

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

**FARIBAULT COUNTY**  
**BLUE EARTH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2009

## **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.

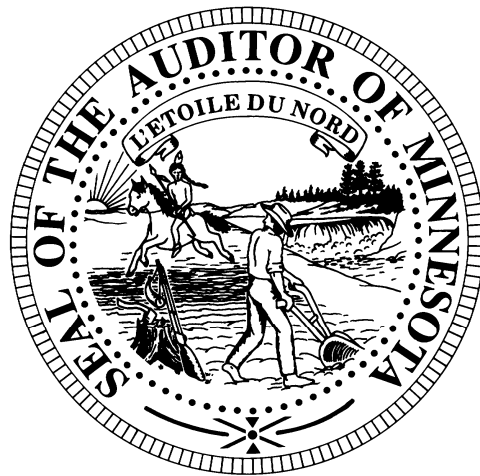
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**Year Ended December 31, 2009**



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

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Fund Balances of Governmental Funds to Net Assets - Governmental Activities	Exhibit 4	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	20
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities	Exhibit 6	22
Proprietary Fund		
Huntley Sewer District Enterprise Fund		
Statement of Fund Net Assets	Exhibit 7	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 8	24
Statement of Cash Flows	Exhibit 9	25
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 10	26
Notes to the Financial Statements		27
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	Schedule 1	64
Public Works Special Revenue Fund	Schedule 2	67
Human Services Special Revenue Fund	Schedule 3	68
Ditch Special Revenue Fund	Schedule 4	69
Schedule of Funding Progress - Other Postemployment Benefits	Schedule 5	70
Notes to the Required Supplementary Information		71

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Financial Section (Continued)</b>		
Supplementary Information		
Budgetary Comparison Schedule - Debt Service Fund	Schedule 6	73
Fiduciary Funds		
Agency Funds		74
Combining Statement of Changes in Assets and Liabilities	Schedule 7	75
Component Unit		
Economic Development Authority		
Governmental Fund Balance Sheet and Governmental Activities - Statement of Net Assets with Adjustments to Convert Modified to Full Accrual	Schedule 8	76
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities - Statement of Activities with Adjustments to Convert Modified to Full Accrual	Schedule 9	77
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 10	78
<b>Management and Compliance Section</b>		
Schedule of Findings and Recommendations	Schedule 11	79
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing     Standards</i>		85



This page was left blank intentionally.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2009

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Board Member	John Roper	District 1	January 2013
Board Member	Roland Erichsrud	District 2	January 2011
Board Member	William Groskreutz, Jr.	District 3	January 2013
Chair	Tom Loveall	District 4	January 2011
Board Member	Tom Warmka	District 5	January 2013
Attorney	Brian Roverud		January 2011
Auditor/Treasurer	John Thompson		January 2011
Judge	Douglas Richards		January 2015
County Recorder	Nancy Huff		January 2011
Registrar of Titles	Nancy Huff		January 2011
County Sheriff	Michael S. Gormley		January 2011
<b>Appointed</b>			
Assessor	Susan Wiltse		December 2012
County Engineer	John McDonald		April 2012
Veterans Service Officer	Bryan Schultz		Indefinite
Medical Examiner	William Lee, M.D.		Indefinite
<b>Economic Development Authority Board</b>			
	Ann Schuster	Wells	December 31, 2010
	Rob Nelson	Winnebago	December 31, 2011
	Jake Anderson	Frost	December 31, 2012
	Alice Moon	Kiester	December 31, 2013
	Colleen Gronewald	Blue Earth	December 31, 2014

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Faribault County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County, Minnesota, as of and for the year ended December 31, 2009, 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 did not audit the financial statements of the Faribault County Housing and Redevelopment Authority (HRA), which represent 6 percent, 5 percent, and 77 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Faribault County HRA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, the budgetary comparison schedules on Schedules 1 through 4, and the Schedule of Funding Progress - Other Postemployment Benefits are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Faribault County's basic financial statements. The supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Faribault County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2010, on our consideration of Faribault County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 3, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

This page was left blank intentionally.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

Faribault County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$50,435,606, of which \$45,212,252 is invested in capital assets, net of related debt, and \$3,409,642 is restricted to specific purposes.
- Business-type activities' total net assets are \$1,264,473, of which \$1,168,835 is invested in capital assets, net of related debt.
- Faribault County's governmental activities' net assets increased by \$1,218,152 for the year ended December 31, 2009. The net assets of the County's discretely presented component units increased by \$5,406.
- The net cost of governmental activities was \$7,711,106 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$8,929,258. The net cost of business-type activities were \$28,359.
- Governmental funds' fund balances decreased by \$1,854,163.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Faribault County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and other information are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit 3. For governmental activities, these statements tell how these services were

financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, transit, sanitation, human services, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The Huntley Sewer District activities are reported here.
- Component units--The County includes two separate legal entities in its report. The Faribault County Housing and Redevelopment Authority and the Faribault County Economic Development Authority are presented in separate columns. Although legally separate, these "component units" are important because the County is financially accountable for them.

## **Fund Financial Statements**

Our analysis of the County's major funds begins on Exhibit 3 and provides detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

- **Governmental funds**--Most of the County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.
- **Proprietary funds**--When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

## **Reporting the County's Fiduciary Responsibilities**

The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **THE COUNTY AS A WHOLE**

The County's combined net assets increased from \$50,510,286 to \$51,700,079. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities and business-type activities.

**Table 1  
Net Assets**

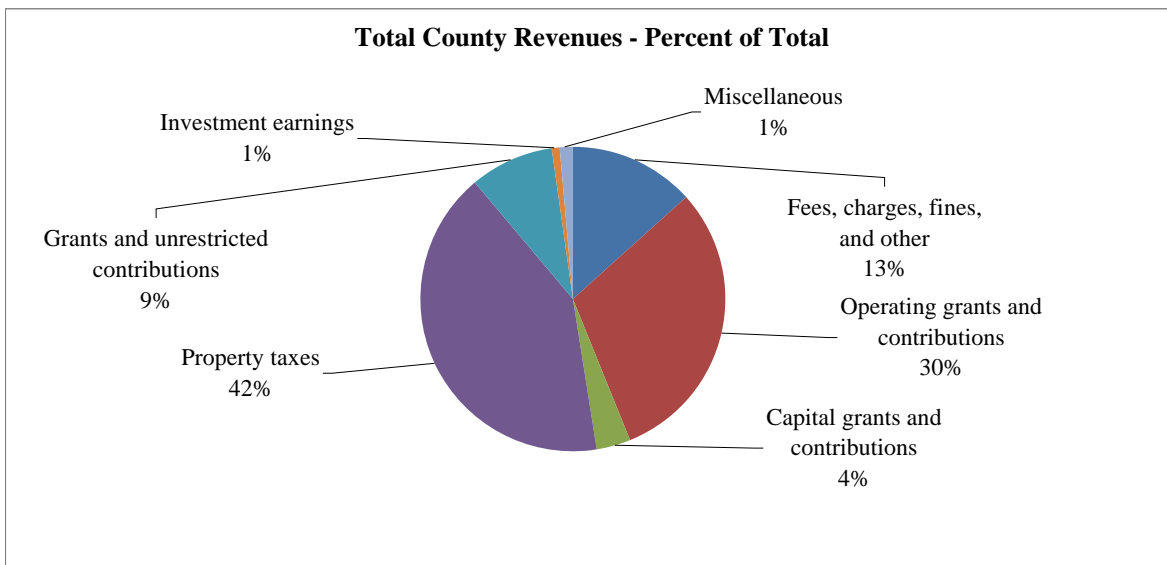
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 11,375,851	\$ 12,968,393	\$ 170,356	\$ (223,570)	\$ 11,546,207	\$ 12,744,823
Capital assets	54,845,849	51,601,424	1,528,835	1,584,949	56,374,684	53,186,373
<b>Total Assets</b>	<b>\$ 66,221,700</b>	<b>\$ 64,569,817</b>	<b>\$ 1,699,191</b>	<b>\$ 1,361,379</b>	<b>\$ 67,920,891</b>	<b>\$ 65,931,196</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 14,865,580	\$ 13,866,216	\$ 360,000	\$ -	\$ 15,225,580	\$ 13,866,216
Other liabilities	920,514	1,486,147	74,718	68,547	995,232	1,554,694
<b>Total Liabilities</b>	<b>\$ 15,786,094</b>	<b>\$ 15,352,363</b>	<b>\$ 434,718</b>	<b>\$ 68,547</b>	<b>\$ 16,220,812</b>	<b>\$ 15,420,910</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 45,212,252	\$ 43,144,167	\$ 1,168,835	\$ 1,584,949	\$ 46,381,087	\$ 44,729,116
Restricted	3,409,642	1,793,375	-	-	3,409,642	1,793,375
Unrestricted	1,813,712	4,279,912	95,638	(292,117)	1,909,350	3,987,795
<b>Total Net Assets</b>	<b>\$ 50,435,606</b>	<b>\$ 49,217,454</b>	<b>\$ 1,264,473</b>	<b>\$ 1,292,832</b>	<b>\$ 51,700,079</b>	<b>\$ 50,510,286</b>

Net assets of the County's governmental activities increased by 2.5 percent (\$1,218,152). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$4,279,912 at December 31, 2008, to \$1,813,712 at the end of this year. Net assets of the business-type activities decreased by 2.2 percent (\$28,359).

**Table 2  
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues						
Fees, charges, fines, and other	\$ 2,280,142	\$ 1,855,307	\$ 40,367	\$ 7,834	\$ 2,320,509	\$ 1,863,141
Operating grants and contributions	5,164,661	2,967,540	-	-	5,164,661	2,967,540
Capital grants and contributions	621,676	2,358,295	-	104,069	621,676	2,462,364
General revenues						
Property taxes	7,041,827	6,475,660	-	-	7,041,827	6,475,660
Grants and restricted contributions	1,530,903	1,432,422	-	-	1,530,903	1,432,422
Unrestricted investment earnings	112,970	445,992	-	-	112,970	445,992
Miscellaneous	243,558	268,114	-	-	243,558	268,114
<b>Total Revenues</b>	<b>\$ 16,995,737</b>	<b>\$ 15,803,330</b>	<b>\$ 40,367</b>	<b>\$ 111,903</b>	<b>\$ 17,036,104</b>	<b>\$ 15,915,233</b>

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Expenses						
General government	\$ 3,184,174	\$ 3,248,397	\$ -	\$ -	\$ 3,184,174	\$ 3,248,397
Public safety	2,594,851	2,437,849	-	-	2,594,851	2,437,849
Highways and streets	5,973,319	6,262,867	-	-	5,973,319	6,262,867
Transit	251,841	-	-	-	251,841	-
Sanitation	96,005	91,917	68,726	56,744	164,731	148,661
Human services	1,579,998	1,971,877	-	-	1,579,998	1,971,877
Culture and recreation	392,853	326,768	-	-	392,853	326,768
Conservation of natural resources	1,016,145	1,449,107	-	-	1,016,145	1,449,107
Economic development	165,983	734,250	-	-	165,983	734,250
Interest	522,416	531,618	-	-	522,416	531,618
Total Expenses	\$ 15,777,585	\$ 17,054,650	\$ 68,726	\$ 56,744	\$ 15,846,311	\$ 17,111,394
Net Change	\$ 1,218,152	\$ (1,251,320)	\$ (28,359)	\$ 55,159	\$ 1,189,793	\$ (1,196,161)



### Governmental Activities

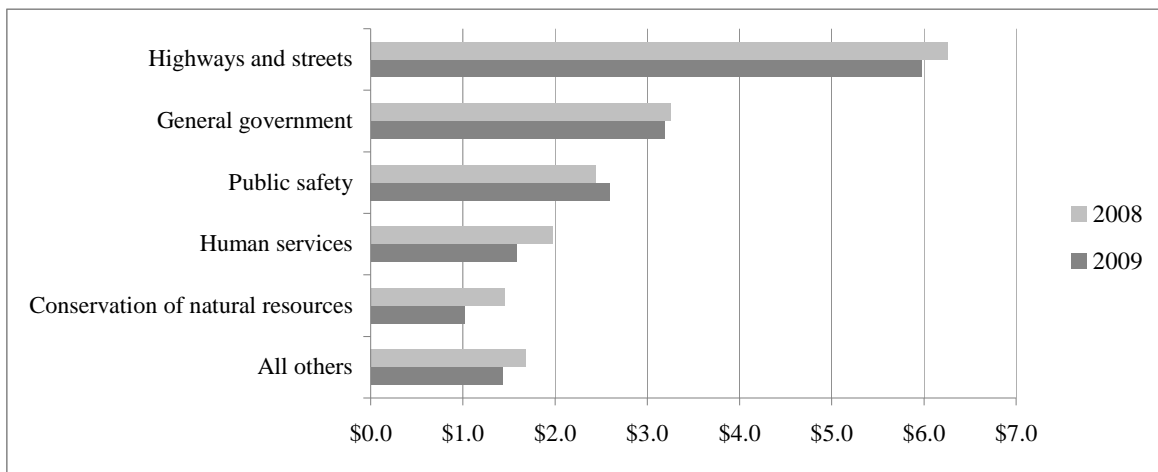
Revenues for the County’s governmental activities were \$16,995,737, while total expenses were \$15,777,585. However, as shown in the Statement of Activities (Exhibit 2), the amount that our taxpayers ultimately financed for these activities through County taxes was \$7,041,827, because some of the cost was paid by those who directly benefited from the programs (\$2,280,142) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,786,337). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, totaled \$8,066,479. The County paid for the remaining “public benefit” portion of governmental activities with \$8,929,258 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements.

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

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Highways and streets	\$ 5,973,319	\$ 6,262,867	\$ 575,114	\$ 1,608,042
General government	3,184,174	3,248,397	2,510,284	2,617,103
Public safety	2,594,851	2,437,849	2,010,132	1,900,950
Human services	1,579,998	1,971,877	1,579,998	1,971,877
Conservation of natural resources	1,016,145	1,449,107	(1,373)	856,580
All others	1,429,098	1,684,553	1,036,951	918,956
<b>Total Expenses</b>	<b>\$ 15,777,585</b>	<b>\$ 17,054,650</b>	<b>\$ 7,711,106</b>	<b>\$ 9,873,508</b>

**Governmental Activities Expense  
(In Millions)**



## THE COUNTY’S FUNDS

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit 3) reported a combined fund balance of \$6,052,752, which is below last year’s total of \$7,906,915. The General Fund showed a decrease of \$2,748,825. The majority of the decrease was due to funds expended in the building of a law enforcement center. The Public Works Special Revenue Fund decreased by \$567,108 due to less Highway Allotment funds received because there were fewer highway projects. The Ditch Special Revenue Fund decreased by \$36,915. The Debt Service Fund increased by \$1,140,581 due to debt issued to cover Individual Sewage Treatment Systems (ISTS) loans made under the County’s ISTS loan program. The

Human Services Special Revenue Fund increased by \$304,969 due to refunds of allocations to the Faribault-Martin Human Services Joint Powers Board. Fewer out-of-home placements were experienced in 2009 than budgeted. The General Fund's fund balance is 40.4 percent of the total governmental funds, compared to 65.7 percent at the end of 2008.

### General Fund Budgetary Highlights

The County Board revised the budget in May 2009. The State of Minnesota reduced the amount of program aid promised to the County. The General Fund revenue budget was decreased by \$291,474 to reflect lower state aid and lower interest earnings, while the expenditures were reduced \$293,627. Construction on the law enforcement center was budgeted in 2007, but a majority of the expenditures were made in 2008 and continued into 2009. This led to the general government expenditure category being \$2,993,464 over budget. Public safety expenditures were \$111,722 over budget due to higher than expected capital costs due to the startup costs of the new law enforcement center. Conservation of natural resources spending was \$154,640 over budget due to more than expected ISTS loans made. Bonds were issued in 2009 to help fund the ISTS program. Economic development expenditures exceeded budgeted amounts by \$61,493 due to the County acting as fiscal agent for an unbudgeted small cities development loan program.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the County had \$56,374,684 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$3,188,311, or 6.0 percent, over last year.

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

	2009	2008
Governmental Activities		
Land	\$ 1,682,113	\$ 1,058,935
Construction in progress	1,291,647	10,814,723
Building and improvements	11,240,512	1,283,849
Other improvements	98,192	107,148
Machinery and equipment	3,917,349	1,891,130
Infrastructure	36,616,036	36,445,639
Total	\$ 54,845,849	\$ 51,601,424

	<u>2009</u>	<u>2008</u>
Business-Type Activities		
Land	\$ 27,643	\$ 27,643
Machinery and equipment	60,666	65,333
Infrastructure	<u>1,440,526</u>	<u>1,491,973</u>
Total	<u>\$ 1,528,835</u>	<u>\$ 1,584,949</u>

The majority of the increase came from the County's law enforcement center project starting in 2007 and continuing into 2009. There is more detailed information on capital assets in the notes to the financial statements.

### Debt

At year-end, the County had \$13,010,000 in bonds outstanding, versus \$12,400,000 for last year. Table 5 shows the outstanding debt.

**Table 5**  
**Outstanding Debt at Year-End**

	<u>2009</u>	<u>2008</u>
Governmental Activities		
Bonds payable	\$ 13,010,000	\$ 12,400,000
Capital leases	9,707	14,640
Loans payable	75,284	86,980
Other postemployment benefits liability	860,635	427,370
Compensated absences	<u>948,536</u>	<u>822,239</u>
Totals	<u>\$ 14,904,162</u>	<u>\$ 13,751,229</u>
Business-Type Activities		
Bonds payable	<u>\$ 360,000</u>	<u>\$ -</u>

The County's general obligation bond rating continues to carry an A3 rating by Moody's Investor Service as rated in 2007. The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this state-imposed limit. In September 2009, the County issued \$1,500,000 in taxable general obligation waste disposal bonds to fund the ISTS program. In June 2009, the County issued \$360,000 in bonds to the United States Department of Agriculture to help fund the Huntley Sewer District project. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.



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

The County's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged.

- The County's General Fund expenditures for 2010 are budgeted to increase 5.6 percent over 2009. The majority of the increase is to fund the addition of jailers at the new law enforcement center along with additional operational costs.
- The County opened the new law enforcement center in September 2009. An additional jailer post required by the Department of Corrections added five new employees. Additional costs were needed to cover operational costs of the new law enforcement center.
- The County continues to monitor the State of Minnesota's budget deficit situation. Further unallotments and cuts in state aid are expected over the next several years and will be addressed in future budgets and possibly revised current budgets.
- Property tax levies have increased 4.7 percent for 2010.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Auditor-Treasurer-Coordinator John Thompson, Faribault County Courthouse, 100 Main Street, P. O. Box 130, Blue Earth, Minnesota 56013.

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority</b>	<b>Economic Development Authority</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 4,960,451	\$ -	\$ 4,960,451	\$ 100	\$ 393,468
Petty cash and change funds	2,602	-	2,602	-	-
Cash with fiscal agent	-	-	-	36,630	-
Taxes receivable					
Prior - net	149,527	-	149,527	-	-
Special assessments receivable					
Prior	15,678	3,045	18,723	-	-
Noncurrent	2,327,800	83,828	2,411,628	-	-
Accounts receivable - net	26,241	-	26,241	-	50,000
Accrued interest receivable	8,275	-	8,275	-	-
Loans receivable	-	-	-	-	112,472
Due from other governments	2,184,671	98,610	2,283,281	-	-
Advance to other governments	45,000	-	45,000	-	-
Internal balances	17,596	(17,596)	-	-	-
Inventories	1,502,655	-	1,502,655	-	-
Prepaid items	59,331	-	59,331	-	-
Restricted assets					
Investments - temporary	-	-	-	-	18,000
Deferred charges	76,024	2,469	78,493	-	-
Capital assets					
Non-depreciable	2,973,760	27,643	3,001,403	-	-
Depreciable - net of accumulated depreciation	51,872,089	1,501,192	53,373,281	-	-
<b>Total Assets</b>	<b>\$ 66,221,700</b>	<b>\$ 1,699,191</b>	<b>\$ 67,920,891</b>	<b>\$ 36,730</b>	<b>\$ 573,940</b>

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 1  
(Continued)*

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Housing and Redevelopment Authority</b>	<b>Economic Development Authority</b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 191,147	\$ 841	\$ 191,988	\$ 100	\$ 534
Due to fiscal agent	-	-	-	7,737	-
Salaries payable	61,434	-	61,434	-	672
Contracts payable	432,836	65,039	497,875	-	4,167
Due to other governments	15,275	-	15,275	-	-
Accrued interest payable	204,589	8,838	213,427	-	-
Unearned revenue	15,233	-	15,233	-	-
Long-term liabilities					
Due within one year	728,292	3,000	731,292	-	-
Due in more than one year	13,276,653	357,000	13,633,653	-	-
Net OPEB liability	860,635	-	860,635	-	-
<b>Total Liabilities</b>	<b>\$ 15,786,094</b>	<b>\$ 434,718</b>	<b>\$ 16,220,812</b>	<b>\$ 7,837</b>	<b>\$ 5,373</b>
<b><u>Net Assets</u></b>					
Invested in capital assets - net of related debt	\$ 45,212,252	\$ 1,168,835	\$ 46,381,087	\$ -	\$ -
Restricted for					
General government	378,838	-	378,838	-	-
Public safety	79,951	-	79,951	-	-
Highways and streets	1,367,216	-	1,367,216	-	-
Conservation of natural resources	1,129,734	-	1,129,734	-	-
Debt service	453,903	-	453,903	-	-
Housing assistance payments	-	-	-	28,893	-
Unrestricted	1,813,712	95,638	1,909,350	-	568,567
<b>Total Net Assets</b>	<b>\$ 50,435,606</b>	<b>\$ 1,264,473</b>	<b>\$ 51,700,079</b>	<b>\$ 28,893</b>	<b>\$ 568,567</b>

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

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b><u>Functions/Programs</u></b>				
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 3,184,174	\$ 623,275	\$ 50,615	\$ -
Public safety	2,594,851	352,290	232,429	-
Highways and streets	5,973,319	370,215	4,469,552	558,438
Transit	251,841	26,427	141,939	63,238
Sanitation	96,005	(8,602)	55,475	-
Human services	1,579,998	-	-	-
Culture and recreation	392,853	40,744	-	-
Conservation of natural resources	1,016,145	875,793	141,725	-
Economic development	165,983	-	72,926	-
Interest	522,416	-	-	-
<b>Total governmental activities</b>	<b>\$ 15,777,585</b>	<b>\$ 2,280,142</b>	<b>\$ 5,164,661</b>	<b>\$ 621,676</b>
<b>Business-type activities</b>				
Huntley Sewer System	68,726	40,367	-	-
<b>Total Primary Government</b>	<b>\$ 15,846,311</b>	<b>\$ 2,320,509</b>	<b>\$ 5,164,661</b>	<b>\$ 621,676</b>
<b>Component units</b>				
Housing and Redevelopment Authority	\$ 316,068	\$ -	\$ 308,220	\$ -
Economic Development Authority	78,529	4,982	-	-
<b>Total Component Units</b>	<b>\$ 394,597</b>	<b>\$ 4,982</b>	<b>\$ 308,220</b>	<b>\$ -</b>

**General Revenues**

Property taxes  
Mortgage registry and deed tax  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - January 1**

**Net Assets - December 31**



Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Primary Government		Discretely Presented Component Units	
	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
\$ (2,510,284)	\$ -	\$ (2,510,284)		
(2,010,132)	-	(2,010,132)		
(575,114)	-	(575,114)		
(20,237)	-	(20,237)		
(49,132)	-	(49,132)		
(1,579,998)	-	(1,579,998)		
(352,109)	-	(352,109)		
1,373	-	1,373		
(93,057)	-	(93,057)		
(522,416)	-	(522,416)		
<b>\$ (7,711,106)</b>	<b>\$ -</b>	<b>\$ (7,711,106)</b>		
-	(28,359)	(28,359)		
<b>\$ (7,711,106)</b>	<b>\$ (28,359)</b>	<b>\$ (7,739,465)</b>		
			\$ (7,848)	\$ -
			-	(73,547)
			<b>\$ (7,848)</b>	<b>\$ (73,547)</b>
\$ 7,017,367	\$ -	\$ 7,017,367	\$ -	\$ -
7,593	-	7,593	-	-
16,867	-	16,867	-	-
1,530,903	-	1,530,903	-	85,992
112,970	-	112,970	80	729
243,558	-	243,558	-	-
<b>\$ 8,929,258</b>	<b>\$ -</b>	<b>\$ 8,929,258</b>	<b>\$ 80</b>	<b>\$ 86,721</b>
\$ 1,218,152	\$ (28,359)	\$ 1,189,793	\$ (7,768)	\$ 13,174
<b>49,217,454</b>	<b>1,292,832</b>	<b>50,510,286</b>	<b>36,661</b>	<b>555,393</b>
<b>\$ 50,435,606</b>	<b>\$ 1,264,473</b>	<b>\$ 51,700,079</b>	<b>\$ 28,893</b>	<b>\$ 568,567</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 1,665,492	\$ 180,921	\$ 1,519,781	\$ 13,330	\$ 1,580,927	\$ 4,960,451
Petty cash and change funds	2,305	297	-	-	-	2,602
Taxes receivable						
Prior	77,771	23,399	35,343	-	13,014	149,527
Special assessments						
Prior	9,541	-	-	6,137	-	15,678
Noncurrent	1,399,308	-	-	928,492	-	2,327,800
Accounts receivable	25,664	400	-	177	-	26,241
Accrued interest receivable	8,275	-	-	-	-	8,275
Interfund receivable	17,596	-	-	-	-	17,596
Due from other funds	-	5,305	-	-	-	5,305
Due from other governments	74,014	1,770,146	-	135,511	205,000	2,184,671
Prepaid expense	45,731	13,600	-	-	-	59,331
Advance to other funds	877,389	-	-	-	-	877,389
Advance to other governments	45,000	-	-	-	-	45,000
Inventories	-	1,502,655	-	-	-	1,502,655
<b>Total Assets</b>	<b><u>\$ 4,248,086</u></b>	<b><u>\$ 3,496,723</u></b>	<b><u>\$ 1,555,124</u></b>	<b><u>\$ 1,083,647</u></b>	<b><u>\$ 1,798,941</u></b>	<b><u>\$ 12,182,521</u></b>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 133,094	\$ 26,691	\$ -	\$ 30,731	\$ 631	\$ 191,147
Salaries payable	43,124	18,310	-	-	-	61,434
Contracts payable	137,890	287,032	-	7,914	-	432,836
Due to other funds	4,430	-	-	875	-	5,305
Due to other governments	-	-	-	15,275	-	15,275
Deferred revenue - unavailable	1,470,631	1,753,688	26,080	1,066,418	214,333	4,531,150
Deferred revenue - unearned	13,521	529	843	-	340	15,233
Advance from other funds	-	-	-	877,389	-	877,389
<b>Total Liabilities</b>	<b>\$ 1,802,690</b>	<b>\$ 2,086,250</b>	<b>\$ 26,923</b>	<b>\$ 1,998,602</b>	<b>\$ 215,304</b>	<b>\$ 6,129,769</b>
<b>Fund Balances</b>						
Reserved for						
Inventories	\$ -	\$ 1,502,655	\$ -	\$ -	\$ -	\$ 1,502,655
Advance to other funds	877,389	-	-	-	-	877,389
Advance to other governments	45,000	-	-	-	-	45,000
Law library	23,034	-	-	-	-	23,034
Recorder's equipment purchases	147,051	-	-	-	-	147,051
Recorder's compliance fund	162,890	-	-	-	-	162,890
Enhanced 911	58,576	-	-	-	-	58,576
Drug Abuse Resistance Education	21,375	-	-	-	-	21,375
Helping America Vote Act election plan	45,863	-	-	-	-	45,863
Individual Sewage Treatment System loans	-	-	-	-	1,129,734	1,129,734
Unreserved						
Designated for						
Debt service	-	-	-	-	453,903	453,903
Future expenditures	375,000	-	-	-	-	375,000
Compensated absences	580,955	-	-	-	-	580,955
Environmental trust fund	20,000	-	-	-	-	20,000
Undesignated	88,263	(92,182)	1,528,201	(914,955)	-	609,327
<b>Total Fund Balances</b>	<b>\$ 2,445,396</b>	<b>\$ 1,410,473</b>	<b>\$ 1,528,201</b>	<b>\$ (914,955)</b>	<b>\$ 1,583,637</b>	<b>\$ 6,052,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,248,086</b>	<b>\$ 3,496,723</b>	<b>\$ 1,555,124</b>	<b>\$ 1,083,647</b>	<b>\$ 1,798,941</b>	<b>\$ 12,182,521</b>



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS  
TO NET ASSETS - GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 6,052,752</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		54,845,849
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,531,150
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (12,345,000)	
Special assessment bonds	(665,000)	
Loans payable	(75,284)	
Bond discount	38,582	
Net OPEB liability	(860,635)	
Deferred debt issuance charges	76,024	
Accrued interest payable	(204,589)	
Compensated absences	(948,536)	
Capital leases payable	(9,707)	
	(14,994,145)	(14,994,145)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 50,435,606</u></b>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>General</b>	<b>Public Works</b>
<b>Revenues</b>		
Taxes	\$ 3,555,385	\$ 1,058,383
Special assessments	310,370	-
Licenses and permits	2,425	-
Intergovernmental	1,859,651	4,209,584
Charges for services	820,558	144,431
Fines and forfeits	19,993	-
Investment earnings	117,273	-
Miscellaneous	232,138	271,154
	<b>\$ 6,917,793</b>	<b>\$ 5,683,552</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 5,672,261	\$ -
Public safety	2,742,597	-
Highways and streets	-	6,094,815
Transit	237,162	-
Human services	-	-
Sanitation	96,005	-
Culture and recreation	233,471	155,845
Conservation of natural resources	685,472	-
Economic development	165,983	-
<b>Debt service</b>		
Principal	16,629	-
Interest	2,521	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 9,852,101</b>	<b>\$ 6,250,660</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,934,308)</b>	<b>\$ (567,108)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 358,531	\$ -
Transfers out	(173,048)	-
Bonds issued	-	-
Discount on bonds issued	-	-
	<b>\$ 185,483</b>	<b>\$ -</b>
<b>Change in Fund Balances</b>	<b>\$ (2,748,825)</b>	<b>\$ (567,108)</b>
<b>Fund Balances - January 1</b>	<b>5,194,221</b>	<b>1,924,446</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>53,135</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,445,396</b>	<b>\$ 1,410,473</b>

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

**EXHIBIT 5**

<b>Human Services</b>	<b>Ditch</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
\$ 1,686,593	\$ -	\$ 686,002	\$ 6,986,363
-	411,774	226,581	948,725
-	-	-	2,425
198,374	-	79,792	6,347,401
-	-	-	964,989
-	-	-	19,993
-	-	16,964	134,237
-	-	163,200	666,492
<b>\$ 1,884,967</b>	<b>\$ 411,774</b>	<b>\$ 1,172,539</b>	<b>\$ 16,070,625</b>
\$ -	\$ -	\$ -	\$ 5,672,261
-	-	-	2,742,597
-	-	-	6,094,815
-	-	-	237,162
1,579,998	-	-	1,579,998
-	-	-	96,005
-	-	-	389,316
-	371,123	-	1,056,595
-	-	-	165,983
-	50,000	840,000	906,629
-	26,935	472,866	502,322
-	-	18,022	18,022
-	631	3,587	4,218
<b>\$ 1,579,998</b>	<b>\$ 448,689</b>	<b>\$ 1,334,475</b>	<b>\$ 19,465,923</b>
<b>\$ 304,969</b>	<b>\$ (36,915)</b>	<b>\$ (161,936)</b>	<b>\$ (3,395,298)</b>
\$ -	\$ -	\$ 173,048	\$ 531,579
-	-	(358,531)	(531,579)
-	-	1,500,000	1,500,000
-	-	(12,000)	(12,000)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,302,517</b>	<b>\$ 1,488,000</b>
<b>\$ 304,969</b>	<b>\$ (36,915)</b>	<b>\$ 1,140,581</b>	<b>\$ (1,907,298)</b>
1,223,232	(878,040)	443,056	7,906,915
-	-	-	53,135
<b>\$ 1,528,201</b>	<b>\$ (914,955)</b>	<b>\$ 1,583,637</b>	<b>\$ 6,052,752</b>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (1,907,298)**

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	\$ 4,531,150	
Deferred revenue - January 1	(3,564,473)	966,677

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	\$ 6,284,181	
Net book value of assets sold	(13,472)	
Current year depreciation	(3,026,284)	3,244,425

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 net assets.

Proceeds of new debt		
General obligation bonds issued	\$ (1,500,000)	
Discount on bonds issued	12,000	
Bond issuance costs	18,022	(1,469,978)

Principal repayments		
General obligation bonds	\$ 840,000	
Special assessment bonds	50,000	
Capital lease	4,933	
Loans payable	11,696	906,629

Amortization of discount on bonds and issuance costs		(11,169)
--	--	----------

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

Change in accrued interest payable	\$ (4,707)	
Change in compensated absences	(126,297)	
Change in OPEB liabilities	(433,265)	
Change in inventories	53,135	(511,134)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,218,152**

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

**PROPRIETARY FUND**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FUND NET ASSETS  
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND  
DECEMBER 31, 2009**

	<b>Business-Type Activities</b>
<b><u>Assets</u></b>	
<b>Current assets</b>	
Special assessments	
Prior	\$ 3,045
Noncurrent	83,828
Due from other governments	98,610
<b>Total current assets</b>	<b>\$ 185,483</b>
<b>Noncurrent assets</b>	
Deferred charges	\$ 2,469
Capital assets	
Nondepreciable	27,643
Depreciable - net of accumulated depreciation	1,501,192
<b>Total noncurrent assets</b>	<b>\$ 1,531,304</b>
<b>Total Assets</b>	<b>\$ 1,716,787</b>
<b><u>Liabilities</u></b>	
<b>Current liabilities</b>	
Accounts payable	\$ 841
Contracts payable	65,039
Interfund payable	17,596
Accrued interest payable	8,838
General obligation bonds payable - current	3,000
<b>Total current liabilities</b>	<b>\$ 95,314</b>
<b>Noncurrent liabilities</b>	
General obligation bonds payable - long-term	357,000
<b>Total Liabilities</b>	<b>\$ 452,314</b>
<b><u>Net Assets</u></b>	
Invested in capital assets - net of related debt	\$ 1,168,835
Unrestricted	95,638
<b>Total Net Assets</b>	<b>\$ 1,264,473</b>

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

Page 23

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Business-Type Activities</u>
<b>Operating Revenues</b>	
Charges for services	\$ <u>33,571</u>
<b>Operating Expenses</b>	
Professional services	\$ 3,743
Depreciation	<u>56,114</u>
<b>Total Operating Expenses</b>	<u>\$ 59,857</u>
<b>Operating Income (Loss)</b>	<u>\$ (26,286)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Special assessments	\$ 6,796
Interest expense	(8,838)
Amortization of deferred charges	<u>(31)</u>
<b>Total Nonoperating Revenues</b>	<u>\$ (2,073)</u>
<b>Change in Net Assets</b>	<u>\$ (28,359)</u>
<b>Net Assets - January 1</b>	<u>1,292,832</u>
<b>Net Assets - December 31</b>	<u><u>\$ 1,264,473</u></u>



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 9*

**STATEMENT OF CASH FLOWS  
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Business-Type Activities</b>
<b>Cash Flows from Operating Activities</b>	
Payments to suppliers	\$ (2,902)
<b>Cash Flows from Noncapital Financing Activities</b>	
Payment of interfund loan	\$ (364,541)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessments	\$ 13,451
Bond proceeds	360,000
Debt issuance costs	(2,500)
Construction expenses	(3,508)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ 367,443</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ -
<b>Cash and Cash Equivalents at January 1</b>	-
<b>Cash and Cash Equivalents at December 31</b>	\$ -
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ (26,286)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 56,114
(Increase) decrease in due from other governments	(33,571)
Increase (decrease) in accounts payable	841
<b>Total adjustments</b>	<b>\$ 23,384</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (2,902)</b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 156,488</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 156,488</u>

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. 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 business-type activities and enterprise 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

Faribault County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Faribault County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Faribault County are discretely presented:

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Faribault County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-469.1081.	County appoints all members and is able to impose its will on the EDA.	Separate financial statements are not prepared.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Faribault County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints the Board members and must approve debt.	Faribault County HRA Minnesota Valley Action Council 464 Raintree Road Mankato, Minnesota 56001

Joint Ventures

The County participates in several joint ventures described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.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 primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net 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.



**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and the business-type 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 governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Public Works Special Revenue Fund is used to account for revenues and expenditures relating to public works for the establishment, location, vacation, construction, reconstruction, improvement, and maintenance of roads, bridges, and other projects affecting County roadways and parks.

The Human Services Special Revenue Fund is used to account for the transfer of Faribault County's share of the Faribault-Martin County Human Services Board.

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 the accumulation of resources for, and the payment of, principal, interest, and related costs of County debt.

The County considers all governmental funds to be major.

The County reports the following major enterprise fund:

The Huntley Sewer District Fund is used to account for the operation, maintenance, and development of the Huntley Sewer District. The County established the service district in 2006 to account for the activity of the sewer system built for the unincorporated area in Verona Township known as Huntley.

Additionally, the County reports the following fund type:

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

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

---

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, 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. Faribault County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. 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. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings in the General Fund for 2009 were \$117,273.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

Faribault County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

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.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

2. Cash and Cash Equivalents

Each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

3. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

4. Inventories

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

**FARIBAULT COUNTY  
BLUE EARTH, 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 (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset category as follows: all land and construction in progress are capitalized regardless of cost; machinery and equipment when the cost of individual items exceeds \$5,000; other improvements and buildings and improvements when the cost exceeds \$25,000; and infrastructure when the cost of projects exceeds \$50,000.

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 and improvements	7 - 40
Other improvements	15 - 25
Machinery and equipment	3 - 20
Infrastructure	25 - 30

6. Compensated Absences

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

**FARIBAUT COUNTY  
BLUE EARTH, 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 in the statement of net assets. 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 an other financing source. 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 that are subject to change.

**FARIBAULT COUNTY  
BLUE EARTH, 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

Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2009, as follows:

Fund Balance - modified accrual basis	\$ (914,955)
Bonds payable	(665,000)
Deferred revenue - unavailable	<u>1,066,418</u>
Net Assets - full accrual basis	<u>\$ (513,537)</u>

The deficit will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

118 ditches with positive net asset balances	\$ 529,903
68 ditches with deficit net asset balances	<u>(1,043,440)</u>
Net Assets - full accrual basis	<u>\$ (513,537)</u>



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Governmental activities	
Cash and pooled investments	\$ 4,960,451
Petty cash and change funds	2,602
Component unit - EDA	
Cash and pooled investments	393,468
Restricted temporary investment	18,000
Fiduciary funds	
Cash and pooled investments	<u>156,488</u>
 Total Cash and Investments	 <u><u>\$ 5,531,009</u></u>

The HRA component unit cash is held by its fiscal agent (See Note 8).

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 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 that is not owned or controlled by the financial institution furnishing the collateral.

**FARIBAULT COUNTY  
BLUE EARTH, 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. The County does not have a deposit policy for custodial credit risk. As of December 31, 2009, 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 limiting long-term investments. County policy states that approximately one-third of the County's total portfolio balance as of May 31 of the year reporting may be invested in items that mature in more than one year.

	Maturity Dates	
	0 - 1 Year	Over 1 Year
Deposits	\$ 3,841,829	\$ -
Petty cash	2,602	-
MAGIC Fund	578	-
Federal Home Loan Bank (1)	-	1,100,000
Federal National Mortgage Association (1)	-	100,000
Negotiable certificates of deposit	288,000	198,000
Total Cash and Investments	\$ 4,133,009	\$ 1,398,000

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

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

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 that are in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2009, 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. The County's policy is to minimize concentration of credit risk by diversifying the investment so that the impact of potential losses from any one type of security will be minimized.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

The only investments in any one issuer that represent five percent or more of the County's investments are as follows:

Issuer		
Federal Home Loan Bank	\$	1,100,000
Federal National Mortgage Association		100,000
Integra Bank National Association		96,000
Key Bank National Association		96,000
Morgan Stanley Bank		96,000
LaSalle Bank National Association		99,000
Standard Federal Bank		99,000

2. Receivables

Receivables as of December 31, 2009, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – prior	\$ 149,527	\$ -
Special assessments - prior	15,678	-
Special assessments - noncurrent	2,327,800	1,804,180
Accounts	26,241	-
Accrued interest	8,275	-
Due from other governments	2,184,671	-
Advance to other governments	45,000	-
	<u>\$ 4,757,192</u>	<u>\$ 1,804,180</u>
Total Governmental Activities	<u>\$ 4,757,192</u>	<u>\$ 1,804,180</u>

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Special assessments		
Prior	\$ 3,045	\$ -
Noncurrent	83,828	75,658
Due from other governments	98,610	-
Total Business-Type Activities	\$ 185,483	\$ 75,658

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,058,935	\$ 623,178	\$ -	\$ 1,682,113
Construction in progress	10,814,723	1,201,002	10,724,078	1,291,647
Total capital assets not depreciated	\$ 11,873,658	\$ 1,824,180	\$ 10,724,078	\$ 2,973,760
Capital assets depreciated				
Buildings and improvements	\$ 3,364,104	\$ 10,090,160	\$ -	\$ 13,454,264
Other improvements	161,597	-	-	161,597
Machinery and equipment	5,633,439	2,555,595	179,280	8,009,754
Infrastructure	67,789,863	2,538,324	-	70,328,187
Total capital assets depreciated	\$ 76,949,003	\$ 15,184,079	\$ 179,280	\$ 91,953,802
Less: accumulated depreciation for				
Buildings and improvements	\$ 2,080,255	\$ 133,497	\$ -	\$ 2,213,752
Other improvements	54,449	8,956	-	63,405
Machinery and equipment	3,742,309	515,904	165,808	4,092,405
Infrastructure	31,344,224	2,367,927	-	33,712,151
Total accumulated depreciation	\$ 37,221,237	\$ 3,026,284	\$ 165,808	\$ 40,081,713
Total capital assets depreciated, net	\$ 39,727,766	\$ 12,157,795	\$ 13,472	\$ 51,872,089
Capital Assets, Net	\$ 51,601,424	\$ 13,981,975	\$ 10,737,550	\$ 54,845,849

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 27,643	\$ -	\$ -	\$ 27,643
Capital assets depreciated				
Machinery and equipment	\$ 70,000	\$ -	\$ -	\$ 70,000
Infrastructure	1,543,420	-	-	1,543,420
Total capital assets depreciated	\$ 1,613,420	\$ -	\$ -	\$ 1,613,420
Less: accumulated depreciation for				
Machinery and equipment	\$ 4,667	\$ 4,667	\$ -	\$ 9,334
Infrastructure	51,447	51,447	-	102,894
Total accumulated depreciation	\$ 56,114	\$ 56,114	\$ -	\$ 112,228
Total capital assets depreciated, net	\$ 1,557,306	\$ (56,114)	\$ -	\$ 1,501,192
Capital Assets, Net	\$ 1,584,949	\$ (56,114)	\$ -	\$ 1,528,835

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

Governmental Activities	
General government	\$ 195,110
Public safety	133,756
Highways and streets, including depreciation of infrastructure assets	2,697,418
Total Depreciation Expense - Governmental Activities	\$ 3,026,284
Business-Type Activities	
Huntley Sewer District	\$ 56,114

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Interfund Payable/Receivable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Huntley Sewer District	\$ 17,596	Cover cash deficit balances

2. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Public Works	General	\$ 4,430	Fuel and maintenance
	Ditch	875	Ditch repairs
		<u>\$ 5,305</u>	

These interfund receivables and payables are expected to be paid within one year of December 31, 2009.

3. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 877,389</u>

The advance from the General Fund to the Ditch Special Revenue Fund was to cover individual negative ditch balances. This advance is not expected to be eliminated within one year of December 31, 2009.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

4. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of a transfer from the General Fund to the Debt Service Fund of \$173,048 for debt service payments and from the Debt Service Fund to the General Fund of \$358,531 to transfer bond proceeds to reimburse the General Fund for construction costs on the law enforcement center.

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Plan Description

The County provides post-retirement health care benefits for certain retirees and their dependents. The County pays the premium for eligible retired employees and one-half of the premiums for the retiree's spouse based on the County's \$1,000 CMM plan. As of year-end, the County has 30 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2009, the County expended \$154,580 for these benefits.

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. As of January 1, 2009, there were approximately 34 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$4,829 for 2009.

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



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	600,294
Interest on net OPEB obligation		17,095
Adjustment to ARC		(24,715)
		_____
Annual OPEB cost (expense)	\$	592,674
Contributions made		(159,409)
		_____
Increase in net OPEB obligation	\$	433,265
Net OPEB Obligation - January 1		427,370
		_____
Net OPEB Obligation - December 31	\$	860,635

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 575,579	\$ 148,209	25.7%	\$ 427,370
December 31, 2009	592,674	159,409	26.9	860,635

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,646,666, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,646,666. The covered payroll (annual payroll of active employees covered by the plan) was \$3,196,823, and the ratio of the UAAL to the covered payroll was 176.6 percent.

**FARIBAULT COUNTY  
BLUE EARTH, 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, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a four percent investment rate of return (net of investment expenses), which is Faribault County's implicit rate of return on the General Fund. The annual health care cost trend is ten percent initially, reduced by decrements to an ultimate rate of five percent over 10 years. Both rates included a four percent inflation assumption. The UAAL is being amortized over 30 years on a level dollar amount. The remaining amortization period at December 31, 2009, was 28 years.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Leases

Capital Leases

The County has entered into two capital lease agreements as lessee for financing the acquisition of copiers. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital leases consist of the following at December 31, 2009:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2008 general copier	2013	Monthly	\$ 216	\$ 11,407	\$ 7,916
2005 extension copier	2010	Monthly	266	12,000	<u>1,791</u>
Total Leases					<u>\$ 9,707</u>

Lease payments are made from the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2010	\$ 4,443
2011	2,583
2012	2,583
2013	<u>862</u>
Total lease payments	\$ 10,471
Less: amount representing interest	<u>(764)</u>
Present Value of Minimum Lease Payments	<u>\$ 9,707</u>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Governmental Activities

Bonds Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
General obligation bonds					
2001 G.O. Bonds Taxable Refunding Waste Disposal Bonds	2016	\$20,000 - \$30,000	6.35 - 6.70	\$ 300,000	\$ 170,000
2001 G.O. Solid Waste Revenue Refunding Bonds	2012	\$30,000 - \$35,000	6.40	285,000	100,000
2005 G.O. Solid Waste Revenue Refunding Bonds	2010	\$205,000	2.70	1,165,000	205,000
2007 G.O. Jail Bonds	2028	\$335,000 - \$745,000	3.75 - 4.25	10,000,000	9,680,000
2007 G.O. Waste Disposal Bonds	2018	\$60,000 - \$95,000	5.25 - 6.00	750,000	690,000
2009 G.O. Waste Disposal Bonds	2020	\$150,000	1.35 - 4.70	<u>1,500,000</u>	<u>1,500,000</u>
Total general obligation bonds				<u>\$ 14,000,000</u>	\$ 12,345,000
Less: unamortized discount					<u>(32,641)</u>
Total General Obligation Bonds, Net					<u>\$ 12,312,359</u>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Governmental Activities

Bonds Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation special assessment bonds					
1999 G.O. Ditch Bonds	2014	\$15,000 - \$20,000	4.70 - 4.95	\$ 280,000	\$ 80,000
2003 G.O. Ditch Bonds	2024	\$30,000 - \$50,000	2.70 - 4.25	<u>725,000</u>	<u>585,000</u>
Total general obligation special assessment Bonds				<u>\$ 1,005,000</u>	\$ 665,000
Less: unamortized discount					<u>(5,941)</u>
Total General Obligation Special Assessment Bonds, Net					<u>\$ 659,059</u>

Loans Payable

The County entered into a loan agreement with the Minnesota Pollution Control Agency for funding Clean Water Partnership projects in the Blue Earth River Watershed. The loans are secured by special assessments placed on the individual parcels. Loan payments will be reported in the General Fund.

Type of Indebtedness	Final Maturity	Installments Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
2005 Minnesota Pollution Control Agency loan	2015	\$ 13,378	2.00	<u>\$ 120,704</u>	<u>\$ 75,284</u>

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Business-Type Activities

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
2009 G.O. Revenue Bonds	2049	\$3,000 - \$18,000	4.38	\$ 360,000	\$ 360,000

4. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 650,000	\$ 485,498	\$ 50,000	\$ 25,205
2011	620,000	471,464	45,000	23,395
2012	645,000	448,576	45,000	21,745
2013	625,000	423,483	50,000	19,995
2014	645,000	398,684	50,000	18,106
2015 - 2019	3,410,000	1,567,162	190,000	67,300
2020 - 2024	2,975,000	894,557	235,000	25,303
2025 - 2028	2,775,000	242,326	-	-
Total	\$ 12,345,000	\$ 4,931,750	\$ 665,000	\$ 201,049

Year Ending December 31	Loan Payable	
	Principal	Interest
2010	\$ 11,932	\$ 1,446
2011	12,171	1,206
2012	12,416	962
2013	12,665	712
2014	12,920	458
2015	13,180	198
Total	\$ 75,284	\$ 4,982

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2010	\$ 3,000	\$ 8,837
2011	4,000	15,619
2012	4,000	15,444
2013	4,000	15,269
2014	4,000	15,094
2015 - 2019	23,000	72,712
2020 - 2024	29,000	67,113
2025 - 2029	36,000	60,156
2030 - 2034	45,000	51,581
2035 - 2039	55,000	40,862
2040 - 2044	69,000	27,650
2045 - 2049	84,000	11,375
Total	<u>\$ 360,000</u>	<u>\$ 401,712</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 11,685,000	\$ 1,500,000	\$ 840,000	\$ 12,345,000	\$ 650,000
General obligation special assessment bonds	715,000	-	50,000	665,000	50,000
Less: deferred amounts for issuance discounts	(29,529)	(12,000)	(2,947)	(38,582)	-
Total bonds payable	\$ 12,370,471	\$ 1,488,000	\$ 887,053	\$ 12,971,418	\$ 700,000
Capital leases	14,640	-	4,933	9,707	4,029
Loans payable	86,980	-	11,696	75,284	11,932
Net OPEB payable	427,370	592,674	159,409	860,635	-
Compensated absences	822,239	126,297	-	948,536	12,331
Long-Term Liabilities	<u>\$ 13,721,700</u>	<u>\$ 2,206,971</u>	<u>\$ 1,063,091</u>	<u>\$ 14,865,580</u>	<u>\$ 728,292</u>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ -	\$ 360,000	\$ -	\$ 360,000	\$ 3,000

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Faribault County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public 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.

Public 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. 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 jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Two methods are used to compute benefits for 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.

For all Public 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 Public 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.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 164,940	\$ 153,466	\$ 146,179
Public Employees Police and Fire Fund	76,203	66,759	57,248
Public Employees Correctional Fund	50,814	37,972	36,915

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five 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.

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

---

4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ending December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 14,287	\$ 14,287
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County has entered into joint powers agreements with other Minnesota municipalities to form the South Central Service Cooperative (SCSC) to establish, procure, and administer group employee benefits. 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. 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.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

5. Risk Management (Continued)

The SCSC contracts with Blue Cross/Blue Shield to administer the health insurance plan. All claims are pooled at year-end for the purpose of setting rates and reserves for the upcoming year. The SCSC provides financial risk management services that embody the concept of pooling risk for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage and other services as directed by the joint powers board. Members do not pay for deficiencies that arise in the current year.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

B. Joint Ventures

Faribault-Martin Human Services Board

Faribault, Martin, and Watonwan Counties entered into a joint powers agreement (Minn. Stat. § 471.59) to provide welfare and health services to county residents (Minn. Stat. §§ 402.01-.10). The Faribault-Martin-Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Faribault and Martin Counties are continuing with the Joint Powers Agreement. The Board has 12 members, six from each county. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

Complete financial information can be obtained from:

Faribault-Martin Human Services Board  
115 West First Street  
Fairmont, Minnesota 56031

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Prairieland Solid Waste Board (Prairieland)

Faribault and Martin Counties entered into a joint venture in 1990 to build and operate a solid waste composting plant - Prairieland. Prairieland is composed of ten members, the County Commissioners from both Faribault and Martin Counties. Faribault County's proportionate interest in Prairieland is 43 percent. Prairieland reported a net loss of \$310,983 in 2009.

In 1996, the Solid Waste Resource Recovery Revenue Bonds issued by Prairieland were called with the funds received when both Faribault and Martin Counties issued county debt to repay these revenue bonds. On January 18, 2005, Faribault County issued \$1,165,000 of General Obligation Solid Waste Refunding Bonds to refund the County's General Obligation Refunding Bonds of 1996, which were called on June 1, 2005.

Each county shows its share of the debt on its financial statements. Prairieland approved special assessments against all property owners and transfers this revenue to the individual county in sufficient amount to pay the principal, interest, and fees when due.

Separate financial information can be obtained from:

Prairieland Solid Waste Board  
801 East Fifth Street North  
P. O. Box 100  
Truman, Minnesota 56088

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Cottonwood, Faribault, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, and Watonwan Counties. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rural Minnesota Energy Board (Continued)

The governing board is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During 2009, Faribault County contributed \$3,000 to the Board made payable to the Southwest Regional Development Commission.

C. Jointly-Governed Organizations

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

The Greater Blue Earth River Basin Joint Powers (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. During the year, the County made \$7,838 in contributions to the GBERBA.

The Three Rivers Resource Conservation & Development (RC&D) is a locally initiated, sponsored, and directed organization that works to enhance the quality of life by improving the economic, social, and environmental conditions within the area. During the year, the County paid \$650 to the RC&D.

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, the County paid \$80,577 to the Cooperative.

The Minnesota Counties Intergovernmental Trust (MCIT) Joint Powers Board provides property/casualty and workers' compensation coverage to several Minnesota counties. During the year, the County paid \$220,565 to MCIT and received \$79,691 in dividends.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Minnesota River Board was established to promote orderly water quality improvement and management of the Minnesota River watersheds. During the year, the County paid \$3,326 to the Board.

The South Central Drug Task Force was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During the year, the County paid \$6,500 to the Task Force.

The South Central Emergency Medical Services (SEMS) provides various emergency medical services to several counties. During the year, the County made no payments to the SEMS.

The South Central Minnesota County Comprehensive Water Planning Project provides the preparation of comprehensive water plans for participating counties. During the year, the County made no payments to the Water Planning Project.

The South Central Service Cooperative establishes, procures, and administers group employee benefits and other financial and risk management services that embody the concept of pooling risk and the purpose of stabilizing and/or reducing costs. During the year, the County paid \$150 to the Cooperative.

The South Central Community Based Initiative was formed with nine other counties to provide mental health services to residents. Contributions to the group are made by the Faribault-Martin Human Services Board. The County made no payments to the Community Based Initiative in 2009.

The South Central Regional Radio Board was formed for the planning, financing, development, design, construction, operation, management, control, and administration of the regional enhancement to the Statewide Public Safety Radio and Communications System for the Allied Radio Matrix for Emergency Response (ARMER) in accordance with the Statewide Public Safety Radio Plan and the operational standards of the Statewide Radio Board. The Regional Radio Board consists of one County Commissioner or City Council member of member organizations. The County made no payments to the Regional Radio Board in 2009.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The South Central Workforce Council Joint Powers Board is comprised of 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. The County made no payments to the Board in 2009.

D. Subsequent Events

The Faribault County Board of Commissioners eliminated funding to the Faribault County Economic Development Authority (EDA) for the 2010 fiscal year. The County has been the only significant source of funding for the EDA. The EDA Board approved the elimination of the Director position effective January 31, 2010. The Board will continue to meet on a regular basis, but with limited ability to provide economic development resources to interested parties. The EDA Board does have authority over the revolving loan fund and will access those funds if a loan application is approved. Loan proposals may be brought forward by the Faribault County Development Corporation (FCDC), a privately formed economic development organization formerly known as Go Minnesota. The County contracted with FCDC in 2010 to provide economic development services for the County. The contract was for \$50,000. The County Auditor/Treasurer will continue to provide oversight to the outstanding loans and provide accounting services to the EDA. The Faribault County Auditor/Treasurer's Office will be the safekeeper of the EDA's official records. Funding after 2010 is unknown. Future County Board funding is uncertain.

E. 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 program. The County has met those responsibilities for 2009.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

7. Faribault County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented EDA component unit has the following significant accounting policies.

Reporting Entity

The EDA was created during 2003 to take over the operations of the Local Redevelopment Agency (LRA). The EDA is governed by a five-member Board of Directors who are appointed by the County Board. The LRA serves as an advisory committee to the EDA.

Basis of Presentation

The EDA does not prepare separate financial statements. The EDA presents its one fund as a governmental fund.

Basis of Accounting

The EDA General Fund is accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

Operating cash of the EDA is on deposit with the Faribault County Auditor/Treasurer and included within its pooled cash and investments.

B. Detailed Notes

Assets

Receivables as of December 31, 2009, consist of \$112,472 loans made to individuals and businesses for development and \$50,000 due from the Minnesota Community Capital Fund.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

---

8. Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented HRA component unit has the following significant accounting policies.

Reporting Entity

The HRA is governed by a five-member Board of Directors who are appointed by the County Board. All programs of the HRA are administered by the Minnesota Valley Action Council, Inc. (MVAC). The purpose of the HRA is to promote economic development and to administer the public housing programs authorized by the U.S. Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development.

Basis of Presentation

The HRA prepares separate financial statements. The HRA presents its one fund as an enterprise fund.

Basis of Accounting

The HRA Fund is accounted for on the accrual basis of accounting.

Cash and Pooled Investments

All cash of the HRA is on deposit with MVAC and included within its pooled cash and investments.

This page was left blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,555,859	\$ 3,555,859	\$ 3,555,385	\$ (474)
Special assessments	221,925	221,925	310,370	88,445
Licenses and permits	970	970	2,425	1,455
Intergovernmental	1,760,121	1,508,647	1,859,651	351,004
Charges for services	710,600	710,600	820,558	109,958
Fines and forfeits	14,500	14,500	19,993	5,493
Investment earnings	240,000	200,000	117,273	(82,727)
Miscellaneous	161,700	161,700	232,138	70,438
<b>Total Revenues</b>	<b><u>\$ 6,665,675</u></b>	<b><u>\$ 6,374,201</u></b>	<b><u>\$ 6,917,793</u></b>	<b><u>\$ 543,592</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 262,108	\$ 254,904	\$ 243,265	\$ 11,639
Courts	35,000	35,000	30,003	4,997
County auditor	270,115	266,831	257,238	9,593
Motor vehicle/license bureau	129,783	128,803	130,302	(1,499)
County treasurer	166,860	124,714	105,628	19,086
County assessor	281,915	271,295	261,274	10,021
Elections	10,000	10,000	22,133	(12,133)
Data processing	109,700	109,700	105,145	4,555
Central administration	134,325	128,802	116,250	12,552
Machine room	10,000	10,000	7,797	2,203
Attorney	198,370	182,875	207,141	(24,266)
Law library	12,000	12,000	19,015	(7,015)
Recorder	254,025	248,305	186,158	62,147
Vital statistics	17,380	17,380	1,685	15,695
Planning and zoning	107,355	110,265	119,020	(8,755)
Buildings and plant	309,565	333,430	3,355,566	(3,022,136)
Veterans service officer	140,722	137,753	190,696	(52,943)
Other general government	296,740	296,740	313,945	(17,205)
<b>Total general government</b>	<b><u>\$ 2,745,963</u></b>	<b><u>\$ 2,678,797</u></b>	<b><u>\$ 5,672,261</u></b>	<b><u>\$ (2,993,464)</u></b>

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,439,344	\$ 1,375,345	\$ 1,311,685	\$ 63,660
Public safety grants	3,000	3,000	8,807	(5,807)
Special investigations	6,500	6,500	8,301	(1,801)
Boat and water safety	1,000	1,000	902	98
County jail	878,870	767,135	741,894	25,241
Sentence to serve	37,100	37,100	36,900	200
Fraud investigator	60,490	60,490	77,587	(17,097)
Animal control	4,000	4,000	3,801	199
Probation and parole	223,670	221,635	226,249	(4,614)
Sheriff's contingency	1,000	1,000	-	1,000
Probation secretarial services	28,000	28,000	29,698	(1,698)
Emergency management	29,670	29,670	650	29,020
Enhanced 911	91,000	91,000	292,088	(201,088)
Medical examiner	5,000	5,000	3,110	1,890
DARE	-	-	925	(925)
<b>Total public safety</b>	<b>\$ 2,808,644</b>	<b>\$ 2,630,875</b>	<b>\$ 2,742,597</b>	<b>\$ (111,722)</b>
<b>Transit</b>				
Transit	<b>\$ 179,843</b>	<b>\$ 178,695</b>	<b>\$ 237,162</b>	<b>\$ (58,467)</b>
<b>Sanitation</b>				
Solid waste	\$ 65,500	\$ 65,500	\$ 48,595	\$ 16,905
Recycling	35,178	35,178	47,410	(12,232)
<b>Total sanitation</b>	<b>\$ 100,678</b>	<b>\$ 100,678</b>	<b>\$ 96,005</b>	<b>\$ 4,673</b>
<b>Culture and recreation</b>				
Historical society	\$ 14,000	\$ 11,200	\$ 11,200	\$ -
County/regional library	193,744	189,464	221,446	(31,982)
Other culture and recreation	825	825	825	-
<b>Total culture and recreation</b>	<b>\$ 208,569</b>	<b>\$ 201,489</b>	<b>\$ 233,471</b>	<b>\$ (31,982)</b>



**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
County extension	\$ 129,410	\$ 112,946	\$ 102,269	\$ 10,677
Soil and water conservation	59,500	53,700	53,700	-
Agricultural society/County fair	30,100	18,000	11,250	6,750
Predator control	-	-	164	(164)
Water planning	115,000	110,000	136,836	(26,836)
Septic loan program	236,186	236,186	381,163	(144,977)
Other conservation	-	-	90	(90)
<b>Total conservation of natural resources</b>	<b>\$ 570,196</b>	<b>\$ 530,832</b>	<b>\$ 685,472</b>	<b>\$ (154,640)</b>
<b>Economic development</b>				
Community development	\$ 19,500	\$ 18,400	\$ 12,352	\$ 6,048
SCDL program	-	-	67,639	(67,639)
Appropriations	86,090	86,090	85,992	98
<b>Total economic development</b>	<b>\$ 105,590</b>	<b>\$ 104,490</b>	<b>\$ 165,983</b>	<b>\$ (61,493)</b>
<b>Debt service</b>				
Principal	\$ 11,696	\$ 11,696	\$ 16,629	\$ (4,933)
Interest	1,680	1,680	2,521	(841)
<b>Total debt service</b>	<b>\$ 13,376</b>	<b>\$ 13,376</b>	<b>\$ 19,150</b>	<b>\$ (5,774)</b>
<b>Total Expenditures</b>	<b>\$ 6,732,859</b>	<b>\$ 6,439,232</b>	<b>\$ 9,852,101</b>	<b>\$ (3,412,869)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (67,184)</b>	<b>\$ (65,031)</b>	<b>\$ (2,934,308)</b>	<b>\$ (2,869,277)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 236,220	\$ 236,220	\$ 358,531	\$ 122,311
Transfers out	(170,034)	(170,034)	(173,048)	(3,014)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 66,186</b>	<b>\$ 66,186</b>	<b>\$ 185,483</b>	<b>\$ 119,297</b>
<b>Change in Fund Balance</b>	<b>\$ (998)</b>	<b>\$ 1,155</b>	<b>\$ (2,748,825)</b>	<b>\$ (2,749,980)</b>
<b>Fund Balance - January 1</b>	<b>5,194,221</b>	<b>5,194,221</b>	<b>5,194,221</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,193,223</b>	<b>\$ 5,195,376</b>	<b>\$ 2,445,396</b>	<b>\$ (2,749,980)</b>

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

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC WORKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,070,450	\$ 1,070,450	\$ 1,058,383	\$ (12,067)
Intergovernmental	5,247,954	5,225,297	4,209,584	(1,015,713)
Charges for services	210,000	210,000	144,431	(65,569)
Miscellaneous	95,000	95,000	271,154	176,154
<b>Total Revenues</b>	<b>\$ 6,623,404</b>	<b>\$ 6,600,747</b>	<b>\$ 5,683,552</b>	<b>\$ (917,195)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 233,700	\$ 206,180	\$ 186,596	\$ 19,584
Maintenance	1,734,224	1,685,768	1,651,170	34,598
Construction	3,537,500	3,500,572	3,052,951	447,621
Equipment maintenance and shop	942,500	806,554	675,389	131,165
Material and services for resale	125,810	100,370	62,468	37,902
Other - highways and streets	498,366	488,879	466,241	22,638
<b>Total highways and streets</b>	<b>\$ 7,072,100</b>	<b>\$ 6,788,323</b>	<b>\$ 6,094,815</b>	<b>\$ 693,508</b>
<b>Culture and recreation</b>				
Parks	174,344	164,344	155,845	8,499
<b>Total Expenditures</b>	<b>\$ 7,246,444</b>	<b>\$ 6,952,667</b>	<b>\$ 6,250,660</b>	<b>\$ 702,007</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (623,040)</b>	<b>\$ (351,920)</b>	<b>\$ (567,108)</b>	<b>\$ (215,188)</b>
<b>Fund Balance - January 1</b>	<b>1,924,446</b>	<b>1,924,446</b>	<b>1,924,446</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>53,135</b>	<b>53,135</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,301,406</b>	<b>\$ 1,572,526</b>	<b>\$ 1,410,473</b>	<b>\$ (162,053)</b>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,734,677	\$ 1,734,677	\$ 1,686,593	\$ (48,084)
Intergovernmental	160,820	140,820	198,374	57,554
<b>Total Revenues</b>	<b>\$ 1,895,497</b>	<b>\$ 1,875,497</b>	<b>\$ 1,884,967</b>	<b>\$ 9,470</b>
<b>Expenditures</b>				
<b>Current</b>				
Human services	2,039,680	2,039,680	1,579,998	459,682
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (144,183)</b>	<b>\$ (164,183)</b>	<b>\$ 304,969</b>	<b>\$ 469,152</b>
<b>Fund Balance - January 1</b>	<b>1,223,232</b>	<b>1,223,232</b>	<b>1,223,232</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,079,049</b>	<b>\$ 1,059,049</b>	<b>\$ 1,528,201</b>	<b>\$ 469,152</b>

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 380,000	\$ 380,000	\$ 411,774	\$ 31,774
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Ditch maintenance	\$ 300,000	\$ 300,000	\$ 371,123	\$ (71,123)
<b>Debt service</b>				
Principal	50,000	50,000	50,000	-
Interest	30,000	30,000	26,935	3,065
Fiscal charges	-	-	631	(631)
<b>Total Expenditures</b>	<u>\$ 380,000</u>	<u>\$ 380,000</u>	<u>\$ 448,689</u>	<u>\$ (68,689)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ -	\$ -	\$ (36,915)	\$ (36,915)
<b>Fund Balance - January 1</b>	<u>(878,040)</u>	<u>(878,040)</u>	<u>(878,040)</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ (878,040)</u></u>	<u><u>\$ (878,040)</u></u>	<u><u>\$ (914,955)</u></u>	<u><u>\$ (36,915)</u></u>

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

**Schedule 5**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2009

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	\$ -	\$ 5,646,666	\$ 5,646,666	0.0%	\$ 3,196,823	176.6%

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, 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. The budgets may be amended or modified at any time by the County Board. The County's department heads may make transfers of appropriations within a department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders or contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

2. Budget Amendments

Revenues	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 6,665,675	\$ (291,474)	\$ 6,374,201
Public Works Special Revenue Fund	6,623,404	(22,657)	6,600,747
Human Services Special Revenue Fund	1,895,497	(20,000)	1,875,497
Expenditures	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 6,732,859	\$ (293,627)	\$ 6,439,232
Public Works Special Revenue Fund	7,246,444	(293,777)	6,952,667

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

---

3. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, the General Fund's expenditures exceeded appropriations (the legal level of budgetary control) by \$3,412,869. The expenditures in excess of budget were funded by bond proceeds received in 2007 and 2009, revenues in excess of budget, and fund balances.

The Ditch Special Revenue Fund expenditures exceeded appropriations by \$68,689. The expenditures in excess of budget were funded by revenues in excess of budget and advances from the General Fund. Future special assessments will be made to pay for ditch repairs and improvements.

4. Other Postemployment Benefits Funded Status

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 the information becomes available. See Note 3.C.1., Other Postemployment Benefits (OPEB), for more information.



**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 688,677	\$ 688,677	\$ 686,002	\$ (2,675)
Special assessments	258,660	258,660	226,581	(32,079)
Intergovernmental	74,550	74,550	79,792	5,242
Investment earnings	-	-	16,964	16,964
Miscellaneous	163,200	163,200	163,200	-
<b>Total Revenues</b>	<b>\$ 1,185,087</b>	<b>\$ 1,185,087</b>	<b>\$ 1,172,539</b>	<b>\$ (12,548)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Interest	472,777	472,777	472,866	(89)
Bond issuance costs	-	-	18,022	(18,022)
Administrative - fiscal charges	-	-	3,587	(3,587)
<b>Total Expenditures</b>	<b>\$ 1,312,777</b>	<b>\$ 1,312,777</b>	<b>\$ 1,334,475</b>	<b>\$ (21,698)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (127,690)</b>	<b>\$ (127,690)</b>	<b>\$ (161,936)</b>	<b>\$ (34,246)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 170,034	\$ 170,034	\$ 173,048	\$ 3,014
Transfers out	(236,220)	(236,220)	(358,531)	(122,311)
Bonds issued	-	-	1,500,000	1,500,000
Discount on bonds issued	-	-	(12,000)	(12,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (66,186)</b>	<b>\$ (66,186)</b>	<b>\$ 1,302,517</b>	<b>\$ 1,368,703</b>
<b>Change in Fund Balance</b>	<b>\$ (193,876)</b>	<b>\$ (193,876)</b>	<b>\$ 1,140,581</b>	<b>\$ 1,334,457</b>
<b>Fund Balance - January 1</b>	<b>443,056</b>	<b>443,056</b>	<b>443,056</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 249,180</b>	<b>\$ 249,180</b>	<b>\$ 1,583,637</b>	<b>\$ 1,334,457</b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**AGENCY FUNDS**

Agency funds are used to account for assets held as an agent by the County for others.

The Mortgage Registration Fund accounts for the taxes paid for registering a mortgage within the County.

The Deed Tax Fund accounts for money received from the sale of deed stamps.

The Tax and Penalty Fund accounts for the collection and distribution of property taxes, assessments, and forfeited taxes.

This page was left blank intentionally.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 7*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>MORTGAGE REGISTRATION</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ (17,944)	\$ 126,651	\$ 129,698	\$ (20,991)
<b><u>Liabilities</u></b>				
Due to other governments	\$ (17,944)	\$ 126,651	\$ 129,698	\$ (20,991)
 <b><u>DEED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 28,655	\$ 155,457	\$ 138,418	\$ 45,694
<b><u>Liabilities</u></b>				
Due to other governments	\$ 28,655	\$ 155,457	\$ 138,418	\$ 45,694
 <b><u>TAX AND PENALTY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 151,429	\$ 15,733,862	\$ 15,753,506	\$ 131,785
<b><u>Liabilities</u></b>				
Due to other governments	\$ 151,429	\$ 15,733,862	\$ 15,753,506	\$ 131,785
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 162,140	\$ 16,015,970	\$ 16,021,622	\$ 156,488
<b><u>Liabilities</u></b>				
Due to other governments	\$ 162,140	\$ 16,015,970	\$ 16,021,622	\$ 156,488

This page was left blank intentionally.

## **COMPONENT UNIT**

This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 8*

**GOVERNMENTAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY  
DECEMBER 31, 2009**

	<b>General Fund</b>	<b>Adjustments*</b>	<b>Statement of Net Assets</b>
<b><u>Assets</u></b>			
Current assets			
Cash and pooled investments	\$ 393,468	\$ -	\$ 393,468
Accounts receivable	50,000	-	50,000
Loans receivable	112,472	-	112,472
Restricted assets			
Investments - temporary	18,000	-	18,000
<b>Total Assets</b>	<b>\$ 573,940</b>	<b>\$ -</b>	<b>\$ 573,940</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 534	\$ -	\$ 534
Salaries payable	672	-	672
Contracts payable	4,167	-	4,167
Deferred revenue	112,472	(112,472)	-
<b>Total Liabilities</b>	<b>\$ 117,845</b>	<b>\$ (112,472)</b>	<b>\$ 5,373</b>
<b>Fund Balance</b>			
Reserved for economic development	\$ 18,000	\$ (18,000)	
Unreserved, designated for redevelopment loans	438,095	(438,095)	
<b>Total Fund Balance</b>	<b>\$ 456,095</b>	<b>\$ (456,095)</b>	
<b>Net Assets</b>			
Unrestricted		<b>\$ 568,567</b>	<b>\$ 568,567</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 573,940</b>	<b>\$ -</b>	<b>\$ 573,940</b>

\*Note: Long-term loans receivable not available to pay for current period expenses are deferred in governmental funds.

**FARIBAUT COUNTY  
BLUE EARTH, MINNESOTA**

Schedule 9

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Adjustments*</u>	<u>Statement of Net Assets</u>
<b>Revenues</b>			
Intergovernmental	\$ 85,992	\$ -	\$ 85,992
Charges for services	22,163	(17,221)	4,942
Investment earnings	729	-	729
Miscellaneous	40	-	40
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 108,924</b>	<b>\$ (17,221)</b>	<b>\$ 91,703</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
Economic development	78,529	-	78,529
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 30,395</b>	<b>\$ (17,221)</b>	<b>\$ 13,174</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>425,700</b>	<b>129,693</b>	<b>555,393</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 456,095</b>	<b>\$ 112,472</b>	<b>\$ 568,567</b>
	<u>          </u>	<u>          </u>	<u>          </u>

\*Note: Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund. This adjustment is the change in deferred revenues during the year.

**OTHER SCHEDULE**

This page was left blank intentionally.



**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

*Schedule 10*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Total Primary Government</b>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 3,759,476
PERA rate reimbursement	13,448
Disparity reduction aid	71,788
Police aid	56,948
County program aid	696,897
Market value credit	748,770
Enhanced 911	90,792
<b>Total shared revenue</b>	<b>\$ 5,438,119</b>
<b>Payments</b>	
<b>Local</b>	
Local contributions	\$ 615
Payments in lieu of taxes	16,867
<b>Total payments</b>	<b>\$ 17,482</b>
<b>Grants</b>	
<b>State</b>	
Minnesota Department of Public Safety	\$ 4,757
Natural Resources	48,969
Veterans Affairs	50,000
Corrections	55,235
Transportation	164,810
Water and Soil Resources Board	97,862
Pollution Control Agency	55,475
<b>Total state</b>	<b>\$ 477,108</b>
<b>Federal</b>	
Department of Housing and Urban Development	\$ 72,926
Transportation	324,175
Homeland Security	17,591
<b>Total federal</b>	<b>\$ 414,692</b>
<b>Total state and federal grants</b>	<b>\$ 891,800</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 6,347,401</b>

This page was left blank intentionally.



This page was left blank intentionally.

**FARIBAULT COUNTY  
BLUE EARTH, MINNESOTA**

**Schedule 11**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-5 Capital Asset Records

The County Board has a capital asset policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values. As a result, estimated useful lives are not used consistently. General government buildings are depreciated over 30 years, while highway buildings are depreciated over 39 and 40 years.

To improve control over capital assets, we recommend that the County Board approve policies and procedures that establish consistent useful lives and set guidance on when to use salvage values in computing depreciation. If exceptions to the capitalization threshold policy are allowed, those exceptions should be spelled out in the policy.

Client's Response:

*The County continues to plan to update the capital asset policy.*

03-1 General Ledger Items

While reviewing the County's general ledger account activity report, we noted the following items of concern. Certain funds in the general ledger were not in balance at the end of the year; however, this is an improvement from the previous year. At year-end December 31, 2008, there were five funds not in balance. At year-end December 31, 2009, there were two funds not in balance: the General Fund was out of balance by \$2,313 and the Ditch Special Revenue Fund by \$1,120.

In order to improve the financial records of the County, we recommend that, on a monthly basis, the County review each fund and the total for the general ledger to ensure that the funds and general ledger are in balance. This can be done by looking at the last line for each fund and the cumulative total for the general ledger. In each case, the last line in the report for the fund or the cumulative general total should have a zero amount. If the amount is other than zero, it means that either a debit or credit entry was not posted to the general ledger.

**Client's Response:**

*The County will use the vendor or a consultant to correct the out of balance issue. The County knows the reasons for the out of balance situation which the software provider needs to correct. Actions have been taken to eliminate the process that caused the issue.*

06-1 **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.

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:**

*The County will continue to monitor the issue and take steps to eliminate this finding.*

06-2 Budgeting

The County does not have a formal written budget policy. In general, local governments should have an adopted budget policy that includes elements such as:

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

After the County Board has adopted a budget, it should be entered into the Integrated Financial System (IFS) to be used as a monitoring tool. Someone who is independent of the budgeting process should enter the budget; alternatively, the budget could be reviewed by someone independent of the budgeting process after it has been entered into the IFS. At Faribault County, the budget is entered into the IFS by the County Auditor/Treasurer, who is not independent of the budgeting process.

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. Budget modifications should be made throughout the year to maintain the value of the budget as an internal control tool. In Faribault County, budget modifications are not always made for significant changes in expected activity.

We recommend that the County Board amend its budget policy to include the elements recommended above, that budget amounts should be entered into the IFS by a person independent of the budgeting process, and that the County budget be modified as necessary for significant changes in expected activity.

Client's Response:

*The County has budgeted for the hiring of an accountant. Part of that position's tasks will be to enter the budget and assist the Auditor-Treasurer in making audit adjustment recommendations to the County Board.*

**II. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Individual Ditch System Deficits

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, 2009, 45 ditch systems had negative cash balances totaling \$494,641, and 68 ditch systems had negative fund balances totaling \$1,043,440.

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 County will continue to be more aggressive in assessing property owners for ditch repairs.*

ITEM ARISING THIS YEAR

09-1 Collateral Assignment Agreement

The County's agreement with First National Bank expired January 31, 2008. The agreement was never renewed. As required by Minn. Stat. § 118A.03, subd. 4, collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution.



We recommend the County get an updated agreement with First National Bank.

Client's Response:

*The County has updated this agreement.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Huntley Sewer District Enterprise Fund Cash Balance Deficit (08-1)**

At December 31, 2008, the Huntley Sewer District Enterprise Fund had a deficit cash balance of \$382,137.

**Resolution**

At December 31, 2009, the Huntley Sewer District Enterprise Fund recorded an interfund payable of \$17,596 to eliminate the cash deficit.

B. **OTHER ITEM FOR CONSIDERATION**

**GASB Statement 54**

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as 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 reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not 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.

*Schedule 11*  
*(Continued)*

- *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.

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 Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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  
Faribault County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 3, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Faribault County Housing and Redevelopment Authority, a discretely presented component unit of the County, as described in our report on Faribault County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Faribault 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.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Recommendations as items 96-5, 03-1, 06-1, and 06-2, that we consider to be significant deficiencies in internal control over financial reporting. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Faribault 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 Local Government*, 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 Local Government* 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, Faribault County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Recommendations as items 96-1 and 09-1.

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

Faribault 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 Recommendations. 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, and others within Faribault County 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

December 3, 2010