

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Year Ended December 31, 2010



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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2010**

Office	Name	Term Expires
Commissioners		
1st District	Judy Hanson	January 2011
2nd District	James Stenson	January 2013
3rd District	Jack Kolars*	January 2015
4th District	David Haack	January 2013
5th District	Dr. Bruce Beatty	January 2015
Officers Elected		
Attorney	Michael K. Riley	January 2015
County Judge	Allison Krehbiel	January 2015
County Judge	Todd Westphal	January 2013
County Recorder	Kathryn Conlon	January 2015
Registrar of Titles	Kathryn Conlon	January 2015
Sheriff	David Lange	January 2015
Officers Appointed		
Assessor	Doreen Pehrson	December 2012
Auditor-Treasurer	Bridgette Kennedy	Indefinite
Court Administrator	Carol Melick	Indefinite
Highway Engineer	Seth Greenwood	May 2013
Probation Officer (Court Services Director)	Stephen Kley	December 2010
Surveyor	Peter Blethen	Indefinite
Veterans Service Officer	Charles Dempewolf	November 2011
Coroner	Dr. Michael McGee	January 2014
Administrator	Robert Podhradsky	Indefinite
Human Services Director	Joan Tesdahl	Indefinite
Public Health Director	Julie Carroll	Indefinite
Environmental Services Director	Mandy Landkamer	Indefinite
Extension Director	Nathan Crane	Indefinite
Human Resources Director	Jamie Haefner	Indefinite
Emergency Management Director	Denise Wright	Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nicollet County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of Nicollet County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(Unaudited)**

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet County for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Nicollet County exceeded its liabilities by \$88,517,636 at the close of 2010. Of this amount, \$18,936,569 (unrestricted net assets) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.
- Nicollet County's total net assets increased by \$4,371,404 in 2010. This is attributable primarily to increases in cash, non-depreciable capital assets, and amounts due from other governments.
- At the close of 2010, Nicollet County's governmental funds reported combined ending fund balances of \$23,040,457, an increase of \$1,829,804 in comparison with the prior year. Of the total fund balance, \$7,786,087 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2010, unreserved, undesignated fund balance for the General Fund was \$1,989,513, or 16 percent of total General Fund expenditures.
- Nicollet County's total debt decreased by \$1,605,000, or 10 percent, during 2010. The key factor in the decrease was due to the repayment of general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Nicollet County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

- Governmental funds--Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Nicollet County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Governmental fund financial statements are on Exhibits 3 through 7.

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Nicollet County's progress in funding its obligation to provide other postemployment benefits to its employees. Required supplementary information can be found on Exhibit A-1.

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

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Nicollet County's assets exceeded liabilities by \$88,517,636 at the close of 2010. The largest portion of Nicollet County's net assets (73 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

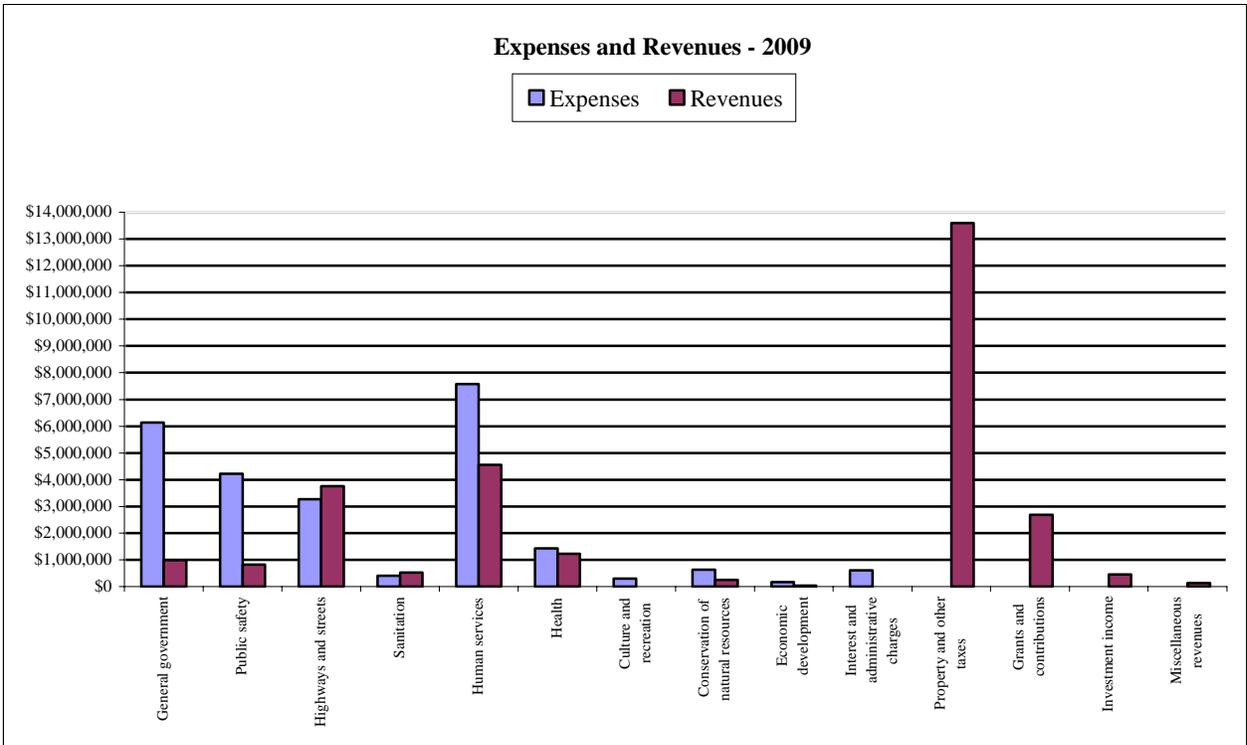
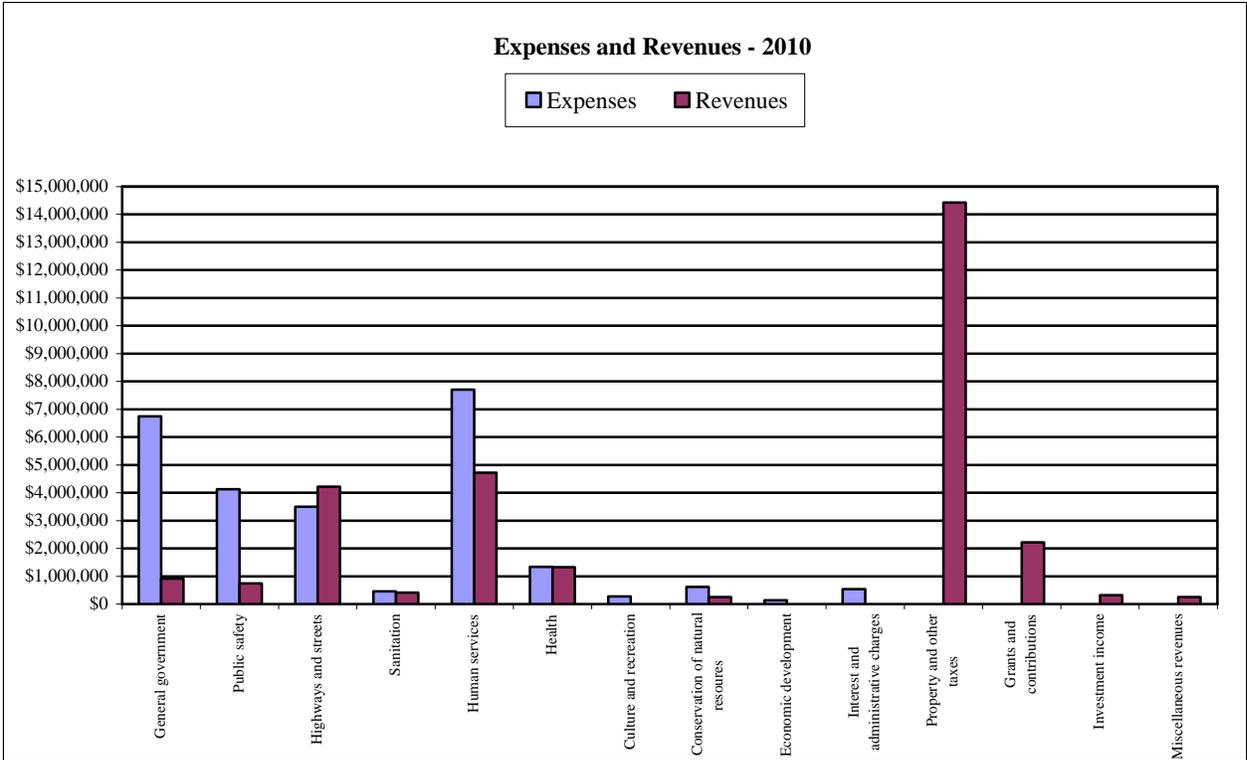
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 30,576,497	\$ 28,665,775
Capital assets	<u>76,921,676</u>	<u>75,992,955</u>
Total Assets	<u>\$ 107,498,173</u>	<u>\$ 104,658,730</u>
Long-term liabilities outstanding	\$ 14,776,945	\$ 16,349,174
Other liabilities	<u>4,203,592</u>	<u>4,163,324</u>
Total Liabilities	<u>\$ 18,980,537</u>	<u>\$ 20,512,498</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 64,406,209	\$ 62,356,492
Restricted	5,174,858	4,709,129
Unrestricted	<u>18,936,569</u>	<u>17,080,611</u>
Total Net Assets	<u>\$ 88,517,636</u>	<u>\$ 84,146,232</u>

The unrestricted net asset amount of \$18,936,569 as of December 31, 2010, may be used to meet the County's ongoing obligations to citizens and creditors.

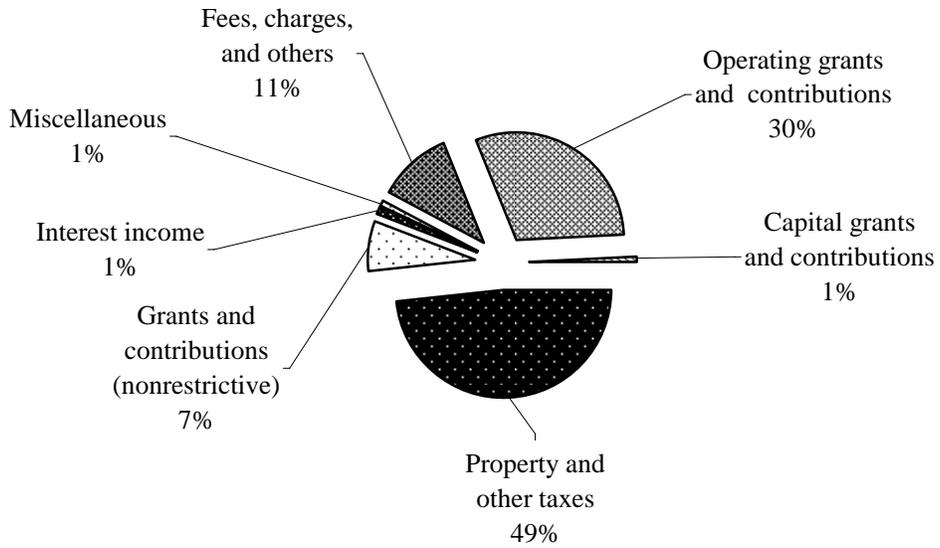
GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net assets by \$4,371,404, or five percent, over the 2009 net assets. The key element of the increase was due to an increase in cash and non-depreciable capital assets.

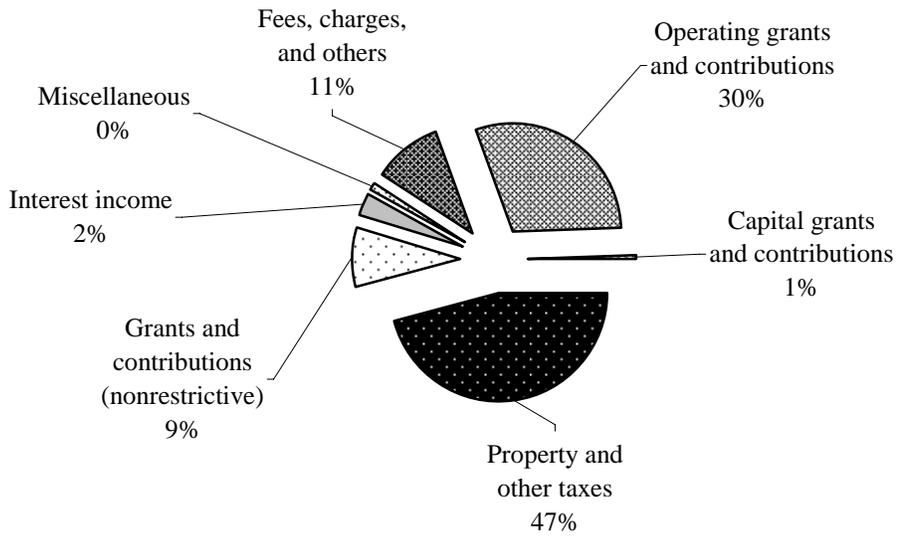
	Changes in Net Assets	
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues		
Charges for services	\$ 3,295,595	\$ 3,121,684
Operating grants and contributions	9,010,635	8,832,105
Capital grants and contributions	284,930	204,907
General revenues		
Property taxes	14,379,989	13,535,605
Other	<u>2,842,556</u>	<u>3,319,431</u>
Total Revenues	<u>\$ 29,813,705</u>	<u>\$ 29,013,732</u>
Expenses		
General government	\$ 6,743,957	\$ 6,136,939
Public safety	4,123,469	4,217,634
Highways and streets	3,492,992	3,272,016
Sanitation	453,484	408,628
Human services	7,711,082	7,574,500
Health	1,342,696	1,425,757
Culture and recreation	278,779	292,847
Conservation of natural resources	617,983	629,308
Economic development	141,313	169,002
Interest	<u>536,546</u>	<u>612,220</u>
Total Expenses	<u>\$ 25,442,301</u>	<u>\$ 24,738,851</u>
Increase in Net Assets	\$ 4,371,404	\$ 4,274,881
Net Assets, January 1	<u>84,146,232</u>	<u>79,871,351</u>
Net Assets, December 31	<u><u>\$ 88,517,636</u></u>	<u><u>\$ 84,146,232</u></u>



Revenues by Source - 2010



Revenues by Source - 2009



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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 \$23,040,457, an increase of \$1,829,804 in comparison with the prior year. The majority of this amount (\$20,325,616) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,569,632, while total fund balance was \$11,530,143. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 85 percent of total General Fund expenditures, while total fund balance represents 92 percent of that same amount. In 2010, the fund balance amount in the General Fund increased by \$371,918. The primary reason for this increase was actual expenditures decreased by 5 percent from 2009 and were \$929,022 less than budgeted expenditures.

The Road and Bridge Special Revenue Fund's fund balance increased \$635,993 in 2010. The main reason for this increase was due to intergovernmental revenues.

General Fund Budgetary Highlights

The actual revenues did not meet the budgeted revenues by \$574,312. This was due largely to the unallocated state aid amounts. State aid amounts are a portion of the determination of the amount of tax to levy to support the operating budget. The national economic conditions on the expected rate of return on investments were also a portion. The actual expenditures were less than budgeted expenditures by \$929,022. The most significant variances were due to lower than expected expenditures in the Commissioners, Courts, Courts-CHIPS/TPR, Administrator, Capital Outlay, Auditor/Treasurer, Accounting and Auditing, Assessor, Office of Technologies, Machine Room, Other General Government Operations, County Attorney, Recorder, Surveyor, Courthouse Operations, County Offices Building, Building Fund, Veterans Service Office, Environmental Services, Sheriff, Jail, Probation, Emergency Services, Solid Waste Management, Public Health Nursing Service, and Extension areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2010, was \$76,921,676 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was one percent. The major capital asset event in 2010 was due to increases in land and construction in progress.

	Capital Assets	
	<u>2010</u>	<u>2009</u>
Land	\$ 3,268,738	\$ 2,366,359
Construction in progress	1,274,851	381,202
Land improvements	194,636	193,525
Building	10,072,795	10,741,792
Machinery, vehicles, furniture, and equipment	1,398,563	1,396,872
Infrastructure	<u>60,712,093</u>	<u>60,913,205</u>
Totals	<u>\$ 76,921,676</u>	<u>\$ 75,992,955</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$14,040,000, which is backed by the full faith and credit of the government.

	Outstanding Debt	
	<u>2010</u>	<u>2009</u>
General obligation bonds	<u>\$ 14,040,000</u>	<u>\$ 15,645,000</u>

The County's debt related to general obligation bonds decreased by \$1,605,000 (ten percent) during the fiscal year. The primary reason for the decrease was repayment of general obligation bonds.

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

Minnesota statutes limit the amount of net debt to three percent of the market value of taxable property in the County. As of the end of 2010, Nicollet County is below the three percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Nicollet County's unemployment rate was 5.4 percent as of the end of 2010. This is moderately below the statewide rate of 6.8 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics - LAUS Data).
- Nicollet County's population has remained constant, industries are maintaining, and agricultural property values continue to grow.

At the end of 2010, Nicollet County set its 2011 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nicollet County Auditor/Treasurer, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Assets

Cash and pooled investments	\$	23,952,800
Taxes receivable		
Prior		372,188
Special assessments receivable		
Prior		19,609
Noncurrent		1,251,760
Accounts receivable		867,286
Accrued interest receivable		57,764
Loan receivable		25,199
Due from other governments		3,673,459
Inventories		219,034
Prepaid items		2,288
Deferred charges		135,110
Capital assets		
Non-depreciable		4,543,589
Depreciable - net of accumulated depreciation		72,378,087
Total Assets	\$	107,498,173

Liabilities

Accounts payable	\$	707,464
Salaries payable		226,508
Due to other governments		299,120
Accrued interest payable		198,486
Unearned revenue		80,172
Long-term liabilities		
Due within one year		2,691,842
Due in more than one year		14,342,063
Net OPEB liability		434,882
Total Liabilities	\$	18,980,537

Net Assets

Invested in capital assets - net of related debt	\$	64,406,209
Restricted for		
General government		594,220
Public safety		341,092
Highways and streets		2,457,577
Debt service		1,781,969
Unrestricted		18,936,569
Total Net Assets	\$	88,517,636

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
General government	\$ 6,743,957	\$ 667,252	\$ 247,901	\$ -	\$ (5,828,804)
Public safety	4,123,469	196,274	546,875	-	(3,380,320)
Highways and streets	3,492,992	257,545	3,671,692	284,930	721,175
Sanitation	453,484	333,606	79,209	-	(40,669)
Human services	7,711,082	723,080	3,997,110	-	(2,990,892)
Health	1,342,696	865,391	463,978	-	(13,327)
Culture and recreation	278,779	-	3,870	-	(274,909)
Conservation of natural resources	617,983	252,447	-	-	(365,536)
Economic development	141,313	-	-	-	(141,313)
Interest and administrative charges	536,546	-	-	-	(536,546)
Total Governmental Activities	\$ 25,442,301	\$ 3,295,595	\$ 9,010,635	\$ 284,930	\$ (12,851,141)
General Revenues					
Property taxes				\$ 14,379,989	
Mortgage registry and deed tax				31,627	
Payments in lieu of tax				18,928	
Grants and contributions not restricted to specific programs				2,220,676	
Unrestricted investment earnings				319,711	
Miscellaneous				251,614	
Total general revenues				\$ 17,222,545	
Change in net assets				\$ 4,371,404	
Net Assets - January 1					84,146,232
Net Assets - December 31					\$ 88,517,636

FUND FINANCIAL STATEMENTS

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 11,623,463	\$ 3,129,209
Taxes receivable		
Delinquent	202,083	45,585
Special assessments		
Delinquent	9,282	-
Deferred	-	-
Accounts receivable	114,298	47,201
Accrued interest receivable	57,764	-
Loans receivable	25,199	-
Due from other funds	15,677	3,869
Due from other governments	217,743	2,848,038
Prepaid items	6,863	-
Inventories	-	219,034
	\$ 12,272,372	\$ 6,292,936
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 252,353	\$ 35,914
Salaries payable	149,577	22,764
Due to other funds	2,590	77
Due to other governments	46,804	2,462
Deferred revenue - unavailable	210,733	2,499,604
Deferred revenue - unearned	80,172	-
	\$ 742,229	\$ 2,560,821

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 4,023,961	\$ 562,380	\$ 176,933	\$ 2,893,031	\$ 22,408,977
79,894	-	-	44,626	372,188
-	9,687	640	-	19,609
-	637,344	614,416	-	1,251,760
705,787	-	-	-	867,286
-	-	-	-	57,764
-	-	-	-	25,199
-	-	-	-	19,546
607,678	-	-	-	3,673,459
-	-	-	-	6,863
-	-	-	-	219,034
<u>\$ 5,417,320</u>	<u>\$ 1,209,411</u>	<u>\$ 791,989</u>	<u>\$ 2,937,657</u>	<u>\$ 28,921,685</u>
\$ 227,538	\$ 9,673	\$ 24,001	\$ -	\$ 549,479
54,167	-	-	-	226,508
12,242	-	4,637	-	19,546
226,512	-	23,342	-	299,120
699,389	645,020	614,460	37,197	4,706,403
-	-	-	-	80,172
<u>\$ 1,219,848</u>	<u>\$ 654,693</u>	<u>\$ 666,440</u>	<u>\$ 37,197</u>	<u>\$ 5,881,228</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 219,034
Loans receivable	25,199	-
Law library	61,775	-
Recorder's equipment purchases	444,636	-
Enhanced 911	279,551	-
Handgun permit fees	38,824	-
Boat and water safety	471	-
Sheriff's contingency	4,306	-
Sheriff's forfeited property	17,940	-
Attorney's forfeited property	16,918	-
ISTS loans	-	-
Donations	70,891	-
Capital improvements	-	-
Unreserved		
Designated for cash flows	3,346,394	732,454
Designated for long-term improvements	243,725	-
Designated for emergency	100,000	-
Designated for court costs	500,000	-
Designated for elections	50,000	-
Designated for septic/sewer loans	-	-
Designated for insurance	2,200,000	-
Designated for equipment	200,000	-
Designated for severance package	1,515,000	-
Designated for other postemployment benefits	425,000	-
Designated for debt service	-	-
Undesignated	1,989,513	2,780,627
Total Fund Balances	\$ 11,530,143	\$ 3,732,115
Total Liabilities and Fund Balances	\$ 12,272,372	\$ 6,292,936

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 219,034
-	-	-	-	25,199
-	-	-	-	61,775
-	-	-	-	444,636
-	-	-	-	279,551
-	-	-	-	38,824
-	-	-	-	471
-	-	-	-	4,306
-	-	-	-	17,940
-	-	-	-	16,918
-	416,805	-	-	416,805
-	-	-	-	70,891
-	-	-	1,118,491	1,118,491
1,307,074	-	-	-	5,385,922
-	-	-	-	243,725
-	-	-	-	100,000
-	-	-	-	500,000
-	-	-	-	50,000
-	137,913	-	-	137,913
-	-	-	-	2,200,000
-	-	-	-	200,000
-	-	-	-	1,515,000
-	-	-	-	425,000
-	-	-	1,781,969	1,781,969
2,890,398	-	125,549	-	7,786,087
<u>\$ 4,197,472</u>	<u>\$ 554,718</u>	<u>\$ 125,549</u>	<u>\$ 2,900,460</u>	<u>\$ 23,040,457</u>
<u>\$ 5,417,320</u>	<u>\$ 1,209,411</u>	<u>\$ 791,989</u>	<u>\$ 2,937,657</u>	<u>\$ 28,921,685</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge
Revenues		
Taxes	\$ 7,772,926	\$ 1,712,462
Special assessments	283,619	-
Licenses and permits	47,228	-
Intergovernmental	2,496,590	4,083,406
Charges for services	1,531,391	87,050
Fines and forfeits	51,500	-
Gifts and contributions	35,227	3,870
Investment earnings	313,179	-
Miscellaneous	359,851	170,495
	\$ 12,891,511	\$ 6,057,283
Expenditures		
Current		
General government	\$ 5,925,957	\$ -
Public safety	4,009,954	-
Highways and streets	-	4,678,088
Sanitation	302,325	-
Human services	-	-
Health	1,366,106	-
Culture and recreation	122,289	50,344
Conservation of natural resources	297,620	-
Economic development	141,313	-
Intergovernmental	104,185	147,975
Capital outlay	133,440	291,372
Debt service		
Principal	70,000	205,000
Interest	17,855	41,051
Administrative charges	750	431
	\$ 12,491,794	\$ 5,414,261
Excess of Revenues Over (Under) Expenditures	\$ 399,717	\$ 643,022
Other Financing Sources (Uses)		
Transfers in	\$ 32,201	\$ 60,000
Transfers out	(60,000)	-
Loans issued	-	-
	\$ (27,799)	\$ 60,000
Net Change in Fund Balances	\$ 371,918	\$ 703,022
Fund Balances - January 1	11,158,225	3,096,122
Increase (decrease) in reserved for inventories	-	(67,029)
Fund Balances - December 31	\$ 11,530,143	\$ 3,732,115

EXHIBIT 4

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
\$ 3,080,160	\$ -	\$ -	\$ 1,762,129	\$ 14,327,677
-	197,946	398,437	-	880,002
-	-	-	-	47,228
4,580,125	-	-	133,203	11,293,324
455,110	-	-	-	2,073,551
-	-	-	-	51,500
-	-	-	-	39,097
-	-	-	-	313,179
276,095	-	176	-	806,617
\$ 8,391,490	\$ 197,946	\$ 398,613	\$ 1,895,332	\$ 29,832,175
\$ -	\$ -	\$ -	\$ -	\$ 5,925,957
-	-	-	-	4,009,954
-	-	-	-	4,678,088
-	150,273	-	-	452,598
7,703,633	-	-	-	7,703,633
-	-	-	-	1,366,106
-	-	-	-	172,633
-	-	321,125	-	618,745
-	-	-	-	141,313
-	-	-	-	252,160
-	-	-	-	424,812
-	98,208	60,000	1,340,000	1,773,208
-	7,342	24,933	465,176	556,357
-	-	-	1,718	2,899
\$ 7,703,633	\$ 255,823	\$ 406,058	\$ 1,806,894	\$ 28,078,463
\$ 687,857	\$ (57,877)	\$ (7,445)	\$ 88,438	\$ 1,753,712
\$ -	\$ -	\$ -	\$ -	\$ 92,201
-	(32,201)	-	-	(92,201)
-	143,121	-	-	143,121
\$ -	\$ 110,920	\$ -	\$ -	\$ 143,121
\$ 687,857	\$ 53,043	\$ (7,445)	\$ 88,438	\$ 1,896,833
3,509,615	501,675	132,994	2,812,022	21,210,653
-	-	-	-	(67,029)
\$ 4,197,472	\$ 554,718	\$ 125,549	\$ 2,900,460	\$ 23,040,457

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 4A

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds (Exhibit 4) \$ 1,896,833

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

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

Deferred revenue - December 31	\$ 4,706,403	
Deferred revenue - January 1	(4,724,873)	(18,470)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 3,578,891	
Net book value of assets sold	(265,461)	
Current year depreciation	(2,384,709)	928,721

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Loans payable		(143,121)
Principal repayments		1,773,208
Amortization of premium/discount on bonds		(13,619)

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

Change in inventories	\$ (67,029)	
Change in accrued interest payable and prepaid interest	36,329	
Change in net OPEB liability	(156,416)	
Change in compensated absences payable	103,241	(83,875)

The net income of the Internal Service Fund is reported with governmental activities.		31,727

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,371,404

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,179,122	\$ 8,179,122	\$ 7,772,926	\$ (406,196)
Special assessments	278,150	278,150	283,619	5,469
Licenses and permits	54,000	54,000	47,228	(6,772)
Intergovernmental	2,266,953	2,266,953	2,496,590	229,637
Charges for services	1,632,400	1,632,400	1,531,391	(101,009)
Fines and forfeits	75,000	75,000	51,500	(23,500)
Gifts and contributions	13,350	13,350	35,227	21,877
Investment earnings	501,000	501,000	313,179	(187,821)
Miscellaneous	465,848	465,848	359,851	(105,997)
Total Revenues	\$ 13,465,823	\$ 13,465,823	\$ 12,891,511	\$ (574,312)
Expenditures				
Current				
General government				
Commissioners	\$ 295,427	\$ 295,427	\$ 262,782	\$ 32,645
Courts	72,500	72,500	45,912	26,588
Courts - CHIPS/TPR	68,000	68,000	33,756	34,244
Drug court	-	-	78,373	(78,373)
Law library	25,000	25,000	40,986	(15,986)
County administrator	234,496	234,496	226,288	8,208
Capital outlay	35,000	35,000	4,270	30,730
Auditor-Treasurer	658,134	658,134	605,396	52,738
Accounting and auditing	80,100	80,100	70,560	9,540
Assessor	567,345	567,345	542,094	25,251
Human resources	86,298	86,298	107,922	(21,624)
Office of technologies	954,167	954,167	800,287	153,880
Machine room	81,000	81,000	79,355	1,645
Elections	57,400	57,400	66,044	(8,644)
Other general government	622,855	622,855	456,133	166,722
County attorney	857,103	857,103	830,074	27,029
County attorney's forfeited property proceeds	-	-	5,696	(5,696)
Recorder/abstracter	429,399	429,399	393,760	35,639
Recorder - future equipment	69,000	69,000	47,335	21,665
Surveyor	14,700	14,700	11,179	3,521
Telephone	145,582	145,582	165,680	(20,098)
Courthouse operations	548,462	548,462	517,879	30,583
County offices building	22,000	22,000	6,302	15,698
Building fund department	50,000	50,000	-	50,000
Veterans service	105,423	105,423	96,137	9,286
Environmental services	465,272	465,272	419,798	45,474
Connect Nicollet County	-	-	11,959	(11,959)
Total general government	\$ 6,544,663	\$ 6,544,663	\$ 5,925,957	\$ 618,706

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,320,008	\$ 1,320,008	\$ 1,180,980	\$ 139,028
Boat and water safety	1,332	1,332	1,543	(211)
Prisoner commissions account	8,500	8,500	13,949	(5,449)
Sheriff - snowmobile safety enforcement	2,000	2,000	563	1,437
Enhanced 911 system	27,400	27,400	24,908	2,492
Sheriff - forfeited property proceeds	1,500	1,500	11,288	(9,788)
Sheriff - offroad highway grant	-	-	2,016	(2,016)
Coroner	15,250	15,250	40,764	(25,514)
Dispatch center	573,374	573,374	594,918	(21,544)
Jail/prisoners	1,251,207	1,251,207	1,082,098	169,109
Probation department	1,022,133	1,022,133	955,614	66,519
Emergency services	114,532	114,532	101,313	13,219
Total public safety	\$ 4,337,236	\$ 4,337,236	\$ 4,009,954	\$ 327,282
Sanitation				
Solid waste management	\$ 318,682	\$ 318,682	\$ 302,325	\$ 16,357
Health				
Public health nurse	\$ 447,239	\$ 447,239	\$ 412,051	\$ 35,188
WIC program	97,760	97,760	106,723	(8,963)
Maternal and child health	188,483	188,483	194,320	(5,837)
Bioterrorism grant	16,500	16,500	32,283	(15,783)
Waivered programs	603,572	603,572	533,895	69,677
Loan closet account	460	460	293	167
Core function - nursing department	1,300	1,300	1,188	112
Senior citizen transportation	89,707	89,707	85,353	4,354
Total health	\$ 1,445,021	\$ 1,445,021	\$ 1,366,106	\$ 78,915
Culture and recreation				
Historical society	\$ 105,080	\$ 105,080	\$ 105,405	\$ (325)
Wayside rest	14,250	14,250	16,884	(2,634)
Total culture and recreation	\$ 119,330	\$ 119,330	\$ 122,289	\$ (2,959)
Conservation of natural resources				
Agricultural society	\$ 49,100	\$ 49,100	\$ 49,100	\$ -
County extension	194,944	194,944	165,787	29,157
Soil and water conservation district	82,033	82,033	82,033	-
Tri-county fair	700	700	700	-
Total conservation of natural resources	\$ 326,777	\$ 326,777	\$ 297,620	\$ 29,157

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Economic development	\$ 32,342	\$ 32,342	\$ 39,448	\$ (7,106)
Housing and redevelopment authority	101,864	101,864	101,865	(1)
Total economic development	\$ 134,206	\$ 134,206	\$ 141,313	\$ (7,107)
Intergovernmental				
Culture and recreation - regional library	\$ 104,034	\$ 104,034	\$ 104,185	\$ (151)
Capital outlay				
General government	\$ -	\$ -	\$ 48,165	\$ (48,165)
Public safety	-	-	85,275	(85,275)
Total capital outlay	\$ -	\$ -	\$ 133,440	\$ (133,440)
Debt service				
Principal	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
Interest	20,117	20,117	17,855	2,262
Administrative charges	750	750	750	-
Total debt service	\$ 90,867	\$ 90,867	\$ 88,605	\$ 2,262
Total Expenditures	\$ 13,420,816	\$ 13,420,816	\$ 12,491,794	\$ 929,022
Excess of Revenues Over (Under)				
Expenditures	\$ 45,007	\$ 45,007	\$ 399,717	\$ 354,710
Other Financing Sources (Uses)				
Transfers in	\$ 25,000	\$ 25,000	\$ 32,201	\$ 7,201
Transfers out	(60,000)	(60,000)	(60,000)	-
Total Other Financing Sources (Uses)	\$ (35,000)	\$ (35,000)	\$ (27,799)	\$ 7,201
Net Change in Fund Balance	\$ 10,007	\$ 10,007	\$ 371,918	\$ 361,911
Fund Balance - January 1	11,158,225	11,158,225	11,158,225	-
Fund Balance - December 31	\$ 11,168,232	\$ 11,168,232	\$ 11,530,143	\$ 361,911

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,701,604	\$ 1,701,604	\$ 1,712,462	\$ 10,858
Intergovernmental	4,406,149	4,406,149	4,083,406	(322,743)
Charges for services	20,000	20,000	87,050	67,050
Gifts and contributions	-	-	3,870	3,870
Miscellaneous	13,150	13,150	170,495	157,345
Total Revenues	<u>\$ 6,140,903</u>	<u>\$ 6,140,903</u>	<u>\$ 6,057,283</u>	<u>\$ (83,620)</u>
Expenditures				
Current				
Highways and streets				
Administration	\$ 276,272	\$ 276,272	\$ 247,126	\$ 29,146
Maintenance	1,359,613	1,359,613	1,338,471	21,142
Construction	3,996,326	3,996,326	2,741,936	1,254,390
Equipment maintenance shops	509,112	509,112	350,555	158,557
Total highways and streets	<u>\$ 6,141,323</u>	<u>\$ 6,141,323</u>	<u>\$ 4,678,088</u>	<u>\$ 1,463,235</u>
Culture and recreation				
Parks	<u>\$ 61,562</u>	<u>\$ 61,562</u>	<u>\$ 50,344</u>	<u>\$ 11,218</u>
Intergovernmental				
Highways and streets	<u>\$ 138,182</u>	<u>\$ 138,182</u>	<u>\$ 147,975</u>	<u>\$ (9,793)</u>
Capital outlay				
Highways and streets	<u>\$ 310,000</u>	<u>\$ 310,000</u>	<u>\$ 291,372</u>	<u>\$ 18,628</u>
Debt service				
Principal	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest	41,060	41,060	41,051	9
Administrative charges	-	-	431	(431)
Total debt service	<u>\$ 246,060</u>	<u>\$ 246,060</u>	<u>\$ 246,482</u>	<u>\$ (422)</u>
Total Expenditures	<u>\$ 6,897,127</u>	<u>\$ 6,897,127</u>	<u>\$ 5,414,261</u>	<u>\$ 1,482,866</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

***EXHIBIT 6
(Continued)***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	\$ (756,224)	\$ (756,224)	\$ 643,022	\$ 1,399,246
Other Financing Sources (Uses)				
Transfers in	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Proceeds from sale of bonds	686,181	686,181	-	(686,181)
Total Other Financing Sources (Uses)	<u>\$ 746,181</u>	<u>\$ 746,181</u>	<u>\$ 60,000</u>	<u>\$ (686,181)</u>
Net Change in Fund Balance	\$ (10,043)	\$ (10,043)	\$ 703,022	\$ 713,065
Fund Balance - January 1	3,096,122	3,096,122	3,096,122	-
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>(67,029)</u>	<u>(67,029)</u>
Fund Balance - December 31	<u>\$ 3,086,079</u>	<u>\$ 3,086,079</u>	<u>\$ 3,732,115</u>	<u>\$ 646,036</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,060,996	\$ 3,060,996	\$ 3,080,160	\$ 19,164
Intergovernmental	4,530,989	4,530,989	4,580,125	49,136
Charges for services	219,350	219,350	455,110	235,760
Miscellaneous	184,183	184,183	276,095	91,912
Total Revenues	\$ 7,995,518	\$ 7,995,518	\$ 8,391,490	\$ 395,972
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,559,329	\$ 2,559,329	\$ 2,477,305	\$ 82,024
Social services	5,452,602	5,452,602	5,226,328	226,274
Total Expenditures	\$ 8,011,931	\$ 8,011,931	\$ 7,703,633	\$ 308,298
Excess of Revenues Over (Under)				
Expenditures	\$ (16,413)	\$ (16,413)	\$ 687,857	\$ 704,270
Fund Balance - January 1	3,509,615	3,509,615	3,509,615	-
Fund Balance - December 31	\$ 3,493,202	\$ 3,493,202	\$ 4,197,472	\$ 704,270

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 8

**STATEMENT OF FUND NET ASSETS
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2010**

Assets

Current assets	
Cash and pooled investments	\$ 1,543,823

Liabilities

Current liabilities	
Accounts payable	<u>157,985</u>

Net Assets

Unrestricted	<u><u>\$ 1,385,838</u></u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 9

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Revenues	
Charges for services	\$ 3,021,107
Operating Expenses	
Professional services	<u>2,989,380</u>
Net Income (Loss)	\$ 31,727
Net Assets - January 1	<u>1,354,111</u>
Net Assets - December 31	<u><u>\$ 1,385,838</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 10

**STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,388,350
Payments to suppliers	<u>(3,392,565)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,215)
Cash and Cash Equivalents at January 1	<u>1,548,038</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,543,823</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 31,727
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	<u>(35,942)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (4,215)</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 11

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Assets

Cash and pooled investments	\$ <u><u>1,402,341</u></u>
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Liabilities

Due to other governments	\$ <u><u>1,402,341</u></u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Summary of Significant Accounting Policies

Nicollet County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its proprietary fund, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Nicollet County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

The Revolving Loan Special Revenue Fund accounts for financial transactions resulting from loans for the replacement of existing septic systems.

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

The Debt Service Fund is used to account for revenues and expenditures related to the County's debt activity.

Additionally, the County reports the following funds:

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Nicollet County considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2010 were \$313,179.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Investments of the County are reported at fair value.

3. Receivables and Payables

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2001 through 2010 and deferred special assessments payable in 2011 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

4. Inventories and Prepaid Items

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

6. Compensated Absences

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

B. Individual Ditch Fund Deficits

At December 31, 2010, 46 ditch systems of the Ditch Special Revenue Fund had negative fund balances totaling \$165,265. Positive fund balances in other ditch systems of \$290,814 caused a positive fund balance for the fund.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 22,408,977
Internal Service Fund	
Cash and pooled investments	1,543,823
Fiduciary funds - agency funds	
Cash and pooled investments	<u>1,402,341</u>
 Total Cash and Investments	 <u>\$ 25,355,141</u>

a. Deposits

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. At December 31, 2010, the County did not have a deposit policy for custodial credit risk. As of December 31, 2010, the County's deposits were not exposed to custodial credit risk.

b. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing operating funds primarily in short-term deposits and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity required for operations. At December 31, 2010, the County did not have a policy on interest rate risk.

Credit Risk

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2010, the County did not have a policy on custodial credit risk. At December 31, 2010, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. At December 31, 2010, the County did not have a policy on concentration of credit risk. The following table presents the County's investment balances at December 31, 2010:

<u>Investment Type</u>	<u>Concentration Risk Percent of Portfolio</u>	<u>Carrying (Fair) Value</u>
Mutual fund	51.3%	\$ 6,395,180
Negotiable certificates of deposit	2.3	291,059
Government securities	46.3	<u>5,768,536</u>
Total		<u>\$ 12,454,775</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 372,188	\$ -
Special assessments - delinquent	19,609	-
Special assessments - deferred	1,251,760	1,061,622
Accounts	867,286	-
Accrued interest	57,764	-
Loans receivable	25,199	16,989
Due from other governments	3,673,459	-
Total Governmental Activities	\$ 6,267,265	\$ 1,078,611

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,366,359	\$ 902,379	\$ -	\$ 3,268,738
Construction in progress	381,202	893,649	-	1,274,851
Total capital assets not depreciated	\$ 2,747,561	\$ 1,796,028	\$ -	\$ 4,543,589
Capital assets depreciated				
Buildings	\$ 16,830,911	\$ 19,985	\$ 1,483,807	\$ 15,367,089
Land improvements	439,656	19,500	-	459,156
Machinery and equipment	5,223,977	385,329	167,071	5,442,235
Infrastructure	78,983,311	1,358,049	-	80,341,360
Total capital assets depreciated	\$ 101,477,855	\$ 1,782,863	\$ 1,650,878	\$ 101,609,840

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 6,089,119	\$ 434,426	\$ 1,229,251	\$ 5,294,294
Land improvements	246,131	18,389	-	264,520
Machinery and equipment	3,827,105	372,733	156,166	4,043,672
Infrastructure	<u>18,070,106</u>	<u>1,559,161</u>	<u>-</u>	<u>19,629,267</u>
Total accumulated depreciation	<u>\$ 28,232,461</u>	<u>\$ 2,384,709</u>	<u>\$ 1,385,417</u>	<u>\$ 29,231,753</u>
Total capital assets depreciated, net	<u>\$ 73,245,394</u>	<u>\$ (601,846)</u>	<u>\$ 265,461</u>	<u>\$ 72,378,087</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 75,992,955</u>	<u>\$ 1,194,182</u>	<u>\$ 265,461</u>	<u>\$ 76,921,676</u>

The deletions recorded for buildings and related accumulated depreciation are the result of removing the old courthouse value from 1997 when it was damaged by a tornado. The building was completely gutted and redone.

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

General government	\$ 419,450
Public safety	172,956
Highways and streets, including depreciation of infrastructure assets	1,752,348
Human services	37,108
Culture and recreation	1,961
Sanitation	<u>886</u>
Total Depreciation Expense	<u>\$ 2,384,709</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Road and Bridge	\$ 77	Utilities and supplies
	Human Services	12,242	Utilities, services, and supplies
	Ditch	3,358	Administration fees
Road and Bridge	General	2,590	Wayside rest expenses and fuel
	Ditch	<u>1,279</u>	Labor
Total Due To/From Other Funds		<u>\$ 19,546</u>	

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfer to General Fund from Revolving Loan Special Revenue Fund	\$ 32,201	Septic loan interest payments
Transfer to Road and Bridge Special Revenue Fund from General Fund	<u>60,000</u>	Appropriation for County parks
Total Interfund Transfers	<u>\$ 92,201</u>	

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

Nicollet County provides postemployment health care benefits for early retirees and elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans. As of December 31, 2010, one retiree family was receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2010, the County recognized \$7,108 of expenditures.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. As of January 1, 2010, there were approximately 33 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$44,713 for 2010.

Annual OPEB Cost and Net OPEB Obligation

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	212,573
Interest on net OPEB obligation		12,531
Adjustment to ARC		(16,867)
Annual OPEB cost (expense)	\$	208,237
Contributions made		(51,821)
Increase in net OPEB obligation	\$	156,416
Net OPEB Obligation - Beginning of Year		278,466
Net OPEB Obligation - End of Year	\$	434,882

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2008, 2009, and 2010, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 197,635	\$ 47,752	24.16%	\$ 149,883
December 31, 2009	195,574	66,991	34.25	278,466
December 31, 2010	208,237	51,821	24.89	434,882

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$1,580,922, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,580,922. The covered payroll (annual payroll of active employees covered by the plan) was \$9,600,349, and the ratio of the UAAL to the covered payroll was 16.5 percent.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Nicollet County's implicit rate of return on the General Fund. The annual health care cost trend is 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 27 years.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

The County has entered into a capital lease agreement to provide facilities for Human Services. This lease qualifies as a capital lease for accounting purposes and is recorded by the County as a capital asset at the present value of the future minimum payments as of the inception of the lease. The capital lease consists of the following at December 31, 2010:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Human Services Building	2013	Semi-annual	\$75,000 - \$80,000	\$ 940,000	<u>\$ 230,000</u>

Lease payments are made by the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

<u>Year Ending December 31</u>	
2011	\$ 87,262
2012	82,800
2013	<u>83,150</u>
Total minimum lease payments	\$ 253,212
Less: amount representing interest and fiscal fees	<u>(23,212)</u>
Present Value of Minimum Lease Payments	<u>\$ 230,000</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
2002A G.O. State-Aid Road Bonds	2014	\$205,000	4.35 - 4.60	\$ 2,450,000	\$ 820,000
2004A G.O. Capital Improvement Bonds	2015	\$260,000 - \$295,000	3.10 - 3.70	2,605,000	1,385,000
2006A G.O. Capital Improvement Bonds	2017	\$370,000 - \$470,000	4.00	3,970,000	2,930,000
2008A G.O. Road Reconstruction Bonds	2024	\$360,000 - \$615,000	3.25 - 3.65	6,985,000	6,640,000
2008A G.O. Drainage Bonds	2023	\$45,000 - \$60,000	3.25 - 3.60	815,000	700,000
2009A G.O. Capital Improvement Refunding Bonds	2014	\$375,000 - \$410,000	2.00 - 2.50	1,945,000	1,565,000
Total General Obligation Bonds				\$ 18,770,000	\$ 14,040,000
Less: unamortized discount					(8,046)
Plus: unamortized premium					79,016
Total General Obligation Bonds, Net					\$ 14,110,970

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2010</u>
1995 Groundwater Implementation CWP Project	2014	\$12,067	-	\$ 362,000	\$ 84,467
2002 Seven Mile Creek CWP Project	2015	\$11,936	2.00	215,392	102,244
2005 Seven Mile Creek Watershed Continuation CWP Project	2018	\$10,694	2.00	192,974	157,388
2006 Rush River Watershed	2018	\$5,141	2.00	92,781	71,287
2007 Middle Minnesota	2021	\$20,112	2.00	362,930	300,586
2007 Rush River Watershed	2020	\$15,525	2.00	280,154	168,971
Totals				<u>\$ 1,506,231</u>	<u>\$ 884,943</u>

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds		Loans*	
	Principal	Interest	Principal	Interest
2011	\$ 1,630,000	\$ 463,919	\$ 73,302	\$ 6,374
2012	1,685,000	409,770	74,290	5,386
2013	1,720,000	352,610	75,298	4,377
2014	1,780,000	291,786	64,260	3,349
2015	1,205,000	237,967	41,307	2,300
2016 - 2020	3,570,000	707,045	86,929	2,940
2021 - 2025	2,450,000	178,524	-	-
Total	\$ 14,040,000	\$ 2,641,621	\$ 415,386	\$ 24,726

*The debt service requirements for the loans from the Minnesota Pollution Control Agency of \$362,930 and \$280,154 are not known as of December 31, 2010.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 15,645,000	\$ -	\$ 1,605,000	\$ 14,040,000	\$ 1,630,000
Less: deferred amounts for issuance discounts	(10,169)	-	(2,123)	(8,046)	-
Plus: deferred amounts for issuance premium	86,899	-	7,883	79,016	-
Total bonds payable	\$ 15,721,730	\$ -	\$ 1,610,760	\$ 14,110,970	\$ 1,630,000
Capital leases	300,000	-	70,000	230,000	75,000
Loans payable	840,030	143,121	98,208	884,943	73,302
Net OPEB liability	278,466	208,237	51,821	434,882	-
Compensated absences	1,911,233	-	103,241	1,807,992	913,540
Total Long-Term Liabilities	\$ 19,051,459	\$ 351,358	\$ 1,934,030	\$ 17,468,787	\$ 2,691,842

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2010 and 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$125,000 stop-loss per family per year (\$2,553,600 aggregate) for the health plan. There is a maximum claim limit of \$750 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly,

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2010	2009
Unpaid claims, January 1	\$ 193,927	\$ 144,237
Incurred claims (including IBNRs)	2,303,329	2,256,253
Claims payments	(2,339,271)	(2,206,563)
Unpaid Claims, December 31	\$ 157,985	\$ 193,927

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 563,245	\$ 556,692	\$ 499,789
Public Employees Police and Fire Fund	104,317	100,756	84,365
Public Employees Correctional Fund	49,299	46,501	59,057

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

B. Defined Contribution Plan

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,682	\$ 5,682
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

B. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2010, the Health Services Board had net assets of \$716,587.

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

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$61,107 in 2010. Sibley County is the fiscal agent. Current financial statements are not available.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rush River Clean Water Partnership

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

The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. Current financial statements are not available.

C. Jointly-Governed Organizations

Sentence to Serve

Nicollet County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Nicollet County has no operational or financial control over the STS program, Nicollet County budgets for a percentage of this program.

Brown-Nicollet-Cottonwood Water Quality Joint Powers Board

The Brown-Nicollet-Cottonwood Water Quality Joint Powers Board helps implement, establish, and maintain a cooperative system of water quality implementation services. During the year, the County made no payments to the Joint Powers Board. The Joint Powers Board dissolved effective December 31, 2010.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Joint Airport Zoning Board

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

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice.

Minnesota River Board

The Minnesota River Board promotes orderly water quality improvement and management of the Minnesota River Watershed. During the year, the County paid \$2,500 to the Board.

Nicollet County Family Services Collaborative

Nicollet County entered into the Nicollet County Family Services Collaborative. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication. The Collaborative started in 1998 and consists of Nicollet County Social Services, Nicollet County Public Health, Nicollet County Court Services, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. Nicollet County is the fiscal agent for the Collaborative. Financing is provided by various grants. Activities of the Collaborative are accounted for in an agency fund of Nicollet County.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

South Central Community Based Initiative

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

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services Joint Powers Board is a joint powers organization founded by nine counties including: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan. The primary function of the joint powers is to implement and administer a regional emergency medical services program in Southern Minnesota. The Board receives funding from local, state, and federal government sources. During the year, the County made no contributions to the South Central Minnesota Emergency Medical Services Joint Powers Board.

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board

The South Central Regional IMMTRACK (immunization registry) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records.

South Central Workforce Council

The South Central Workforce Council Joint Powers Board comprises one representative from each of the participating County Boards. The Board is the local governmental body that appoints the Workforce Council members and is a full partner with them in overseeing area employment and training programs.

Southeast Minnesota Homeland Security/Emergency Management

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

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2010 is \$101,865. The proportionate shares of the counties may change for years 2011 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

6. Other Information (Continued)

B. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2010.

REQUIRED SUPPLEMENTARY INFORMATION

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2010**

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

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

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008. Future notes will provide additional trend analysis to meet the three actuarial valuations requirement as it becomes available.

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SUPPLEMENTARY INFORMATION

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of the principal, interest, and related costs of the general obligation bonds.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT B-1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,751,263	\$ 1,751,263	\$ 1,762,129	\$ 10,866
Intergovernmental	133,203	133,203	133,203	-
Total Revenues	<u>\$ 1,884,466</u>	<u>\$ 1,884,466</u>	<u>\$ 1,895,332</u>	<u>\$ 10,866</u>
Expenditures				
Debt service				
Principal	\$ 1,414,712	\$ 1,414,712	\$ 1,340,000	\$ 74,712
Interest	468,036	468,036	465,176	2,860
Administrative charges	1,718	1,718	1,718	-
Total Expenditures	<u>\$ 1,884,466</u>	<u>\$ 1,884,466</u>	<u>\$ 1,806,894</u>	<u>\$ 77,572</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 88,438	\$ 88,438
Fund Balance - January 1	<u>2,812,022</u>	<u>2,812,022</u>	<u>2,812,022</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,812,022</u></u>	<u><u>\$ 2,812,022</u></u>	<u><u>\$ 2,900,460</u></u>	<u><u>\$ 88,438</u></u>

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,850	\$ 329,210	\$ 323,302	\$ 10,758
<u>Liabilities</u>				
Due to other governments	\$ 4,850	\$ 329,210	\$ 323,302	\$ 10,758
 <u>SETTLEMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 309,509	\$ 55,265,458	\$ 55,271,404	\$ 303,563
<u>Liabilities</u>				
Due to other governments	\$ 309,509	\$ 55,265,458	\$ 55,271,404	\$ 303,563
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 161,277	\$ 3,211,526	\$ 3,271,110	\$ 101,693
<u>Liabilities</u>				
Due to other governments	\$ 161,277	\$ 3,211,526	\$ 3,271,110	\$ 101,693

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY HEALTH SERVICE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 473,985	\$ 1,907,620	\$ 1,730,874	\$ 650,731
<u>Liabilities</u>				
Due to other governments	\$ 473,985	\$ 1,907,620	\$ 1,730,874	\$ 650,731
 <u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 318,220	\$ 139,748	\$ 122,372	\$ 335,596
<u>Liabilities</u>				
Due to other governments	\$ 318,220	\$ 139,748	\$ 122,372	\$ 335,596
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,267,841	\$ 60,853,562	\$ 60,719,062	\$ 1,402,341
<u>Liabilities</u>				
Due to other governments	\$ 1,267,841	\$ 60,853,562	\$ 60,719,062	\$ 1,402,341

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Shared Revenue

State

Highway users tax	\$	3,468,944
County program aid		1,423,781
PERA rate reimbursement		34,276
Disparity reduction aid		11,664
Police aid		84,935
Enhanced 911		109,665
Market value credit		733,225
Market value credit - manufactured homes		17,730

Total shared revenue **\$ 5,884,220**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	790,586
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Payments

Local

Payments in lieu of taxes	\$	18,928
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Grants

State

Minnesota Department of Health	\$	91,258
Natural Resources		13,212
Human Services		1,168,943
Veterans Affairs		1,921
Corrections		254,844
Water and Soil Resources Board		89,238
Pollution Control Agency		79,209

Total state **\$ 1,698,625**

Federal

Department of Agriculture	\$	359,670
Commerce		35,125
Transportation		284,930
Health and Human Services		2,180,736
Homeland Security		40,504

Total federal **\$ 2,900,965**

Total state and federal grants **\$ 4,599,590**

Total Intergovernmental Revenue **\$ 11,293,324**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 161,505
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	193,074
State Administrative Matching Grants for SNAP - ARRA	10.561	5,091
		<u>5,091</u>
Total U.S. Department of Agriculture		\$ 359,670
U.S. Department of Commerce		
Passed Through Blue Earth County Public Safety Interoperable Communications Grant Program	11.555	\$ 35,125
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 284,930
U.S. Department of Health and Human Services		
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	\$ 51,501
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	15,083
Temporary Assistance for Needy Families	93.558	43,799
Medical Assistance Program	93.778	31,100
Maternal and Child Health Services Block Grant to the States	93.994	31,497
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1,283
Temporary Assistance for Needy Families Child Support Enforcement Cluster	93.558	407,236
Child Support Enforcement	93.563	649,902
Child Support Enforcement - ARRA	93.563	56,911
Refugee and Entrant Assistance - State-Administered Programs	93.566	186
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	28,739
Foster Care - Title IV-E Cluster Foster Care - Title IV-E	93.658	213,791
Foster Care - Title IV-E - ARRA	93.658	1,401
Social Services Block Grant	93.667	153,821
Chafee Foster Care Independence Program	93.674	4,611
Children's Health Insurance Program	93.767	252
Medical Assistance Program	93.778	478,460
Block Grants for Prevention and Treatment of Substance Abuse	93.959	11,163
		<u>11,163</u>
Total U.S. Department of Health and Human Services		\$ 2,180,736

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	\$ 10,504
Passed Through Blue Earth County Homeland Security Grant Program	97.067	<u>30,000</u>
Total U.S. Department of Homeland Security		<u>\$ 40,504</u>
Total Federal Awards		<u><u>\$ 2,900,965</u></u>

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Nicollet County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Nicollet County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Nicollet County.

3. Summary of Significant Accounting Policies

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

4. Subrecipients

During 2010, the County did not pass any federal money to subrecipients.

5. American Recovery and Reinvestment Act

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Nicollet County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Nicollet County and are reported in the "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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Nicollet County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Nicollet County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Temporary Assistance to Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

- H. The threshold for distinguishing between Type A and B programs was \$300,000.
- I. Nicollet County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

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

Client's Response:

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

06-3 Budgeting

The County has a budget policy that includes the procedures for adopting the budget and reporting a budgetary comparison statement to demonstrate compliance with the budget. The policy is good, but missing a few items we recommend it address. A formal written budget policy should include elements such as:

- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management or the budget committee and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted, and
- the procedures for monitoring the budget.

The ability to modify the budget during the year for new circumstances makes the budget more valuable because budgetary differences are not distorted by the new circumstances. Excess expenditures over budgeted amounts could be avoided through the use of budget monitoring and amendments. Although the County does have some procedures to monitor the budget, these procedures are not included in the budget policy.

During the year, the County department heads receive budget to actual reports either monthly or quarterly--the County Administrator receives the reports monthly, and the County Board receives the reports quarterly. However, the extent to which anyone reviews these reports is not known. The Auditor-Treasurer's Office assumes there are no issues if it does not hear from the department heads.

We recommend the County Board amend its budget policy to include the elements recommended above. Department heads and the County Board should monitor budgets on an ongoing basis. As budget-to-actual reports are reviewed, reviewers should indicate their review by signing off on them.

Client's Response:

The recommendation is recognized and will be reviewed and determine if any changes are necessary.

ITEM ARISING THIS YEAR

10- 1 Preparation of the Schedule of Expenditures of Federal Awards

The Office of Management and Budget's (OMB) Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities*, subpart C § .300, requires, "The auditee shall (a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity; and (d) shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with subpart C § .310."

Nicollet County does not prepare a Schedule of Expenditures of Federal Awards (SEFA), nor does it adequately identify federal programs by amount received and expended, federal grantor agency, pass-through agency, and Catalog of Federal Domestic Assistance (CFDA) title and number as required under OMB Circular A-133.

This condition results in a deficiency in internal control over financial statement preparation and the reporting of federal financial assistance by the County. Since the County has not developed procedures for properly identifying all federal financial assistance, the County relies on its auditors for assistance with preparing the SEFA. Independent auditors cannot be considered part of the County's internal control over financial reporting.

We recommend that Nicollet County management develop a process, including written procedures that will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments inform accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, and comparing the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act funding is involved. The federal CFDA website is available to assist in this process. Those responsible for compiling the SEFA should obtain the training necessary (through courses or reference materials) to understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

Client's Response:

Nicollet County staff will continue to work to meet audit standards.

PREVIOUSLY REPORTED ITEM RESOLVED

Capitalization of Infrastructure Assets (09-1)

Infrastructure capital assets were not recorded for the proper amounts.

Resolution

No adjustments were required to the infrastructure capital assets amounts in the current year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Fund Deficit Cash Balances

The County is authorized by Minn. Stat. § 103E.655, subd. 2, to make loans from ditch systems with a surplus or from the General Fund to a ditch system with insufficient cash to pay expenditures. This statute requires that the fund from which the funds were borrowed be repaid with interest. Allowing a ditch fund to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other funds of the County and, as such, is in noncompliance with Minnesota Law.

At December 31, 2010, 44 ditch systems had negative cash balances totaling \$184,810, and 46 ditch systems had negative fund balances totaling \$165,265.

We recommend that the County eliminate cash and fund balance deficits in individual ditches by borrowing from an eligible fund with a surplus cash balance, as permitted by statute, or by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the creation of a repair fund to provide for the repair and maintenance costs of a ditch system.

Client's Response:

The past four years have shown an aggressive attempt to bring all ditch systems to a positive fund balance. It is the intention to continue this process until all ditches in the County carry positive balances.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Nicollet County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;

- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the County Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;

- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.



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

Board of County Commissioners
Nicollet County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nicollet County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-3 and 10-1 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nicollet County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County has no tax increment financing.

The results of our tests indicate that for the items tested, Nicollet County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 96-1.

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

Nicollet County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Nicollet County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 30, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Nicollet County

Compliance

We have audited Nicollet County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Nicollet County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nicollet County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Nicollet County complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Nicollet County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 30, 2011