
EXPENDITURES				
Current				
Human services				
Income maintenance	1,819,624	1,819,624	1,749,948	69,676
Social services	4,474,723	4,474,723	5,014,158	(539,435)
Child support	<u>378,004</u>	<u>378,004</u>	<u>321,589</u>	<u>56,415</u>
Total Expenditures	<u>6,672,351</u>	<u>6,672,351</u>	<u>7,085,695</u>	<u>(413,344)</u>
Net change in fund balance	-	-	330,801	330,801
FUND BALANCE - Beginning of Year	<u>5,100,565</u>	<u>5,100,565</u>	<u>5,100,565</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 5,100,565</u>	<u>\$ 5,100,565</u>	<u>\$ 5,431,366</u>	<u>\$ 330,801</u>

See independent auditors' report and accompanying notes to required supplementary information.

Page 37

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ENVIRONMENTAL HEALTH For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 30,770	\$ 30,770	\$ 29,937	\$ (833)
Special assessments	148,000	148,000	175,609	27,609
Intergovernmental	215,667	215,667	180,570	(35,097)
Licenses and permits	114,944	114,944	117,750	2,806
Charges for services	16,625	16,625	24,666	8,041
Miscellaneous	1,000	1,000	17,450	16,450
Total Revenues	<u>527,006</u>	<u>527,006</u>	<u>545,982</u>	<u>18,976</u>
EXPENDITURES				
Current				
Sanitation	348,651	348,651	342,245	6,406
Health and human services	170,310	170,310	147,347	22,963
Conservation and development	156,749	156,749	135,971	20,778
Total Expenditures	<u>675,710</u>	<u>675,710</u>	<u>625,563</u>	<u>50,147</u>
Excess (Deficiency) of Revenues Over Expenditures	(148,704)	(148,704)	(79,581)	69,123
OTHER FINANCING SOURCES				
Transfer in	<u>17,028</u>	<u>17,028</u>	<u>17,045</u>	<u>17</u>
Net change in fund balance	(131,676)	(131,676)	(62,536)	69,140
FUND BALANCE - Beginning of Year	<u>2,046,431</u>	<u>2,046,431</u>	<u>2,046,431</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,914,755</u>	<u>\$ 1,914,755</u>	<u>\$ 1,983,895</u>	<u>\$ 69,140</u>

See independent auditors' report and accompanying notes to required supplementary information.

Page 38

LE SUEUR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2013

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for governmental funds as described in Note I.C.

A budget has been adopted for all major governmental funds and selected nonmajor special revenue funds.

The budgeted amounts presented include any amendments made. 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.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

See independent auditors' report

Page 39

SUPPLEMENTARY INFORMATION

LE SUEUR COUNTY

NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

Special Revenue Funds

Victim Witness Fund – Used to account for and report grants and local revenues legally restricted, committed or assigned to supporting expenditures for assistance provided to victims of crimes and to witnesses to crimes

Gravel Tax Fund – Used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for gravel pit restoration or other conservation projects.

County Ditch Fund – Used to account for and report the grants and local revenues legally restricted or committed to supporting expenditures for the maintenance of the county ditch system.

Debt Service Fund

Used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payments of general long term debt principal, interest, and related costs.

Capital Projects Fund

Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

LE SUEUR COUNTY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2013

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Victim Witness	Gravel Tax	County Ditch	Debt Service	Capital Projects	
ASSETS						
Cash	\$ 47,535	\$ 340,841	\$ 33,402	\$ 1,350,824	\$ 1,320,013	\$ 3,092,615
Receivables						
Taxes	633	24,053	-	58,613	-	83,299
Special assessments	-	-	247,303	-	-	247,303
Accounts	-	-	-	202	-	202
Interest	-	-	-	-	-	-
Due from other governments	70	-	502	-	-	572
TOTAL ASSETS	\$ 48,238	\$ 364,894	\$ 281,207	\$ 1,409,639	\$ 1,320,013	\$ 3,423,991
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 9,395	\$ 4,094	\$ -	\$ 39,455	\$ 52,944
Accrued liabilities	2,878	-	-	-	-	2,878
Due to other governments	-	-	1,212	-	-	1,212
Total Liabilities	2,878	9,395	5,306	-	39,455	57,034
Deferred Inflows of Resources						
Unavailable revenues	510	-	247,303	47,077	-	294,890
Total Deferred Inflows of Resources	510	-	247,303	47,077	-	294,890
Fund Balances						
Restricted	-	355,499	28,598	1,362,562	259,437	2,006,096
Assigned	44,850	-	-	-	1,021,121	1,065,971
Total Fund Balances	44,850	355,499	28,598	1,362,562	1,280,558	3,072,067
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 48,238	\$ 364,894	\$ 281,207	\$ 1,409,639	\$ 1,320,013	\$ 3,423,991

LE SUEUR COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Victim Witness	Gravel Tax	County Ditch	Debt Service	Capital Projects	
REVENUES						
Taxes	\$ 15,745	\$ 94,823	\$ -	\$ 1,600,162	\$ -	\$ 1,710,730
Special assessments	-	-	103,969	-	-	103,969
Intergovernmental	47,253	-	-	25,323	203,949	276,525
Investment income	-	-	-	3,179	-	3,179
Miscellaneous	7,869	-	862	144	672	9,547
Total Revenues	<u>70,867</u>	<u>94,823</u>	<u>104,831</u>	<u>1,628,808</u>	<u>204,621</u>	<u>2,103,950</u>
EXPENDITURES						
Current						
Public safety	71,787	-	-	-	-	71,787
Conservation and development	-	59,210	74,323	-	-	133,533
Capital Outlay	-	-	-	-	495,518	495,518
Debt Service						
Principal	-	-	-	1,210,000	-	1,210,000
Interest and fiscal charges	-	-	-	417,318	-	417,318
Total Expenditures	<u>71,787</u>	<u>59,210</u>	<u>74,323</u>	<u>1,627,318</u>	<u>495,518</u>	<u>2,328,156</u>
Excess (deficiency) of revenues over expenditures	(920)	35,613	30,508	1,490	(290,897)	(224,206)
OTHER FINANCING USES						
Transfers in	-	-	41	-	-	41
Net change in fund balances	(920)	35,613	30,549	1,490	(290,897)	(224,165)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>45,770</u>	<u>319,886</u>	<u>(1,951)</u>	<u>1,361,072</u>	<u>1,571,455</u>	<u>3,296,232</u>
FUND BALANCES - END OF YEAR	<u>\$ 44,850</u>	<u>\$ 355,499</u>	<u>\$ 28,598</u>	<u>\$ 1,362,562</u>	<u>\$ 1,280,558</u>	<u>\$ 3,072,067</u>

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - VICTIM WITNESS For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 15,873	\$ 15,873	\$ 15,745	\$ (128)
Intergovernmental	47,000	47,000	47,253	253
Miscellaneous	8,000	8,000	7,869	(131)
Total Revenues	<u>70,873</u>	<u>70,873</u>	<u>70,867</u>	<u>(6)</u>
EXPENDITURES				
Current				
Public safety	<u>70,873</u>	<u>70,873</u>	<u>71,787</u>	<u>(914)</u>
Net change in fund balance	-	-	(920)	(920)
FUND BALANCE - Beginning of Year	<u>45,770</u>	<u>45,770</u>	<u>45,770</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 45,770</u>	<u>\$ 45,770</u>	<u>\$ 44,850</u>	<u>\$ (920)</u>

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - DEBT SERVICE For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Taxes	\$ 1,621,482	\$ 1,621,482	\$ 1,600,162	\$ (21,320)
Intergovernmental	-	-	25,323	25,323
Investment income	-	-	3,179	3,179
Miscellaneous	-	-	144	144
Total Revenues	<u>1,621,482</u>	<u>1,621,482</u>	<u>1,628,808</u>	<u>7,326</u>
EXPENDITURES				
Debt Service				
Principal	1,344,344	1,344,344	1,210,000	134,344
Interest and fiscal charges	<u>399,888</u>	<u>399,888</u>	<u>417,318</u>	<u>(17,430)</u>
Total Expenditures	<u>1,744,232</u>	<u>1,744,232</u>	<u>1,627,318</u>	<u>116,914</u>
Net change in fund balance	(122,750)	(122,750)	1,490	124,240
FUND BALANCE - Beginning of Year	<u>1,361,072</u>	<u>1,361,072</u>	<u>1,361,072</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,238,322</u>	<u>\$ 1,238,322</u>	<u>\$ 1,362,562</u>	<u>\$ 124,240</u>

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - CAPITAL PROJECTS For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental	\$ 203,949	\$ 203,949	\$ 203,949	\$ -
Miscellaneous	-	-	672	672
Total Revenues	<u>203,949</u>	<u>203,949</u>	<u>204,621</u>	<u>672</u>
EXPENDITURES				
Current				
General government	203,949	203,949	-	203,949
Capital Outlay	<u>1,500,000</u>	<u>1,500,000</u>	<u>495,518</u>	<u>1,004,482</u>
Total Expenditures	<u>1,703,949</u>	<u>1,703,949</u>	<u>495,518</u>	<u>1,208,431</u>
Net change in fund balance	(1,500,000)	(1,500,000)	(290,897)	1,209,103
FUND BALANCE - Beginning of Year	<u>1,571,455</u>	<u>1,571,455</u>	<u>1,571,455</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 71,455</u>	<u>\$ 71,455</u>	<u>\$ 1,280,558</u>	<u>\$ 1,209,103</u>

LE SUEUR COUNTY

FIDUCIARY FUNDS For the Year Ended December 31, 2013

Private Purpose Trust Funds

Cemetery Perpetual Care Fund – Used to account for and report funds held for cemetery associations.

U.S. Fish and Wildlife Funds – Used to account for and report funds from the U.S. Fish and Wildlife Service that will, through interest earning, offset the shortfall between the annual Fish and Wildlife Service shared revenue payment and the actual taxes on property purchased by the U.S. Fish and Wildlife Service.

Agency Funds

Agency – Used to account for and report all county collections and disbursements, other than taxes and penalties, on behalf of individuals, private organizations, or other governmental units.

Family Services Collaborative – Used to account for and report state funds disbursed through the Minnesota Department of Education and discretionary funds contributed by the Collaborative participants.

Taxes and Penalties – To account for and report property taxes and penalties collected and distributed to other governmental units and county funds.

Sheriff – Used to account for and report cash held by the Sheriff for inmates of the county jail and for cash collected by the sheriff and remitted to the county.

Social Welfare – Used to account for and report funds held by the county for clients in a representative payee capacity.

LE SUEUR COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS As of December 31, 2013

	Cemetery Perpetual Care	U.S. Fish and Wildlife	Total
ASSETS			
Cash and investments	\$ 13,347	\$ 47,345	\$ 60,692
 NET POSITION HELD IN TRUST	 \$ 13,347	 \$ 47,345	 \$ 60,692

LE SUEUR COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS For the Year Ended December 31, 2013

	Cemetery Perpetual Care	U.S. Fish and Wildlife	Total
ADDITIONS			
Interest	\$ 21	\$ -	\$ 21
DEDUCTIONS			
Payments in accordance with trust agreements	<u>20</u>	<u>-</u>	<u>20</u>
Change in Net Position	1	-	1
NET POSITION HELD IN TRUST - Beginning of Year	<u>13,346</u>	<u>47,345</u>	<u>60,691</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u>\$ 13,347</u>	<u>\$ 47,345</u>	<u>\$ 60,692</u>

LE SUEUR COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS For the Year Ended December 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
ASSETS				
Cash and investments	\$ 334,414	\$ 1,261,164	\$ 1,177,543	\$ 418,035
LIABILITIES				
Due to other governments	\$ 334,414	\$ 1,261,164	\$ 1,177,543	\$ 418,035
<u>FAMILY SERVICES COLLABORATIVE</u>				
ASSETS				
Cash and investments	\$ 18,451	\$ 42,269	\$ 32,782	\$ 27,938
LIABILITIES				
Due to other governments	\$ 18,451	\$ 42,269	\$ 32,782	\$ 27,938
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and investments	\$ 798,976	\$ 25,805,261	\$ 25,689,238	\$ 914,999
LIABILITIES				
Due to other funds	\$ -	\$ 15,100,514	\$ 15,100,514	\$ -
Due to other governments	798,976	10,704,747	10,588,724	914,999
Total Liabilities	\$ 798,976	\$ 25,805,261	\$ 25,689,238	\$ 914,999
<u>SHERIFF</u>				
ASSETS				
Cash and investments	\$ 8,417	\$ 218,756	\$ 216,146	\$ 11,027
LIABILITIES				
Accounts payable	\$ 7,455	\$ 106,971	\$ 109,217	\$ 5,209
Deposits	962	19,748	14,892	5,818
Total Liabilities	\$ 8,417	\$ 126,719	\$ 124,109	\$ 11,027
<u>SOCIAL WELFARE</u>				
ASSETS				
Cash and investments	\$ 22,399	\$ 175,517	\$ 180,453	\$ 17,463
LIABILITIES				
Deposits	\$ 22,399	\$ 175,517	\$ 180,453	\$ 17,463

LE SUEUR COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS For the Year Ended December 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 1,182,657	\$ 27,502,967	\$ 27,296,162	\$ 1,389,462
LIABILITIES				
Accounts payable	\$ 7,455	\$ 106,971	\$ 109,217	\$ 5,209
Deposits	23,361	195,265	195,345	23,281
Due to other funds	-	15,100,514	15,100,514	-
Due to other governments	1,151,841	12,008,180	11,799,049	1,360,972
Total Liabilities	\$ 1,182,657	\$ 27,410,930	\$ 27,204,125	\$ 1,389,462

LE SUEUR COUNTY

SCHEDULE OF INTERGOVERNMENTAL REVENUES

For the Year Ended December 31, 2013

SHARED REVENUE

State

Highway users tax	\$ 4,759,228
Market value credit	150,901
County program aid	815,799
PERA rate reimbursement	28,707
Disparity reduction aid	79,446
Police aid	130,292
Enhanced 911	104,004
Total Shared Revenue	<u>6,068,377</u>

REIMBURSEMENT FOR SERVICES

Minnesota Department of Corrections	71,952
Minnesota Department of Human Services	<u>1,940,050</u>
Total Reimbursements for Services	<u>2,012,002</u>

GRANTS

Minnesota Department/Board of

Water and Soil Resources	82,862
Health	148,812
Pollution Control	78,325
Transportation	1,308,828
Public Safety	47,000
Natural Resources	9,864
Veterans Affairs	<u>15,098</u>
Total State Grants	<u>1,690,789</u>

United States Department of

Agriculture	258,455
Transportation	46,653
Health and Human Services	1,068,822
Homeland Security	<u>76,272</u>
Total Federal Grants	<u>1,450,202</u>

TOTAL GRANTS

3,140,991

PAYMENTS IN LIEU OF TAXES

95,201

TOTAL INTERGOVERNMENTAL REVENUE

\$ 11,316,571

LE SUEUR COUNTY

Le Center, Minnesota

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2013

LE SUEUR COUNTY

TABLE OF CONTENTS
For the Year Ended December 31, 2013

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards and Minnesota Legal Compliance</i>	1 – 3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	4 – 6
Schedule of Findings and Questioned Costs	7 – 9
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	11 – 12

**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 AND MINNESOTA LEGAL COMPLIANCE**

Independent Auditors' Report

To the Board of Commissioners
Le Sueur County
Le Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Le Sueur County's basic financial statements and have issued our report thereon dated September 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of Le Sueur County, as described in our report on Le Sueur County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Le Sueur County's internal control over financial reporting (internal control) to determine the auditing 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 Le Sueur County's internal control. Accordingly, we do not express an opinion on the effectiveness of Le Sueur County's internal control.

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

To the Board of Commissioners
Le Sueur County

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2013-001 and 2013-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Le Sueur 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: 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 the provisions for tax increment financing because Le Sueur County does not have any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Le Sueur County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 Le Sueur County's noncompliance with the above referenced provisions.

Le Sueur County's Response to Findings

Le Sueur County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Le Sueur 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.

To the Board of Commissioners
Le Sueur County

Purpose of this Report

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

Baker Tilly Vachow Kansa, LLP

Minneapolis, Minnesota
September 15, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditors' Report

To the Board of Commissioners
Le Sueur County
Le Center, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Le Sueur County, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Le Sueur County's major federal programs for the year ended December 31, 2013. Le Sueur County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Le Sueur County's basic financial statements include the operations of the Housing and Redevelopment Authority of Le Sueur County (a component unit), which received less than \$500,000 in federal awards for the year ended December 31, 2013. These federal awards are not included in the schedule of expenditures of federal awards.

Management's Responsibility

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

Auditors' Responsibility

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

To the County Board of Commissioners
Le Sueur County

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Le Sueur 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 Le Sueur 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 Le Sueur 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 a 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

To the County Board of Commissioners
Le Sueur County

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Le Sueur County's basic financial statements. We issued our report thereon dated September 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report was modified to include a reference to other auditors who audited the financial statements of the Housing and Redevelopment Authority of Le Sueur County, as described in our report on Le Sueur County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Vuchow Krause, LLP

Minneapolis, Minnesota
September 15, 2014

LE SUEUR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

FEDERAL AWARDS

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 yes X no

Auditee qualified as low-risk auditee?

 yes X no

Identification of major federal programs:

CFDA Number

93.778
93.563
93.667

Name of Federal Program

Medical Assistance
Child Support Enforcement
Social Services Block Grant - Title XX

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

LE SUEUR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Finding 2013-001: Internal Control Over Financial Reporting

Criteria: A system of internal control should be in place that provides reasonable assurance that year end financial statements, including the schedule of expenditures of federal awards (SEFA), are complete and accurate.

Condition: There is a lack of controls over the year end financial reporting process.

Cause: Due to its size, the County does not have the funds to hire the additional staff that would be required in order to have enough time and expertise to record all year end closing entries and prepare its own financial statements, including the SEFA.

Effect: Because of the lack of controls over year end financial reporting, your financial statements and SEFA may be misstated.

Recommendation: Most small governments operate with only enough staff to process monthly transactions and reports, and will continue to rely on outside consultants to handle year end entries and financial reporting. Management and the County Board should continue to make a reasonable effort to be knowledgeable about the County's financial condition and financial reporting requirements.

Management's Response/Planned Corrective Action: Because of the County's size, we do not feel it is cost effective to hire an employee(s) with the time, experience and technical training to prepare our financial statements and SEFA. Our financial staff continues to gain experience, but will continue to rely on auditors to provide assistance with year-end accounting. County staff will accumulate as much of the information required for federal awards as we can and reconcile the revenue and expenditure information to the general ledger for these awards.

Finding 2013-002: Internal Controls

Criteria: A system of internal control should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll and period close. There is a general lack of segregation of duties over these areas.

Cause: Due to its size, the County does not have the resources to implement ideal controls over these transaction cycles.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally and your accounting records may be misstated.

LE SUEUR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

Finding 2013-002: Internal Controls (cont.)

Recommendation: Management and the County Board should consider whether additional compensating controls are feasible. In the absence of hiring additional staff, management and the County Board should rely more heavily on their direct knowledge of the County's operations and regular contact with staff to control and safeguard assets.

Management's Response/Planned Corrective Action: Le Sueur County is working to identify and establish these key controls. The level of staffing needed to accomplish this task exceeds the County's current staff level. As a result, the process will take some time to be completed and may at times require guidance from our auditors

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – MINNESOTA LEGAL COMPLIANCE FINDINGS

None noted.

LE SUEUR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2013

Federal Grantor/ Grant Program Title	Federal CFDA Number	Pass-Through Agency*	Expenditures
U. S. Department of Agriculture			
Special Supplemental Food Program for Women, Infants, and Children	10.557	Waseca County, MN	\$ 128,124
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MN Dept. of Human Services	130,331
Total U.S. Department of Agriculture			<u>258,455</u>
U.S. Department of Transportation			
Highway Planning and Construction	20.205	MN Dept. of Transportation	46,653
Total U.S. Department of Transportation			<u>46,653</u>
U. S. Department of Health and Human Services			
Universal Newborn Hearing Screening	93.251	Waseca County, MN	2,325
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	Waseca County, MN	29,745
Promoting Safe and Stable Families	93.556	MN Dept. of Human Services	5,697
Temporary Assistance for Needy Families State Programs	93.558	MN Dept. of Human Services	209,663
Temporary Assistance for Needy Families State Programs	93.558	Waseca County, MN	19,443
Total Temporary Assistance for Needy Families State Programs			229,106
Child Support Enforcement	93.563	MN Dept. of Human Services	329,678
Refugee and Entrant Assistance - State Administered Programs	93.566	MN Dept. of Human Services	312
Child Care and Development Block Grant	93.575	MN Dept. of Human Services	9,417
Child Welfare Services - State Grants	93.645	MN Dept. of Human Services	1,959
Foster Care Title IV-E	93.658	MN Dept. of Human Services	33,626
Social Services Block Grant - Title XX	93.667	MN Dept. of Human Services	139,330
Chafee Foster Care Independent Living	93.674	MN Dept. of Human Services	1,329
State Children's Insurance Program	93.767	MN Dept. of Human Services	64
Medical Assistance Program	93.778	MN Dept. of Human Services	430,959
Maternal and Child Health Services Block Grant	93.994	Waseca County, MN	29,698
Total U.S. Department of Health and Human Services			<u>1,243,245</u>
U. S. Department of Homeland Security			
Boating Safety Financial Assistance	97.012	MN Dept. of Natural Resources	15,361
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	MN Dept. of Public Safety	2,619
Hazard Mitigation Grant	97.039	MN Dept. of Public Safety	2,618
Emergency Management Performance Grants	97.042	MN Dept. of Public Safety	23,705
Homeland Security Grant Program	97.067	Houston County, MN	46,946
Total U.S. Department of Homeland Security			<u>91,249</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 1,639,602</u>

* Pass-through grant numbers were not assigned by the pass-through agencies.

See accompanying notes to schedule of expenditures of federal awards.

Page 10

LE SUEUR COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Le Sueur 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 the 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 Le Sueur County, it is not intended to and does not present the financial position or changes in net position of Le Sueur County.

The reporting entity for Le Sueur County is based upon criteria established by the Governmental Accounting Standards Board. Le Sueur County is the primary government according to GASB criteria, while the Housing and Redevelopment Authority is a component unit. Federal awards received directly by the Housing and Redevelopment Authority are not included in this report since the Housing and Redevelopment Authority has been audited by other auditors for their grants and those amounts are reported in a separate report.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the 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.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUES

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 1,450,202
Health and Human Services grant revenue deferred in 2013 but included in schedule of federal awards	174,423
Homeland Security grant revenue deferred in 2013 but included in schedule of federal awards	23,705
Homeland Security grant revenue deferred in 2012 but included in schedule of schedule of federal awards in 2012, recognized as revenue in 2013	<u>(8,728)</u>
Expenditures per Schedule of Expenditure of Federal Awards	<u>\$ 1,639,602</u>

LE SUEUR COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

NOTE 4 – SUBRECIPIENTS

None of the federal expenditures presented in the schedule of expenditures of federal awards were provided to subrecipients.

LE SUEUR COUNTY

Le Center, Minnesota

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2013

LE SUEUR COUNTY

TABLE OF CONTENTS

	<u>Page No.</u>
Required Communication of Internal Control Related Matters Identified in the Audit to Those Charged with Governance	1
Internal Control Environment	2
Internal Control Over Financial Reporting	3
Other Communications to Those Charged with Governance	
Two Way Communication Regarding Your Audit	4 – 6
Communication of Other Control Deficiencies, Recommendations and Informational Points to Management that are not Material Weaknesses or Significant Deficiencies	
Professional Standards Update / Informational Points	7 – 10
Required Communications by the Auditor to Those Charged with Governance	11 – 14
Adjusting Journal Entries	
Reclassifying Journal Entries	
Management Representations with Summary of Uncorrected Financial Statement Misstatements	

**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS
IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the County Board of Commissioners
Le Sueur County
Le Center, Minnesota

In planning and performing our audit of the financial statements of Le Sueur County, Minnesota (the county) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing 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 its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Le Sueur County's internal control to be material weaknesses, as discussed further on the following pages:

- > Internal Control Environment
- > Internal Control over Financial Reporting

This communication is intended solely for the information and use of management, the County Board of Commissioners, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 15, 2014

INTERNAL CONTROL ENVIRONMENT

Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the county's year-end financial reporting process and preparation of your financial statements.

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in Le Sueur County's accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the county does not have internal controls in place to achieve adequate segregation of duties. As a result, errors or irregularities could occur as part of the financial process that may not be discovered by the county. Therefore, we are reporting a material weakness related to the county's internal control environment.

There are also other key controls, which are listed below, that are not currently in place at the county related to significant transaction cycles. These key controls are important in reducing the risk of errors or irregularities in the accounting processes.

CONTROLS OVER ACCOUNTS PAYABLE/DISBURSEMENTS

1. Staff processing accounts payable are not always separate from those ordering or receiving goods or services (segregation of duties).
2. There is not a process for approval of new vendors (specifically for those that do not get approved by the county board), so auditor warrants could be issued to invalid vendors.
3. Retainages are not reviewed, approved, and recorded at year end.

CONTROLS OVER PAYROLL

1. Staff preparing the payroll is neither independent of other personnel duties nor restricted from access to the payroll account (segregation of duties).

CONTROLS OVER PERIOD CLOSE

1. Account reconciliations are not necessarily performed by someone independent of the processing of transactions in the account (segregation of duties).
2. Journal entries and supporting documentation do not have proper independent review and approval.

Since these key controls are not currently in place, errors or irregularities could occur as part of the financial process that may not be discovered by the county. Therefore, the absence of these controls is considered a material weakness.

We recommend that a designated county employee review the segregation of duties and these potential controls to determine whether additional controls could be implemented. This determination should take into consideration a cost / benefit analysis. It is very important that the governing body provide the appropriate level of financial oversight to the county's day to day activities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Properly designed systems of internal control provides your organization with the ability to process and record monthly and year end transactions and prepare annual financial reports.

Our audit includes a review and evaluation of the county's internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- > There is adequate staffing to prepare financial reports throughout and at the end of the year.
- > Staff is properly trained and knowledgeable to perform all financial reporting functions.
- > Material misstatements are identified and corrected during the normal course of duties.
- > Complete and accurate financial statements including footnotes are prepared.
- > Complete and accurate schedules of expenditures of federal awards are prepared.
- > Financial reports are reviewed by an individual who is not the preparer for completeness and accuracy.

Our evaluation of the county's internal controls relating to financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of complete and accurate financial statements and footnotes (including the schedule of expenditures of federal awards), adjusting journal entries to correct misstatements, and an independent review by someone other than the preparer.

As a result of these deficiencies, management is unable to prepare financial statements that are in conformity with generally accepted accounting principles or schedules of expenditures of federal awards that are in conformance with the applicable federal requirements. Management should consider what resources and changes are necessary to address and resolve the control deficiencies identified.

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- d. We address the significant risks of material noncompliance, whether due to fraud or error, through our detailed audit procedures.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

- e. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material noncompliance related to the federal awards whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of the federal awards and to determine whether they have been implemented. We will use such knowledge to:

- > Identify types of potential noncompliance.
- > Consider factors that affect the risks of material noncompliance.
- > Design tests of controls, when applicable, and other audit procedures.

Our audit will be performed in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with OMB Circular A-133, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

- f. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for reporting material noncompliance while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the entity's federal awards. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material noncompliance, whether caused by error or fraud, is detected.
- g. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, some of which we audit.
- h. In connection with our audit, we intend to place reliance on the audit of the financial statements of the Housing and Redevelopment Authority of Le Sueur County, a component unit of Le Sueur County, as of September 30, 2013 and for the year then ended completed by Abdo, Eick & Meyers, LLP. All necessary conditions have been met to allow us to make reference to the component auditors.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the County Board of Commissioners has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements or the federal awards?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the county concerning:

- a. The county's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary audit work during the months of October-December, and sometimes early January. Our final financial audit and single audit fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS
AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS

DEPARTMENTAL CONTROLS

As part of our annual audit process, we focus our efforts on the primary accounting systems, internal controls, and procedures used by the County. This is in keeping with our goal to provide an audit opinion which states that the financial statements of the County are correct in all material respects.

In some cases, the primary system of accounting procedures and controls of the County are supported by smaller systems which are decentralized, and reside within a department or location. In many cases, those systems are as simple as handling cash collections and remitting those collections to the County Auditor/Treasurer. In other cases, the department may send invoices or statements of amounts due, and track collections of those amounts in a standalone accounts receivable system.

Generally, the more centralized a function is, the easier it is to design and implement accounting controls that provide some level of checks and balances. That is because you are able to divide certain tasks over the people available to achieve some segregation of duties. For those tasks that are decentralized, it is usually very difficult to provide for proper segregation of duties. Therefore, with one person being involved in most or all aspects of a transaction, you lose the ability to rely on the controls to achieve the safeguarding of assets and reliability of financial records.

As auditors, we are required to communicate with you on a variety of topics. Since there is now more emphasis on internal controls and management's responsibilities, we believe it is appropriate to make sure that you are informed about the lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing. Examples in your County that fit this situation may include the following:

- Sheriff
- Jail
- Drug & Alcohol
- Human Services
- Community Health
- Public Health Nursing
- Planning & Zoning
- Solid Waste
- License Bureau
- Recorder and Personnel
- Veterans Services
- Extension
- Highway

As you might expect, similar situations are common in most governments.

As auditors, we are required to focus on the financial statements at a highly summarized level and our audit procedures support our opinion on those financial statements. Departments or locations that handle relatively smaller amounts of money are not the primary focus of our audit. Yet, because of the lack of segregation of duties, the opportunity for loss is higher there than in centralized functions that have more controls.

DEPARTMENTAL CONTROLS (cont.)

Because management is responsible for designing and implementing controls and procedures to detect and prevent fraud, we believe that is important for us to communicate this information to you. We have no knowledge of any fraud that has occurred or is suspected to have occurred within the departments mentioned above. However, your role as the governing body is to assess your risk areas and determine that the appropriate level of controls and procedures are in place. As always, the costs of controls and staffing must be weighed against the perceived benefits of safeguarding your assets.

Without adding staff or splitting up the duties, your own day-to-day contact and knowledge of the operation are also important mitigating factors.

OMB ISSUES GRANT REFORM RULES

The U.S. Office of Management and Budget (OMB) recently issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The new requirements consolidate what was previously in eight separate OMB Circulars into a new document being referred to as the "super circular" or "omni-circular".

The grant reform rules are intended to streamline the Federal government's guidance on administrative requirements, cost principles, and audit requirements for federal awards. The final guidance supersedes OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, and A-133.

Some of the most significant changes to the administrative requirements include a heightened focus on program performance results, use of technology, standardization of grant documents, and coordinated oversight. The cost principles consolidation includes changes to the definitions of direct and indirect costs, a provision for a de minimis indirect cost rate of 10%, changes to payroll time and effort reporting requirements, and some changes to the allowability of selected cost items. The new rules are expected to be implemented by federal agencies, and pushed out to grant recipients, over the upcoming year.

The reform raises the threshold for a single audit to \$750,000, and also includes some changes to program risk assessments, audit coverage, and reporting of findings. The changes in audit requirements will take effect beginning with years ending December 31, 2015.

PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS (cont.)

GASB UPDATES

The following is a schedule of GASB projects:

Task or Event	Effective Date	Impact
GASB No. 67 – Financial Reporting for Pension Plans	For fiscal years beginning after June 15, 2013. For the Minnesota Public Employees' Retirement Association (PERA), this will be for the year ending June 30, 2014	This standard is applicable to the PERA or the plan itself. This will not have a direct impact on the county.
GASB No. 68 – Accounting and Financial Reporting for Pensions	December 31, 2015	The county belongs to the Minnesota Public Employees' Retirement Association (PERA). The PERA is a cost-sharing, multiple-employer, defined- benefit, public employee retirement system. PERA has represented that it will provide the information necessary for the employers to implement GASB No. 68. The county's share of the net pension liability / asset will be reported in its full-accrual funds and the government-wide financial statements. The footnote disclosures will have significant changes.
GASB No. 69 – Government Combinations and Disposals of Government Operations	December 31, 2014	This standard provides the guidance necessary for government combinations and disposals of government operations.
GASB No. 70 – Accounting and Financial Reporting For Nonexchange Financial Guarantees	December 31, 2015	This standard provides guidance for non-exchange financial guarantees that the county would become involved in.
GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68	December 31, 2015	The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB No. 68 in the accrual- basis financial statements of the county. This will be addressed with the implementation of GASB No. 68.

GASB UPDATES (cont.)

The GASB revisits GASB standards ten (10) years after issuance. The GASB is currently revisiting GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, as well as reporting model-related pronouncements including Statements No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis-for State and Local Governments; Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The GASB has indicated that they are revisiting the following major provisions of these standards: management’s discussion and analysis, government-wide financial statements, fund financial statements, capital asset reporting, budgetary comparisons, special purpose government reporting, and related notes to financial statements. We will share updates with you as they become available.

A full list of projects as well as many resources are available on GASB’s website which is located at www.gasb.org.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

To the County Board of Commissioners
Le Sueur County
Le Center, Minnesota

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of Le Sueur County for the year ended December 31, 2013 and have issued our report thereon dated September 15, 2014. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the County Board of Commissioners of their responsibilities.

We considered Le Sueur County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Le Sueur County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Le Sueur 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* applicable to each of its major federal programs for the purpose of expressing an opinion on Le Sueur County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Le Sueur County's compliance with those requirements.

We have issued a separate document which contains the results of our audit procedures to comply with OMB Circular A-133.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our prior year communication to those charged with governance and management point entitled "Two Way Communication Regarding Your Audit".

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Le Sueur County are described in Note I to the financial statements. As described in Note I to the financial statements, the county changed accounting policies related to reporting certain items previously reported as assets and liabilities by adopting Statement of Governmental Accounting Standards (GASB) Statements No. 65, *Items Previously Reported as Assets and Liabilities* in 2013. Implementation of this standard had no effect on the beginning balances for the year. We noted no transactions entered into by Le Sueur County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We are not aware of any particularly sensitive accounting estimates utilized by management in its financial statement process.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audit.

To the County Board of Commissioners
Le Sueur County

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

A summary of uncorrected financial statement misstatements follows this required communication. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Some of the proposed adjusting journal entries were material to the financial statements. A listing of all adjusting journal entries and reclassifying journal entries is attached.

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

To the County Board of Commissioners
Le Sueur County

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and Le Sueur County that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Le Sueur County for the year ended December 31, 2013, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the county in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the county other than audit services provided in connection with the audit of the current year's financial statements, agreed upon procedures related to the Sheriff's retirement and the following nonaudit services which in our judgment do not impair our independence:

- > Financial statement preparation, including schedule of expenditures of federal awards
- > Adjusting journal entries

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Le Sueur County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the County Board of Commissioners and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 15, 2014

ADJUSTING JOURNAL ENTRIES

Le Sueur County

Year End: December 31, 2013

Adjusting Journal Entries

Date: 1/1/2013 To 12/31/2013

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2013	Taxes Receivable - Delinquent	001-000-0000-0000-1110 GF		(26,778.23)
A01	12/31/2013	Unearned Revenue-Unavailable	001-000-0000-0000-2230 GF	36,606.79	
A01	12/31/2013	Property Tax - Current	001-046-0000-0000-5001 GF		(8,742.24)
A01	12/31/2013	Property Tax - Current	001-111-0000-0000-5001 GF		(134.84)
A01	12/31/2013	Property Tax - Current	001-500-0000-0000-5001 GF		(272.87)
A01	12/31/2013	Property Tax - Current	001-501-0000-0000-5001 GF		(18.23)
A01	12/31/2013	Property Tax - Delinquent	001-502-0000-0000-5004 GF		(65.95)
A01	12/31/2013	Property Tax - Current	001-525-0000-0000-5001 GF		(354.78)
A01	12/31/2013	Property Tax - Current	001-600-0000-0000-5001 GF		(27.93)
A01	12/31/2013	Property Tax - Current	001-601-0000-0000-5001 GF		(211.72)
A01	12/31/2013	Taxes Receivable - Delinquent	002-000-0000-0000-1110 VWF		(142.94)
A01	12/31/2013	Unearned Revenue-Unavailable	002-000-0000-0000-2230 VWF	147.70	
A01	12/31/2013	Property Tax - Current	002-092-0000-0000-5001 VWF		(4.76)
A01	12/31/2013	Taxes Receivable - Delinquent	005-206-0000-0000-1110 DTF		(39.89)
A01	12/31/2013	Unearned Revenue-Unavailable	005-206-0000-0000-2230 DTF	31.33	
A01	12/31/2013	Property Tax - Delinquent	005-206-0000-0000-5004 DTF	8.56	
A01	12/31/2013	Taxes Receivable - Delinquent	010-000-0000-0000-1110 RAB		(15,116.09)
A01	12/31/2013	Unearned Revenue-Unavailable	010-000-0000-0000-2230 RAB	16,352.32	
A01	12/31/2013	Property Tax - Current	010-300-0000-0000-5001 RAB		(1,236.23)
A01	12/31/2013	Taxes Receivable - Delinquent	011-420-0000-0000-1110 HS		(1,057.29)
A01	12/31/2013	Unearned Revenue-Unavailable	011-420-0000-0000-2230 HS	2,813.24	
A01	12/31/2013	Property Taxes Current -Im	011-420-0000-0000-5001 HS		(1,755.95)
A01	12/31/2013	Taxes Receivable - Delinquent	011-430-0000-0000-1110 HS		(15,184.72)
A01	12/31/2013	Unearned Revenue-Unavailable	011-430-0000-0000-2230 HS	19,009.80	
A01	12/31/2013	Property Taxes Current	011-430-0000-0000-5001 HS		(3,825.08)
A01	12/31/2013	Taxes Receivable - Delinquent	030-000-0000-0000-1110 DSF		(7,303.62)
A01	12/31/2013	Unearned Revenue-Unavailable	030-000-0000-0000-2230 DSF	8,226.01	
A01	12/31/2013	Property Tax - Current	030-971-0000-0000-5001 DSF		(922.39)
A01	12/31/2013	Taxes Receivable - Delinquent	060-425-0000-0000-1110 EHF	579.75	
A01	12/31/2013	Unearned Revenue-Unavailable	060-425-0000-0000-2230 EHF		(425.46)
A01	12/31/2013	Property Tax - Delinquent	060-425-0000-0000-5004 EHF		(154.29)

To record taxes receivable,
related deferred revenue and change in tax revenue. MA.

A02	12/31/2013	Accounts Payable (Acc)	010-000-0000-0000-2002 RAB	192,790.00	
A02	12/31/2013	Major Road Equipment	010-302-0000-0000-6610 RAB		(192,790.00)

To remove payable for equipment
purchased on 2/6/14 (trade in #85). MA. REVERSE IN 2014.

A03	12/31/2013	Miscellaneous	001-501-0000-0000-6360 GF		(42,526.29)
A03	12/31/2013	Property Tax - Current	001-502-0000-0000-5001 GF	41,486.09	
A03	12/31/2013	Property Tax - Delinquent	001-502-0000-0000-5004 GF	1,040.20	

To net Scott County Library tax
collection revenue with related expenditures (Le Sueur Co acting as
agent now). CASH.

A04	12/31/2013	Accounts Receivable	011-000-0000-0000-1160 HS	66,414.00	
A04	12/31/2013	Allowance For Doubtful Accounts	011-000-0000-0000-1161 HS		(52,468.00)
A04	12/31/2013	Unearned Revenue-Unavailable	011-000-0000-0000-2230 HS		(13,946.00)

To adjust client billed
receivables, allowance accounts and related deferred revenue. MA.

A05	12/31/2013	Interest	010-304-0000-0000-5591 RAB	83,378.75	
A05	12/31/2013	State Aid Bond	010-304-0000-0000-5896 RAB		(83,378.75)

To move state aid payments for SA Bond Interest
and principal to correct account (per review of account detail). CASH.

A06	12/31/2013	Accounts Payable (Acc)	010-000-0000-0000-2002 RAB		(201,706.16)
A06	12/31/2013	State Aid Contracts	010-301-0000-0000-6389 RAB	201,706.16	

To record retainage as accounts
payable. MA. REVERSE IN 2014.

A07	12/31/2013	Sale Of Material, Supplies, Etc.	010-300-0000-0000-5521 RAB	142,447.36	
A07	12/31/2013	Sale Of Supplies To Cities	010-300-0000-0000-5898 RAB		(142,447.36)

To reclassify Rice Co portion of
road project to intergovernmental account. CASH.

A08	12/31/2013	Special Assessments-Noncurrent	060-000-0000-0000-1150 EHF		(313.09)
A08	12/31/2013	Deferred Revenue-Special Assessments	060-000-0000-0000-2031 EHF	313.09	

To adjust Fund 60 specials to
actual at year-end. MA.

A09	12/31/2013	Accounts Receivable (Acc)	001-000-0000-0000-1201 GF	3,363.00	
A09	12/31/2013	Due From Other Governments (Acc)	001-000-0000-0000-1231 GF	45,460.00	
A09	12/31/2013	Unearned Revenue-Unavailable	001-000-0000-0000-2230 GF		(3,363.00)
A09	12/31/2013	Unearned Revenue-Unavailable	001-000-0000-0000-2230 GF		(45,460.00)
A09	12/31/2013	Accounts Receivable (Acc)	010-000-0000-0000-1201 RAB		
A09	12/31/2013	Due From Other Governments (Acc)	010-000-0000-0000-1231 RAB	123,402.00	
A09	12/31/2013	Unearned Revenue-Unavailable	010-000-0000-0000-2230 RAB		(123,402.00)
A09	12/31/2013	Unearned Revenue-Unavailable	010-000-0000-0000-2230 RAB		
A09	12/31/2013	Accounts Receivable (Acc)	011-420-0000-0000-1201 HS	23,713.00	
A09	12/31/2013	Due From Other Governments (Acc)	011-420-0000-0000-1231 HS	121,520.00	
A09	12/31/2013	Unearned Revenue-Unavailable	011-420-0000-0000-2230 HS		(23,713.00)
A09	12/31/2013	Unearned Revenue-Unavailable	011-420-0000-0000-2230 HS		(121,520.00)
A09	12/31/2013	Accounts Receivable (Acc)	011-430-0000-0000-1201 HS	1,803.00	
A09	12/31/2013	Due From Other Governments (Acc)	011-430-0000-0000-1231 HS	74,692.00	
A09	12/31/2013	Unearned Revenue-Unavailable	011-430-0000-0000-2230 HS		(1,803.00)
A09	12/31/2013	Unearned Revenue-Unavailable	011-430-0000-0000-2230 HS		(74,692.00)
A09	12/31/2013	DUE FROM OTHER GOVERNMENTS	060-000-0000-0000-1280 EHF		
A09	12/31/2013	DEFERRED REVENUE - DELINQUENT	060-000-0000-0000-2230 EHF		

To record receivable and deferred revenue
for March 14 receipts related to 2013. MA. REVERSE IN 2014.

A10	12/31/2013	Special Assessments-Noncurrent	035-000-0000-0000-1150 CDF		(90,087.06)
A10	12/31/2013	Unearned Revenue-Unavailable	035-000-0000-0000-2230 CDF	90,087.06	
To adjust ditch specials to actual at year-end. MA.					
A11	12/31/2013	Note Receivable	060-443-0000-0000-1340 EHF	62,001.63	
A11	12/31/2013	Unearned Revenue-Unavailable	060-443-0000-0000-2230 EHF		(62,001.63)
To adjust septic loans to actual at year-end. MA.					
A12	12/31/2013	DEFERRED REVENUE - UNDEARNED	060-426-0000-0000-2240 EHF		(33,626.00)
A12	12/31/2013	Grant - State	060-426-0000-0000-5830 EHF	33,626.00	
To defer 2014 SCORE payment. MA. REVERSE IN 2014.					
A13	12/31/2013	PREPAID ITEMS	001-000-0000-0000-1461 GF		(6,210.00)
A13	12/31/2013	Miscellaneous	001-212-0000-0000-6360 GF	6,210.00	
To amortize prepaid for 2013 portion of E-911 maintenance agreement. MA.					
A14	12/31/2013	Due From Other Governments (Acc)	010-000-0000-0000-1231 RAB	659,572.00	
A14	12/31/2013	Unearned Revenue-Unavailable	010-000-0000-0000-2230 RAB		(659,572.00)
To record receivable and deferred revenue for unspent highway allotment funds. MA. REVERSE IN 2014.					
A15	12/31/2013	Undesignated Fund Balance	010-000-0000-0000-2540 RAB		(159,638.65)
A15	12/31/2013	State Aid Contracts	010-301-0000-0000-6389 RAB	70,723.33	
A15	12/31/2013	State Aid Municipal Contracts	010-301-0000-0000-6390 RAB	18,563.10	
A15	12/31/2013	County Contract Payments	010-301-0000-0000-6392 RAB	70,352.22	
To correct prior year audit entry #22 recorded twice (one appears to be independent of the audit entry per review of acct detail). MA.					
A16	12/31/2013	Advances From Other Governments	010-000-0000-0000-2300 RAB		(691,457.00)
A16	12/31/2013	State Aid Regular Construction	010-300-0000-0000-5893 RAB	691,457.00	
To adjust highway advance from state for county regular construction. MA.					
A17	12/31/2013	Miscellaneous Reimbursements	001-280-0000-0000-5558 GF	46,946.14	
A17	12/31/2013	Grant - State	001-280-0000-0000-5830 GF		(46,946.14)
To reclassify grant pmt received through Houston County to intergovernmental revenue account. CASH.					

A18	12/31/2013	ACCRUED INTEREST	001-000-0000-0000-1170 GF	257,782.60	
A18	12/31/2013	Unearned Revenue-Unavailable	001-000-0000-0000-2230 GF		(257,782.60)
To record accrued interest on CD's and repurchase agreements. MA. REVERSE IN 2014.					
A19	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(161,649.90)
A19	12/31/2013	Interest	001-046-0000-0000-5591 GF	161,649.90	
To record change in fair market value of investments. MA. REVERSE IN 2014.					
A20	12/31/2013	Inventory	010-000-0000-0000-1260 RAB		(155,781.30)
A20	12/31/2013	Reserve For Inventories	010-000-0000-0000-2532 RAB	155,781.30	
To adjust highway department inventory to actual at year-end. MA.					
				3,532,056.43	(3,532,056.43)

RECLASSIFYING JOURNAL ENTRIES

Le Sueur County
Year End: December 31, 2013
Reclassifying Journal Entries
Date: 1/1/2013 To 12/31/2013

Number	Date	Name	Account No	Debit	Credit
R01	12/31/2013	Forfeit Tax Sales	099-985-0000-0000-5083 99TAP		(13,559.32)
R01	12/31/2013	Transfers In	099-985-0000-0000-5947 99TAP	13,559.32	
To reclassify transfer of forfeit tax sales in agency fund out of transfer acct per review of current year and prior year trial balance.					
R02	12/31/2013	ACCOUNTS PAYABLE	060-043-0000-0000-2001 EHF		(46.00)
R02	12/31/2013	Due To Other Funds (Acc)	060-443-0000-0000-2181 EHF	46.00	
To reclassify Due to Acct to a payable account per review of detail.					
R03	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(71,260.24)
R03	12/31/2013	Undesignated Fund Balance	001-000-0000-0000-2540 GF	71,260.24	
R03	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF	71,260.24	
R03	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF		(233,708.10)
R03	12/31/2013	CERTIFICATES OF DEPOSIT	080-000-0000-0000-1010 80TF	1,738.93	
R03	12/31/2013	Undesignated Fund Balance	080-000-0000-0000-2540 80TF		(71,260.24)
R03	12/31/2013	Undesignated Fund Balance	080-000-0000-0000-2540 80TF		(1,738.93)
R03	12/31/2013	Undesignated Fund Balance	080-000-0000-0000-2540 80TF	233,708.10	
R03	12/31/2013	Cash On Hand	099-000-0000-0000-1001 99TAP	233,708.10	
R03	12/31/2013	Property Tax - Current	099-985-0000-0000-5001 99TAP		(233,708.10)
To reclassify general fund's share of trust and agency cash as of the beginning of the year.					
R04	12/31/2013	Cash	092-000-0000-0000-1001 92S	11,027.29	
R04	12/31/2013	Deposits	092-000-0000-0000-2350 92S		(5,818.00)
R04	12/31/2013	Due to Treasurer	092-000-0000-0000-2351 92S		(5,209.29)
To record sheriff agency fund.					
R05	12/31/2013	VK created acct - other state aid	010-300-0000-0000-5200 RAB		(833,828.89)
R05	12/31/2013	Miscellaneous Reimbursements	010-300-0000-0000-5558 RAB	833,828.89	
To reclassify pmt from state for 040-623-013 Co Disaster to intergovernmental revenue acct.					
R06	12/31/2013	Cash	091-000-0000-0000-1001 91SW	17,462.60	
R06	12/31/2013	Deposits	091-000-0000-0000-2350 91SW		(17,462.60)
To record social welfare agency fund deposits.					

R07	12/31/2013	Transfers Out	001-046-0000-0000-6900 GF		(8,145.00)
R07	12/31/2013	Transfers Out	001-122-0000-0000-6900 GF	1,745.00	
R07	12/31/2013	TRANSFERS OUT	001-525-0017-0000-6900 GF	6,400.00	
R07	12/31/2013	Transfers Out	035-818-0000-0000-6900 CDF		(448.00)
R07	12/31/2013	Transfers In	035-895-0000-0000-5947 CDF	448.00	
R07	12/31/2013	Transfers In	060-043-0000-0000-5947 EHF	5,855.00	
R07	12/31/2013	Transfers Out	060-426-0000-0000-6900 EHF		(1,700.00)
R07	12/31/2013	Transfers Out	060-427-0000-0000-6900 EHF		(1,700.00)
R07	12/31/2013	Transfers In	060-428-0000-0000-5947 EHF	26,312.10	
R07	12/31/2013	Transfers In	060-436-0000-0000-5947 EHF	12,240.00	
R07	12/31/2013	Transfers Out	060-436-0000-0000-6900 EHF		(1,700.00)
R07	12/31/2013	Transfers In	060-438-0000-0000-5947 EHF	9,735.00	
R07	12/31/2013	Transfers Out	060-438-0000-0000-6900 EHF		(24,457.00)
R07	12/31/2013	Transfers Out	060-440-0000-0000-6900 EHF		(4,418.00)
R07	12/31/2013	Transfers Out	060-448-0000-0000-6900 EHF		(19,639.00)
R07	12/31/2013	Transfers Out	060-449-0000-0000-6900 EHF		(528.10)

To zero out transfers within Funds 35 and
60 and reclassify transfer between trust and revenue fund.

R08	12/31/2013	Undesignated Fund Balance	099-000-0000-0000-2540 99TAP		(121,883.48)
R08	12/31/2013	Property Tax - Current	099-985-0000-0000-5001 99TAP	121,883.48	
R08	12/31/2013	Costs	099-985-0000-0000-5075 99TAP		

To adjust fund balance to prior year actual. (Reverse portion of
prior year R03 that was to a fund 099 income statement account).

R09	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF	44,530.00	
R09	12/31/2013	Miscellaneous Revenues	001-525-0000-0000-5559 GF		(44,530.00)
R09	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF		(4,790.28)
R09	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF		(44,530.00)
R09	12/31/2013	Forfeit Tax Sales	080-931-0000-0000-5083 80TF	18,349.60	
R09	12/31/2013	Transfers Out	080-931-0000-0000-6900 80TF		(13,559.32)
R09	12/31/2013	Miscellaneous Revenues	080-935-0000-0000-5559 80TF	44,530.00	
R09	12/31/2013	Cash On Hand	099-000-0000-0000-1001 99TAP	4,790.28	
R09	12/31/2013	Forfeit Tax Sales	099-985-0000-0000-5083 99TAP		(4,790.28)

To reclassify park dedication fees to general fund
and reclassify forfeit tax revenue as a liability. Per review of Fund
080 trial balance for accounts 080-931-0000-0000-5083 and
080-935-0000-0000-5559.

R10	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(98,265.30)
R10	12/31/2013	Miscellaneous/Appropriations	001-046-0000-0000-6360 GF	98,265.30	
R10	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A	98,265.30	
R10	12/31/2013	Undesignated Fund Balance	090-000-0000-0000-2540 90A		(98,265.30)

To reclassify prior years' Agency activity that was reported in
General Fund (this is net effect of prior year RJE's to fund balance
and revenue and expenditure accounts in Fund 90.)

R11	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(4,510.14)
R11	12/31/2013	Miscellaneous Revenues	001-046-0000-0000-5559 GF		(2,989.85)
R11	12/31/2013	Miscellaneous/Appropriations	001-046-0000-0000-6360 GF	7,499.99	
R11	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A	4,510.14	
R11	12/31/2013	Miscellaneous Reimbursements	090-989-0000-0000-5558 90A	2,989.85	
R11	12/31/2013	Sales Tax	090-989-0000-0000-6339 90A		(250.11)
R11	12/31/2013	Miscellaneous	090-989-0000-0000-6360 90A		(7,249.88)

To reclassify wellness revenue and expenditures into
general fund. Per review of Fund 090 trial balance for 989 accounts.

R12	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF	25,801.53	
R12	12/31/2013	Miscellaneous Revenues	001-200-0000-0000-5559 GF		(46,411.50)
R12	12/31/2013	Miscellaneous	001-200-0000-0000-6360 GF	18,264.45	
R12	12/31/2013	Equipment	001-200-0000-0000-6610 GF	3,345.52	
R12	12/31/2013	Donations	001-202-0000-0000-5601 GF		(1,000.00)
R12	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A		(25,801.53)
R12	12/31/2013	Miscellaneous Revenues	090-970-0000-0000-5559 90A	10,445.00	
R12	12/31/2013	Sales Tax	090-970-0000-0000-6339 90A		(851.61)
R12	12/31/2013	Miscellaneous	090-970-0000-0000-6360 90A		(4,416.69)
R12	12/31/2013	Automobiles	090-970-0000-0000-6620 90A		(3,065.76)
R12	12/31/2013	Sales Tax	090-972-0000-0000-6339 90A		(17.48)
R12	12/31/2013	Miscellaneous	090-972-0000-0000-6360 90A		(539.03)
R12	12/31/2013	Miscellaneous Revenues	090-974-0000-0000-5559 90A	1,361.50	
R12	12/31/2013	Donations	090-974-0000-0000-5601 90A	1,000.00	
R12	12/31/2013	Sales Tax	090-974-0000-0000-6339 90A		(155.28)
R12	12/31/2013	Miscellaneous	090-974-0000-0000-6360 90A		(3,258.59)
R12	12/31/2013	Miscellaneous Revenues	090-986-0000-0000-5559 90A	34,605.00	
R12	12/31/2013	Sales Tax	090-986-0000-0000-6339 90A		(261.39)
R12	12/31/2013	Miscellaneous	090-986-0000-0000-6360 90A		(8,764.38)
R12	12/31/2013	Equipment	090-986-0000-0000-6610 90A		(279.76)

To reclassify sheriff related activity out of agency
fund, per review of fund 090 unadjusted mapped trial balance.

R13	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(1,519.73)
R13	12/31/2013	MISCELLANEOUS REVENUES	001-250-0000-0000-5559 GF		(4,709.98)
R13	12/31/2013	Miscellaneous	001-250-0000-0000-6360 GF	6,229.71	
R13	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A	1,519.73	
R13	12/31/2013	Miscellaneous Revenues	090-961-0000-0000-5559 90A	120.46	
R13	12/31/2013	Phone Reimbursement	090-961-0000-0000-5562 90A	4,589.52	
R13	12/31/2013	Utilities & Telephone	090-961-0000-0000-6250 90A		(545.00)
R13	12/31/2013	Sales Tax	090-961-0000-0000-6339 90A		(226.87)
R13	12/31/2013	Miscellaneous	090-961-0000-0000-6360 90A		(5,457.84)

To reclassify jail related activity out of agency
fund, per review of unadjusted fund 090 trial balance.

R14	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(981.65)
R14	12/31/2013	Miscellaneous Reimbursements	001-251-0000-0000-5558 GF		(13,575.61)
R14	12/31/2013	Miscellaneous	001-251-0000-0000-6360 GF	14,557.26	
R14	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A	981.65	
R14	12/31/2013	Miscellaneous Revenues	090-976-0000-0000-5559 90A	13,575.61	
R14	12/31/2013	Miscellaneous	090-976-0000-0000-6360 90A		(14,557.26)

To reclassify probation related activity out of agency fund, per review of unadjusted fund 090 trial balance.

R15	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF	9,978.80	
R15	12/31/2013	GRANT - STATE	001-120-0000-0000-5830 GF		(15,098.00)
R15	12/31/2013	Office Equipment	001-120-0000-0000-6625 GF	5,119.20	
R15	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A		(9,978.80)
R15	12/31/2013	Grant - State	090-992-0000-0000-5830 90A	15,098.00	
R15	12/31/2013	Equipment	090-992-0000-0000-6610 90A		(964.11)
R15	12/31/2013	Equipment	090-992-0000-0000-6625 90A		(4,155.09)

To reclassify veteran's activity out of agency fund, per review of unadjusted fund 090 trial balance.

R16	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF		(669.52)
R16	12/31/2013	Miscellaneous Reimbursements	001-601-0000-0000-5558 GF		(400.00)
R16	12/31/2013	Miscellaneous	001-601-0000-0000-6360 GF	1,069.52	
R16	12/31/2013	Cash On Hand	090-000-0000-0000-1001 90A	669.52	
R16	12/31/2013	Donations	090-964-0000-0000-5601 90A	400.00	
R16	12/31/2013	Miscellaneous	090-964-0000-0000-6360 90A		(1,069.52)

To reclassify Nutrition Education Program (964) activity out of agency fund, per review of unadjusted fund 090 trial balance.

R17	12/31/2013	Undesignated Fund Balance	010-000-0000-0000-2540 RAB		(41,108.82)
R17	12/31/2013	Miscellaneous	010-301-0000-0000-6360 RAB	41,108.82	
R17	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF	48,917.00	
R17	12/31/2013	Cash On Hand	080-000-0000-0000-1001 80TF	8,112.32	
R17	12/31/2013	Undesignated Fund Balance	080-000-0000-0000-2540 80TF		(48,917.00)
R17	12/31/2013	Undesignated Fund Balance	080-000-0000-0000-2540 80TF		(8,112.32)
R17	12/31/2013	Cash On Hand	099-000-0000-0000-1001 99TAP		(48,917.00)
R17	12/31/2013	Cash On Hand	099-000-0000-0000-1001 99TAP		(8,112.32)
R17	12/31/2013	Undesignated Fund Balance	099-000-0000-0000-2540 99TAP	41,108.82	
R17	12/31/2013	Undesignated Fund Balance	099-000-0000-0000-2540 99TAP	48,917.00	
R17	12/31/2013	Undesignated Fund Balance	099-000-0000-0000-2540 99TAP	8,112.32	
R17	12/31/2013	Miscellaneous	099-984-0000-0000-6360 99TAP		(41,108.82)

To adjust fund 099 for PY entries and remove R&B amounts (T&P fund no longer holding these amounts).

R18	12/31/2013	Cash On Hand	010-000-0000-0000-1001 RAB		
R18	12/31/2013	Undesignated Fund Balance	010-000-0000-0000-2540 RAB		(110,329.00)
R18	12/31/2013	Miscellaneous	010-301-0000-0000-6360 RAB	110,329.00	
R18	12/31/2013	Undesignated Fund Balance	090-000-0000-0000-2540 90A	110,329.00	
R18	12/31/2013	Miscellaneous	090-951-0000-0000-6360 90A		(110,329.00)

To clear out PY entry per discussion with Carol. Agency Fund no longer holding any R&B funds.

R19	12/31/2013	Cash On Hand	001-000-0000-0000-1001 GF	1,517.68	
R19	12/31/2013	Accounts Receivable (Acc)	001-000-0000-0000-1201 GF		(1,517.68)
To reclassify interest as cash at year-end.					
				2,583,132.69	(2,583,132.69)

**MANAGEMENT REPRESENTATIONS WITH SUMMARY OF
UNCORRECTED FINANCIAL STATEMENTS MISSTATEMENTS**



Baker Tilly Virchow Krause, LLP
225 S. 6th street
Suite 2300
Minneapolis, MN 55402

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of Le Sueur County as of December 31, 2013 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
9. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. There are no known related parties or related party relationships and transactions of which we are aware.

Other

17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18. We have a process to track the status of audit findings and recommendations.

19. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

21. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

22. There are no:

- a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
- c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
- d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23. In regards to the nonattest services performed by you listed below, we have 1) made all management decisions and performed all management functions; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

- a. Financial statement preparation
- b. Adjusting journal entries
- c. SEFA preparation

None of these non attest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

24. Le Sueur County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25. Le Sueur County has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

27. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
28. The financial statements properly classify all funds and activities.
29. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
30. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
31. Le Sueur County has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
32. Provisions for uncollectible receivables have been properly identified and recorded.
33. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
34. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
38. We have complied with the implementation of GASB No. 49 and believe that there is no liability to accrue related to pollution remediation at this time.
39. Tax-exempt bonds issued have retained their tax-exempt status.
40. We have appropriately disclosed Le Sueur County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding how restricted and unrestricted fund balance is used when an expenditure is incurred for which both restricted and unrestricted fund balance is available, including the spending hierarchy for committed, assigned, and unassigned amounts.
41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

42. With respect to the supplementary information, (SI):

- a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

43. We have implemented GASB Statement No. 65 and believe that all deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications have been computed in compliance with the Standard.

44. With respect to federal award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
- b. We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of OMB Circular A-133 §310.b and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
- c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation agreements, and internal or external monitoring that directly relate to the objectives of the compliance audit, if any, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control have occurred subsequent to the date as of which compliance was audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

Sincerely,

Le Sueur County

Signed: Carol Blascenko

Signed: Pam Simonette

Signed: Da R

Dated: 9-15-2014

LE SUEUR COUNTY
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

December 31, 2013

	Financial Statements Effect - Debit (Credit) to Financial Statement Total									
	<u>Current Assets</u>	<u>Noncurrent Assets</u>	<u>Total Assets/ Deferred Outflows</u>	<u>Current Liabilities</u>	<u>Noncurrent Liabilities</u>	<u>Total Liabilities/ Deferred Inflows</u>	<u>Total Net Position/ Fund Balances</u>	<u>Total Revenues</u>	<u>Total Expenses/ Expenditures</u>	<u>Change in Net Position/ Fund Balances</u>
Governmental Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (225,269)	\$ (225,269)
Major Fund - General Fund	-	-	19,727	-	-	(19,727)	-	-	-	-
Major Fund - Human Services	-	-	18,167	-	-	(18,167)	-	-	-	-
Major Fund - Road and Bridge	-	-	-	-	-	(16,207)	16,207	-	31,235	31,235