

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

BIG STONE COUNTY
ORTONVILLE, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

For the Year Ended December 31, 2010



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

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2010

Office	Name	Term Expires
Commissioners		
1st District	Walter Wulff	January 2013
2nd District	Wade Athey**	January 2011
3rd District	Brent Olson	January 2013
4th District	Roger Sandberg*	January 2011
5th District	Joseph Berning	January 2013
Officers		
Elected		
Attorney	William Watson	January 2011
Auditor	Michelle Knutson	January 2011
Recorder	Elaine Martig	January 2011
Sheriff	John Haukos	January 2011
Treasurer	Cindy Nelson	January 2011
Appointed		
Assessor	Sandra Vold	December 2012
Coroner	Robert Ross, M.D.	January 2011
Environmental Officer	Darren Wilke	Indefinite
Emergency Management Director	James Hasslen	Indefinite
Highway Engineer	Nicholas Anderson	May 2013
Human Resources Director	Susan Schultz	Indefinite
Veterans Service Officer	Daniel Meyer	Indefinite
Family Services		
Board		
Chair	Wade Athey	January 2011
Vice Chair	Walter Wulff	January 2013
Secretary	Kathy Morrill	July 2011
Member	Roger Sandberg	January 2011
Member	Brent Olson	January 2013
Member	Joseph Berning	January 2013
Member	Alice Stielow	July 2010
Director	Gale Mittelstaedt	Indefinite

*Chair 2010

**Chair 2011

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Big Stone County

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2011, on our consideration of Big Stone 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2010. 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 financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$29,446,872, of which \$22,387,726 is invested in capital assets, net of related debt, and \$2,285,907 is restricted to specific purposes. The \$4,773,239 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net assets increased by \$178,711 for the year ended December 31, 2010.
- The net cost of governmental activities for the current fiscal year was \$4,162,408. The net cost was funded by general revenues and other items totaling \$4,341,119.
- The fund balances of the governmental funds decreased by \$158,439.

For the year ended December 31, 2010, the unreserved fund balance of the General Fund was \$1,114,668, or 31.8 percent of the total General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

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

The statement of net assets presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. You will also need to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The statement of activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, family services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities or component units for which the County is legally accountable.

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

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or 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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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

The County adopts an annual appropriated budget for its General Fund, Highway Special Revenue Fund, Family Services Special Revenue Fund, Ditch Special Revenue Fund, and Debt Service Fund. Budgetary comparison schedules have been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on Exhibit 7.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$29,446,872 at the close of 2010. The largest portion of the net assets (76.0 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	Net Assets (in thousands)	
	Governmental Activities	
	2010	2009
Assets		
Current and other assets	\$ 8,184	\$ 8,238
Capital assets, net of accumulated depreciation	23,268	22,926
Total Assets	\$ 31,452	\$ 31,164
Liabilities		
Long-term liabilities	\$ 1,770	\$ 1,643
Other liabilities	235	253
Total Liabilities	\$ 2,005	\$ 1,896
Net Assets		
Invested in capital assets, net of related debt	\$ 22,388	\$ 22,371
Restricted	2,286	2,416
Unrestricted	4,773	4,481
Total Net Assets	\$ 29,447	\$ 29,268

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--are 16.2 percent of the net assets.

Governmental Activities

The County's activities increased net assets by 0.6 percent (\$29,446,872 for 2010 compared to \$29,268,161 for 2009). Key elements of this increase in net assets are as follows:

	Governmental Activities	
	2010	2009
Changes in Net Assets (in thousands)		
Revenues		
Program revenues		
Charges for services	\$ 1,014	\$ 874
Operating grants and contributions	4,484	4,266
Capital grants and contributions	15	-
General revenues		
Property taxes	3,301	3,214
Other	1,040	1,246
Total Revenues	\$ 9,854	\$ 9,600
Expenses		
General government	\$ 1,694	\$ 1,658
Public safety	1,155	1,205
Highways	3,520	3,629
Sanitation	199	222
Human services	2,465	2,638
Health	80	80
Culture and recreation	182	146
Conservation of natural resources	313	296
Economic development	33	55
Interest	34	12
Total Expenses	\$ 9,675	\$ 9,941
Change in Net Assets	\$ 179	\$ (341)
Net Assets - January 1	29,268	29,609
Net Assets - December 31	\$ 29,447	\$ 29,268

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,893,004, a decrease of \$158,439 in comparison with the prior year. Of the combined ending fund balances, \$5,179,422 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$1,114,668. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund's unreserved fund balance represents 31.8 percent of total General Fund expenditures. During 2010, the ending fund balance decreased by \$69,378.

The Highway Special Revenue Fund had an unreserved fund balance of \$1,687,185 at fiscal year-end, representing 44.1 percent of its annual expenditures. The ending fund balance decreased \$288,628 during 2010.

The Family Services Special Revenue Fund had an unreserved fund balance of \$2,287,564 at fiscal year-end, representing 94.5 percent of its annual expenditures. The ending fund balance increased \$196,577 during 2010.

The Ditch Special Revenue Fund had an unreserved fund balance of \$90,005 at fiscal year-end. The ending fund balance increased \$2,990 during 2010.

The Debt Service Fund had an unreserved fund balance of \$0 at fiscal year-end due to the fact that the first two years of the bond, the Highway Department was making the payments. The County will begin levying for bond payments in 2011.

Governmental Activities

The County's total revenues were \$9,853,904. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2010.

Table 1
Total County Revenues

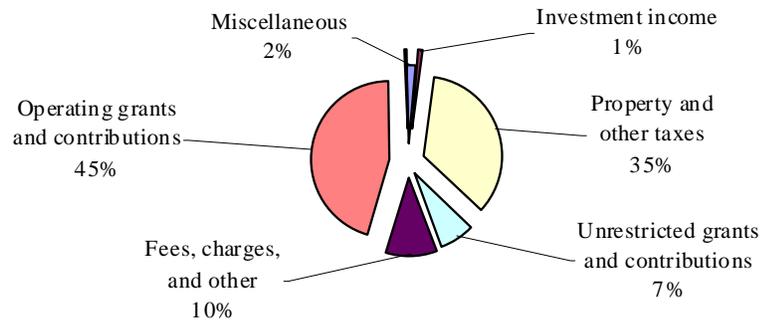
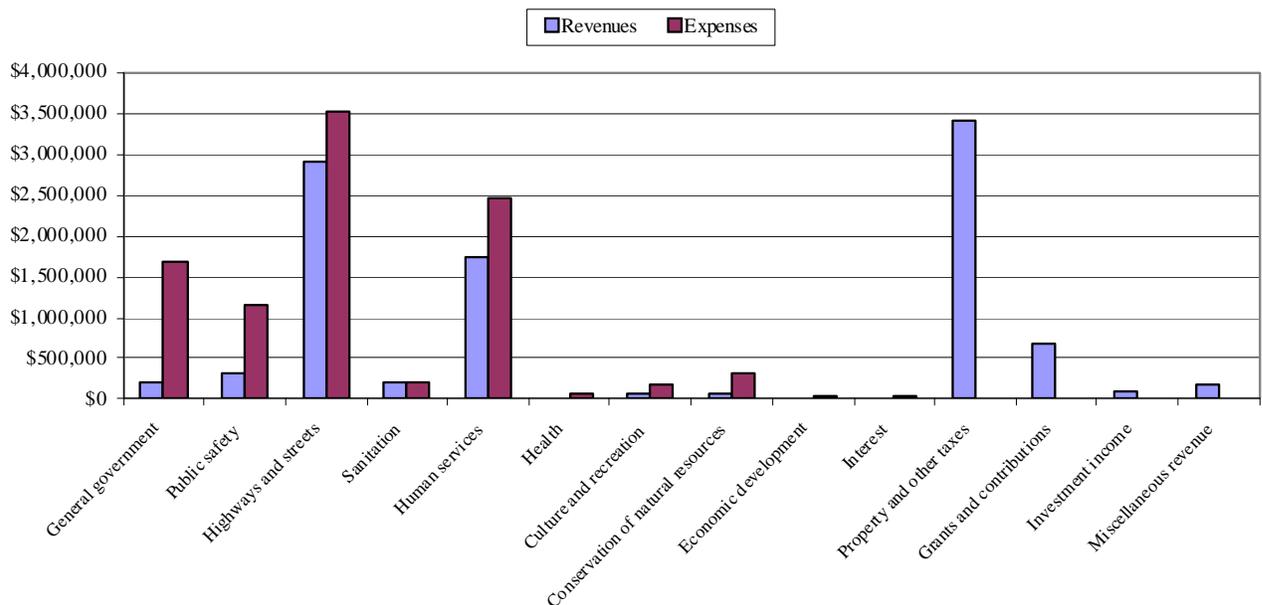


Table 2 presents the cost and revenue of each program, as well as the County's general revenues and special and extraordinary items.

Total revenues for the County were \$9,853,904, while total expenses were \$9,675,193. This reflects a \$178,711 increase in net assets for the year ended December 31, 2010.

Table 2



The cost of all governmental activities this year was \$9,675,193. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$4,162,408 because some of the cost was paid by those who directly benefited from the programs (\$1,014,063) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,498,722). The County paid for the remaining “public benefit” portion of governmental activities with \$4,341,119 in general revenues, primarily taxes (some of which could only be used for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and interest.

Table 3 presents the cost of each of the County’s four largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). 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
Highways and streets	\$ 3,520,302	\$ 612,700
Human services	2,464,943	712,679
General government	1,693,620	1,484,684
Public safety	1,155,414	847,060
All others	840,914	505,285
Totals	\$ 9,675,193	\$ 4,162,408

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$84,938 over the final budget amounts.

On the other hand, resources available for appropriation were also \$196,460 above the final budgeted amount. An insurance dividend, administrative charges for gravel tax, recycling charges, and some additional state and federal grants were received and not budgeted for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County’s capital assets for its governmental activities at December 31, 2010, totaled \$23,267,772 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure and intangibles. The investment in capital assets increased \$341,589, or 1.49 percent, from the previous year.

Table 4
Capital Assets at Year-End
(Net of depreciation, in thousands)

	2010	2009
Land	\$ 699	\$ 699
Construction in progress	-	84
Infrastructure	19,305	18,805
Buildings	1,700	1,724
Improvements other than buildings	170	165
Machinery and equipment	1,377	1,432
Intangibles	17	17
Total	\$ 23,268	\$ 22,926

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$1,030,000, which was backed by the full faith and credit of the government.

Table 5
Outstanding Debt

	2010	2009
General obligation bonds - drainage	\$ 30,000	\$ 45,000
General obligation bonds - capital improvement	1,000,000	1,000,000
Total	\$ 1,030,000	\$ 1,045,000

The County's debt related to general obligation bonds decreased by \$15,000 (1.4 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to 3 percent of its total market value. At the end of 2010, the County's outstanding debt was 0.11 percent of its total estimated market value.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2011 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Big Stone County for 2010 was 5.975 percent. This compares favorably with the state unemployment rate of 7.075 percent and shows a decrease from the County's 6.092 percent rate of one year ago. This could impact the level of services requested by County residents.
- The County's General Fund expenditures for 2011 are budgeted to increase 2.5 percent (\$86,894) over the 2010 original budget. The 2011 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to decrease 1.1 percent (\$55,296) over the 2010 original budget.
- The property tax levy for the County increased 1.6 percent (\$64,692) from 2010, and the net tax levy (the amount spread to taxpayers) increased 8.0 percent from 2010. This includes the State's reduction of \$229,351 to the County's County Program Aid.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Big Stone County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Michelle R. Knutson, Big Stone County Courthouse, 20 - 2nd Street S.E., Suite 103, Ortonville, Minnesota 56278.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$ 4,210,983
Investments	1,254,733
Receivables - net	2,464,623
Inventories	231,471
Prepaid items	964
Deferred charges	21,495
Capital assets	
Non-depreciable	716,431
Depreciable - net of accumulated depreciation	<u>22,551,341</u>
Total Assets	<u>\$ 31,452,041</u>

Liabilities

Accounts payable and other current liabilities	\$ 221,746
Accrued interest payable	13,615
Long-term liabilities	
Due within one year	118,052
Due in more than one year	<u>1,651,756</u>
Total Liabilities	<u>\$ 2,005,169</u>

Net Assets

Invested in capital assets - net of related debt	\$ 22,387,726
Restricted for	
Public safety	131,751
Highways and streets	1,920,072
Conservation of natural resources	103,615
Other purposes	130,469
Unrestricted	<u>4,773,239</u>
Total Net Assets	<u>\$ 29,446,872</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 2

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 1,693,620	\$ 163,340	\$ 45,596	\$ -
Public safety	1,155,414	58,103	250,251	-
Highways and streets	3,520,302	260,623	2,631,873	15,106
Sanitation	199,112	139,019	59,550	-
Human services	2,464,943	304,321	1,447,943	-
Health	79,755	1,130	-	-
Culture and recreation	182,477	8,705	48,403	-
Conservation of natural resources	313,333	78,822	-	-
Economic development	32,541	-	-	-
Interest	33,696	-	-	-
Total Governmental Activities	\$ 9,675,193	\$ 1,014,063	\$ 4,483,616	\$ 15,106
General Revenues				
Property taxes				\$ 3,300,675
Gravel taxes				52,149
Mortgage registry and deed tax				3,174
Payments in lieu of tax				54,429
Grants and contributions not restricted to specific programs				673,744
Unrestricted investment income				87,750
Miscellaneous				169,198
Total general revenues				\$ 4,341,119
Change in net assets				\$ 178,711
Net Assets - Beginning				29,268,161
Net Assets - Ending				\$ 29,446,872

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 1,324,214	\$ 383,277	\$ 2,209,057	\$ 167,394	\$ 4,083,942
Undistributed cash in agency funds	47,064	62,607	11,047	2,128	122,846
Petty cash and change funds	1,820	75	2,300	-	4,195
Investments	-	1,222,700	-	32,033	1,254,733
Taxes receivable					
Prior	26,985	10,105	10,541	-	47,631
Special assessments receivable					
Prior	9,067	-	-	266	9,333
Noncurrent	-	-	-	90,570	90,570
Accounts receivable	2,030	2,764	20,416	-	25,210
Accrued interest receivable	26,020	1,069	-	-	27,089
Due from other governments	83,633	2,020,569	160,588	-	2,264,790
Advance to other funds	110,200	-	-	-	110,200
Inventories	-	231,471	-	-	231,471
Prepaid items	964	-	-	-	964
Total Assets	\$ 1,631,997	\$ 3,934,637	\$ 2,413,949	\$ 292,391	\$ 8,272,974

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 7,636	\$ 1,728	\$ 60,487	\$ 1,350	\$ 71,201
Salaries payable	30,612	20,978	21,233	-	72,823
Due to other governments	42,207	1,391	34,124	-	77,722
Advance from other funds	-	-	-	110,200	110,200
Deferred revenue - unavailable	55,212	1,891,435	10,541	90,836	2,048,024
Total Liabilities	\$ 135,667	\$ 1,915,532	\$ 126,385	\$ 202,386	\$ 2,379,970
Fund Balances					
Reserved for					
Advance to other funds	\$ 110,200	\$ -	\$ -	\$ -	\$ 110,200
Prepaid items	964	-	-	-	964
Inventories	-	231,471	-	-	231,471
Law library	5,112	-	-	-	5,112
Recorder's technology fund	42,872	-	-	-	42,872
Recorder's compliance fund	65,400	-	-	-	65,400
Enhanced 911	121,070	-	-	-	121,070
Sheriff's contingency	4,538	-	-	-	4,538
Gravel pit restoration	-	100,449	-	-	100,449
Gun permit fees	6,143	-	-	-	6,143
Solid waste	11,342	-	-	-	11,342
Election equipment grant	10,855	-	-	-	10,855
Unspent grant monies	3,166	-	-	-	3,166
Unreserved					
Designated for					
Future expenditures	922,290	90,191	545,000	-	1,557,481
Compensated absences	192,378	221,105	91,343	-	504,826
Undesignated	-	1,375,889	1,651,221	90,005	3,117,115
Total Fund Balances	\$ 1,496,330	\$ 2,019,105	\$ 2,287,564	\$ 90,005	\$ 5,893,004
Total Liabilities and Fund Balances	\$ 1,631,997	\$ 3,934,637	\$ 2,413,949	\$ 292,391	\$ 8,272,974

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balance - total governmental funds (Exhibit 3)	\$	5,893,004
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.		23,267,772
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,048,024
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,030,000)	
Unamortized discount on general obligation bonds	10,834	
Unamortized bond issuance costs	21,495	
Compensated absences	(504,826)	
Net OPEB obligation	(245,816)	
Accrued interest payable	(13,615)	
	(1,761,928)	(1,761,928)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>29,446,872</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 5

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

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
Revenues						
Taxes	\$ 1,962,274	\$ 731,444	\$ 718,975	\$ -	\$ -	\$ 3,412,693
Special assessments	121,315	-	-	111,967	-	233,282
Licenses and permits	14,770	-	-	-	-	14,770
Intergovernmental	847,604	2,545,215	1,594,214	-	-	4,987,033
Charges for services	221,079	181,533	240,370	-	-	642,982
Investment earnings	80,760	19,402	-	160	-	100,322
Miscellaneous	191,910	77,890	63,951	-	-	333,751
Total Revenues	\$ 3,439,712	\$ 3,555,484	\$ 2,617,510	\$ 112,127	\$ -	\$ 9,724,833
Expenditures						
Current						
General government	\$ 1,632,245	\$ -	\$ -	\$ -	\$ -	\$ 1,632,245
Public safety	1,158,507	-	-	-	-	1,158,507
Highways and streets	-	3,679,530	-	-	-	3,679,530
Sanitation	195,787	-	-	-	-	195,787
Human services	-	-	2,420,933	-	-	2,420,933
Health	38,450	-	-	-	-	38,450
Culture and recreation	183,366	-	-	-	-	183,366
Conservation of natural resources	221,570	-	-	91,621	-	313,191
Economic development	32,541	-	-	-	-	32,541
Intergovernmental	41,305	149,154	-	-	-	190,459
Debt service						
Principal	-	-	-	15,000	-	15,000
Interest	-	-	-	2,070	27,220	29,290
Administrative (fiscal) fees	-	-	-	446	450	896
Total Expenditures	\$ 3,503,771	\$ 3,828,684	\$ 2,420,933	\$ 109,137	\$ 27,670	\$ 9,890,195
Excess of Revenues Over (Under) Expenditures	\$ (64,059)	\$ (273,200)	\$ 196,577	\$ 2,990	\$ (27,670)	\$ (165,362)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

*EXHIBIT 5
(Continued)*

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

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ 5,819	\$ -	\$ -	\$ 27,670	\$ 33,489
Transfers out	(5,819)	(27,670)	-	-	-	(33,489)
Proceeds from the sale of assets	500	1,200	-	-	-	1,700
Total Other Financing Sources (Uses)	\$ (5,319)	\$ (20,651)	\$ -	\$ -	\$ 27,670	\$ 1,700
Net Change in Fund Balance	\$ (69,378)	\$ (293,851)	\$ 196,577	\$ 2,990	\$ -	\$ (163,662)
Fund Balance - January 1	1,565,708	2,307,733	2,090,987	87,015	-	6,051,443
Increase (decrease) in reserved for inventories	-	5,223	-	-	-	5,223
Fund Balance - December 31	\$ 1,496,330	\$ 2,019,105	\$ 2,287,564	\$ 90,005	\$ -	\$ 5,893,004

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (163,662)

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	\$ 2,048,024	
Deferred revenue - January 1	<u>(1,920,653)</u>	127,371

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 2,142,147	
Net book value of assets disposed of	(163,556)	
Current year depreciation and depletion	<u>(1,637,002)</u>	341,589

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation bonds		15,000

Amortization of discount on bonds and issuance costs		(2,485)
--	--	---------

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	\$ (3,510)	
Change in compensated absences	(22,226)	
Change in net OPEB liability	(118,589)	
Change in inventories	<u>5,223</u>	<u>(139,102)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 178,711

FIDUCIARY FUNDS

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2010**

Assets

Cash and pooled investments	<u>\$ 241,187</u>
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Liabilities

Due to other governments	<u>\$ 241,187</u>
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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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

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, 2010. 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 issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Big Stone County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Big Stone County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor serves as the clerk of the Board of Commissioners, but has no vote.

Joint Ventures

The County participates in several joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D. and a related organization described in Note 4.E.

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 Big Stone County. These statements include the financial activities of the overall County government,

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 revenue, are reported separately.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and 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 statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are 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 and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental funds as major funds.

The County reports the following major governmental funds:

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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 financial resources to be used for payment of long-term debt principal, interest, and related costs.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide 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. 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. Big Stone County considers all revenues as available if collected within 60 days after the end of the

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general 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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were \$74,860.

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 125
Land improvements	15 - 35
Public domain infrastructure	15 - 70
Machinery and equipment	3 - 20

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net assets reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

**BIG STONE COUNTY
ORTONVILLE, 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 effective interest 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.

**BIG STONE COUNTY
ORTONVILLE, 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 certain 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. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 4,210,983
Investments	1,254,733
Statement of fiduciary net assets	
Cash and pooled investments	<u>241,187</u>
Total Cash and Investments	<u>\$ 5,706,903</u>

a. Deposits

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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.

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 has adopted a policy for custodial credit risk by obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2010, the County’s deposits in banks were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's 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. On December 31, 2010, the County's investments were not exposed 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. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

The following table presents the County's cash and deposit balances at December 31, 2010. The County has no investments subject to investment risks.

Checking	\$ 578,493
Savings	2,133,156
Certificates of deposit	2,991,059
Petty cash	<u>4,195</u>
Total Cash and Investments	<u>\$ 5,706,903</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 47,631	\$ -
Special assessments	99,903	90,570
Accounts receivable	25,210	-
Interest	27,089	-
Due from other governments	2,264,790	-
Total Governmental Activities	\$ 2,464,623	\$ 90,570

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 297,590	\$ -	\$ -	\$ 297,590
Gravel pits	354,163	-	-	354,163
Right-of-way	47,695	-	-	47,695
Construction in progress	83,909	-	83,909	-
Intangible assets	16,983	-	-	16,983
Total capital assets not depreciated	\$ 800,340	\$ -	\$ 83,909	\$ 716,431
Capital assets depreciated				
Buildings	\$ 3,565,880	\$ 44,428	\$ -	\$ 3,610,308
Land improvements	230,433	14,919	-	245,352
Machinery and equipment	4,334,366	336,714	241,703	4,429,377
Infrastructure	36,008,279	1,829,995	-	37,838,274
Total capital assets depreciated	\$ 44,138,958	\$ 2,226,056	\$ 241,703	\$ 46,123,311

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 1,841,963	\$ 68,297	\$ -	\$ 1,910,260
Land improvements	64,840	11,111	-	75,951
Machinery and equipment	2,902,847	227,861	78,147	3,052,561
Infrastructure	<u>17,203,465</u>	<u>1,329,733</u>	<u>-</u>	<u>18,533,198</u>
 Total accumulated depreciation	 <u>\$ 22,013,115</u>	 <u>\$ 1,637,002</u>	 <u>\$ 78,147</u>	 <u>\$ 23,571,970</u>
 Total capital assets depreciated, net	 <u>\$ 22,125,843</u>	 <u>\$ 589,054</u>	 <u>\$ 163,556</u>	 <u>\$ 22,551,341</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 22,926,183</u>	 <u>\$ 589,054</u>	 <u>\$ 247,465</u>	 <u>\$ 23,267,772</u>

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

Governmental Activities	
General government	\$ 89,584
Public safety	29,673
Highways and streets, including depreciation of infrastructure assets	1,502,150
Sanitation	428
Human services	1,137
Culture and recreation	<u>14,030</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,637,002</u></u>

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

Governmental Activities	
Highways and streets	<u><u>\$ -</u></u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	\$ 110,200

The Ditch Special Revenue Fund advance is to provide working capital to a ditch system with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments.

2. Transfers

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

Transfer to Debt Service Fund from Highway Special Revenue Fund	\$ 27,670	Provide funding to meet debt payment obligations
Transfer to Highway Special Revenue Fund from General Fund	5,819	Provide funding
Total Interfund Transfers	\$ 33,489	

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

Accounts payable	\$	71,201
Salaries payable		72,823
Due to other governments		77,722
Total Payables	\$	221,746

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
1996 G.O. Drainage Bonds	2012	\$15,000	4.0 - 5.6	\$ 235,000	\$ 30,000
2009 G.O. Capital Improvement Bonds	2025	\$40,000 - \$85,000	1.5 - 4.0	<u>1,000,000</u>	<u>1,000,000</u>
Total General Obligation Bonds				<u>\$ 1,235,000</u>	\$ 1,030,000
Less: unamortized discounts					<u>(10,834)</u>
General Obligation Bonds, Net					<u>\$ 1,019,166</u>

Debt Issued

On September 15, 2009, Big Stone County issued General Obligation Capital Improvement Bonds, Series 2009A, in the amount of \$1,000,000, with interest rates of 1.5 percent to 4.0 percent, to finance capital improvements to County roads.

3. Debt Service Requirements

Debt payments on the drainage bonds are made from the Ditch Special Revenue Fund. Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2011	\$ 15,000	\$ 1,253
2012	<u>15,000</u>	<u>420</u>
Total	<u>\$ 30,000</u>	<u>\$ 1,673</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Debt payments on the capital improvement bonds are made from the Highway Special Revenue Fund. Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2011	\$ 40,000	\$ 30,710
2012	55,000	29,998
2013	55,000	29,035
2014	60,000	27,885
2015	60,000	26,535
2016 - 2020	330,000	105,715
2021 - 2025	400,000	40,825
Total	<u>\$ 1,000,000</u>	<u>\$ 290,703</u>

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Drainage	\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 15,000
Capital improvement	1,000,000	-	-	1,000,000	40,000
Less: unamortized discount	(11,667)	-	(833)	(10,834)	-
Total bonds payable	<u>\$ 1,033,333</u>	<u>\$ -</u>	<u>\$ 14,167</u>	<u>\$ 1,019,166</u>	<u>\$ 55,000</u>
Compensated absences	482,600	22,226	-	504,826	63,052
Other postemployment benefits	<u>127,227</u>	<u>118,589</u>	<u>-</u>	<u>245,816</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 1,643,160</u>	<u>\$ 140,815</u>	<u>\$ 14,167</u>	<u>\$ 1,769,808</u>	<u>\$ 118,052</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

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

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

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

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

Using 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 the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

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

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

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 176,040	\$ 162,132	\$ 167,660
Public Employees Police and Fire Fund	37,548	33,599	34,404

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,485	\$ 3,485
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.0 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Big Stone County pays the health insurance for qualified retired employees and elected officials. This is a single-employer defined benefit health care plan. To be eligible, employees must have worked for Big Stone County on a full-time basis or been elected to office for a minimum of 10 years, be at least 55 years old, and retire while in active service. Those eligible shall be entitled to the cost of their individual health insurance coverage up to a maximum monthly figure not to exceed the monthly premium for a Minnesota Comprehensive Health Association's (MCHA) medical coverage for their age group. However, all eligible retirees shall be required to apply for Medicare coverage and Blue Cross Blue Shield Senior Gold Medicare Supplement (including the additional preventative care) at their earliest eligibility. The retiree must purchase Medicare Parts A & B at their own expense. For eligible employees hired prior to January 1, 1991, the premium for the individual health insurance coverage or the Medicare supplement and the County's Group Medicare Part D coverage will be paid by Big Stone County until the death of the retiree.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

Any eligible employee hired after January 1, 1991, shall be eligible for one year of employer retiree insurance contributions for each five years of service with the County to a maximum of three years of contributions.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Big Stone County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has no implicit rate subsidy. The County had 9 elected officials and 24 employees eligible for this benefit in 2010. The cost from this program totaled \$176,548 (\$33,038 for elected officials and \$143,510 for employees) in 2010.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial 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	\$ 297,124
Interest on net OPEB obligation	5,089
Adjustment to ARC	<u>(7,076)</u>
Annual OPEB cost (expense)	\$ 295,137
Contributions made during the year	<u>(176,548)</u>
Increase in net OPEB obligation	\$ 118,589
Net OPEB Obligation - Beginning of Year	<u>127,227</u>
Net OPEB Obligation - End of Year	<u>\$ 245,816</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 297,124	\$ 169,897	57.2%	\$ 127,227
December 31, 2010	295,137	176,548	59.8	245,816

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial liability for benefits was \$3,542,463, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,542,463. The covered payroll (annual payroll of active employees covered by the plan) was \$2,461,776, and the ratio of the UAAL to the covered payroll was 143.9 percent.

Actuarial Methods and Assumptions

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.

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.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, 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 Big Stone County's implicit rate of return on the General Fund.

The annual health care cost trend is nine percent initially, reduced by decrements to an ultimate rate of five percent over 8 years. Both rates included a three percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 28 years.

4. Summary of Significant Contingency and Other Items

A. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

A. Risk Management (Continued)

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Countryside Public Health Service

The Countryside Public Health Service was established July 1, 1979, by a joint powers agreement among Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties. The agreement was established to provide community health care for the residents of the five-county area. Each county's proportionate share of the total responsibility of the project is established on a per capita basis as determined by the most recent statistical estimates provided by the Minnesota Board of Health.

In the event of termination of the joint powers agreement, any property acquired as a result of the agreement and any surplus monies on hand at that time shall be divided among the counties in the same proportions as their respective proportionate financial responsibilities.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, two from each county, except the county with the largest population, which has three members. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Big Stone County's contribution for 2010 was \$41,305.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215, or from the County Auditor's Office at the Courthouse.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties represented by the Lincoln, Lyon, and Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The following is a summary of the Board's annual financial report for the year ended December 31, 2009 (the most recent information available):

Total assets	\$	2,304,308
Total liabilities		327,637
Total net assets		1,976,671
Total revenues		4,271,686
Total expenses		4,327,451
Net decrease in net assets		55,765

The Board reported no long-term obligations at December 31, 2009.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at 2200 - 23rd Street N.E., Suite 2050, Willmar, Minnesota 56201, or at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

PrimeWest Health

PrimeWest Health is a county-based purchasing health plan which was established in December 1998 by a joint powers agreement among Big Stone County and nine other counties under the authority of Minn. Stat. § 471.59. The purpose of this agreement is to plan and administer a multi-county, county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minn. Stat. § 256B.692.

Control of PrimeWest Health is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

PrimeWest Health (Continued)

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services. Complete financial information can be obtained from its administrative office at PrimeWest Health, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, between Big Stone County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs.

Control is vested in a Joint Powers Board, comprised of one representative of each of the County Boards of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement. During 2010, Big Stone County contributed \$551 to the Joint Powers Board for a water study.

Complete financial information for the Pomme de Terre River Association Joint Powers Board can be obtained from its administrative offices at 900 Roberts Street, Suite 104, Alexandria, Minnesota 56308.

Central Minnesota Regional Radio Board

The Central Minnesota Regional Radio Board Joint Powers Board was established June 5, 2007, between Big Stone County, the City of St. Cloud, and 11 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

C. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Central Minnesota Regional Advisory Committee, a member of the Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

During 2010, Big Stone County contributed \$857 to the Joint Powers Board. Complete financial information for the Central Minnesota Regional Radio Board Joint Powers Board can be obtained from the City of St. Cloud at 400 - 2nd Street South, St. Cloud, Minnesota 56301.

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership was established in July 2007 by a joint powers agreement among Big Stone County and 11 other counties under the authority of Minn. Stat. §§ 471.59 and 145A.17. Big Stone County is part of the Countryside Public Health Service and is required to have this joint agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2010, Big Stone County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at 830 - 11th Street East, Glencoe, Minnesota 55336.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

C. Joint Ventures (Continued)

Pioneerland Regional Library System

Big Stone County, along with several cities and other counties, participates in the Pioneerland Regional Library System in order to provide efficient and improved regional public library service. During the year, the County contributed \$61,822 to the System. In addition, the County contributed \$9,000 for the purchase of new computers.

D. Jointly-Governed Organizations

Big Stone County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations:

Minnesota River Basin Joint Powers Board

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Big Stone County and 30 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement. During 2010, Big Stone County contributed \$625 to the Joint Powers Board.

Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

4. Summary of Significant Contingency and Other Items

D. Jointly-Governed Organizations (Continued)

West Central S.W.A.T. Team

In July 2008, Big Stone County, along with several cities and other counties, entered into an agreement to create a feasible economical way by sharing the costs, to protect the citizens of the cities and counties involved. During the year, the County contributed \$770 to the Team.

E. Related Organization - Upper Minnesota River Watershed District

The County Board is responsible for appointing a majority of the Board of Managers for the Upper Minnesota River Watershed District, but the County's responsibility does not extend beyond making the appointments.

F. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and local lending institutions 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 repayment of the loans in any manner, it does have certain responsibilities under the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,939,624	\$ 1,939,624	\$ 1,962,274	\$ 22,650
Special assessments	116,500	116,500	121,315	4,815
Licenses and permits	19,550	19,550	14,770	(4,780)
Intergovernmental	812,277	812,277	847,604	35,327
Charges for services	173,850	173,850	221,079	47,229
Investment earnings	70,800	70,800	80,760	9,960
Miscellaneous	110,651	110,651	191,910	81,259
Total Revenues	\$ 3,243,252	\$ 3,243,252	\$ 3,439,712	\$ 196,460
Expenditures				
Current				
General government				
Commissioners	\$ 152,686	\$ 152,686	\$ 147,204	\$ 5,482
Court administrator	-	-	5,544	(5,544)
Human resources	93,356	93,356	81,953	11,403
Law library	6,400	6,400	7,040	(640)
Auditor	199,350	199,350	192,089	7,261
Treasurer	110,187	110,187	103,202	6,985
Assessor	256,399	256,399	253,550	2,849
Elections	37,106	37,106	34,150	2,956
Accounting and auditing	39,500	39,500	40,806	(1,306)
Data processing	78,835	78,835	100,754	(21,919)
Attorney	79,048	79,048	88,901	(9,853)
Recorder	169,809	169,809	168,208	1,601
Planning and zoning	57,759	57,759	50,579	7,180
Buildings and plant	159,589	159,589	149,493	10,096
Veterans service officer	56,072	56,072	68,273	(12,201)
Other general government	180,304	180,304	140,499	39,805
Total general government	\$ 1,676,400	\$ 1,676,400	\$ 1,632,245	\$ 44,155
Public safety				
Sheriff	\$ 866,313	\$ 866,313	\$ 882,207	\$ (15,894)
Boat and water safety	2,429	2,429	2,680	(251)
Coroner	3,000	3,000	4,246	(1,246)
Probation	51,000	51,000	43,906	7,094
Flood account	-	-	23,164	(23,164)
E-911 system	116,800	116,800	127,448	(10,648)
Emergency management	33,572	33,572	74,856	(41,284)
Total public safety	\$ 1,073,114	\$ 1,073,114	\$ 1,158,507	\$ (85,393)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 178,971	\$ 178,971	\$ 195,787	\$ (16,816)
Health				
Public health	\$ 38,610	\$ 38,610	\$ 38,450	\$ 160
Culture and recreation				
Historical society	\$ 21,152	\$ 21,152	\$ 21,249	\$ (97)
Parks	20,342	20,342	34,413	(14,071)
Other	101,672	101,672	127,704	(26,032)
Total culture and recreation	\$ 143,166	\$ 143,166	\$ 183,366	\$ (40,200)
Conservation of natural resources				
Extension	\$ 107,908	\$ 107,908	\$ 99,227	\$ 8,681
Water planning	31,452	31,452	28,204	3,248
Feedlot management	19,458	19,458	17,957	1,501
Other	75,908	75,908	76,182	(274)
Total conservation of natural resources	\$ 234,726	\$ 234,726	\$ 221,570	\$ 13,156
Economic development				
Other	\$ 32,541	\$ 32,541	\$ 32,541	\$ -
Intergovernmental				
Health	\$ 41,305	\$ 41,305	\$ 41,305	\$ -
Total Expenditures	\$ 3,418,833	\$ 3,418,833	\$ 3,503,771	\$ (84,938)
Excess of Revenues Over (Under)				
Expenditures	\$ (175,581)	\$ (175,581)	\$ (64,059)	\$ 111,522
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (5,819)	\$ (5,819)
Proceeds from the sale of assets	-	-	500	500
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (5,319)	\$ (5,319)
Net Change in Fund Balance	\$ (175,581)	\$ (175,581)	\$ (69,378)	\$ 106,203
Fund Balance - January 1	1,565,708	1,565,708	1,565,708	-
Fund Balance - December 31	\$ 1,390,127	\$ 1,390,127	\$ 1,496,330	\$ 106,203

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

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 714,852	\$ 714,852	\$ 731,444	\$ 16,592
Intergovernmental	2,390,648	2,390,648	2,545,215	154,567
Charges for services	138,000	138,000	181,533	43,533
Investment earnings	10,000	10,000	19,402	9,402
Miscellaneous	24,500	24,500	77,890	53,390
Total Revenues	\$ 3,278,000	\$ 3,278,000	\$ 3,555,484	\$ 277,484
Expenditures				
Current				
Highways and streets				
Administration	\$ 347,790	\$ 347,790	\$ 364,717	\$ (16,927)
Maintenance	599,350	599,350	887,660	(288,310)
Construction	1,573,265	1,573,265	1,875,141	(301,876)
Equipment and maintenance shops	649,820	649,820	497,924	151,896
Material and services for resale	25,430	25,430	40,101	(14,671)
Other - highways and streets	23,500	23,500	13,987	9,513
Total highways and streets	\$ 3,219,155	\$ 3,219,155	\$ 3,679,530	\$ (460,375)
Intergovernmental				
Highways and streets	\$ 140,000	\$ 140,000	\$ 149,154	\$ (9,154)
Total Expenditures	\$ 3,359,155	\$ 3,359,155	\$ 3,828,684	\$ (469,529)
Excess of Revenues Over (Under)				
Expenditures	\$ (81,155)	\$ (81,155)	\$ (273,200)	\$ (192,045)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 5,819	\$ 5,819
Transfers out	-	-	(27,670)	(27,670)
Proceeds from sale of assets	100	100	1,200	1,100
Total Other Financing Sources (Uses)	\$ 100	\$ 100	\$ (20,651)	\$ (20,751)
Net Change in Fund Balance	\$ (81,055)	\$ (81,055)	\$ (293,851)	\$ (212,796)
Fund Balance - January 1	2,307,733	2,307,733	2,307,733	-
Increase (decrease) in reserved for inventories	-	-	5,223	5,223
Fund Balance - December 31	\$ 2,226,678	\$ 2,226,678	\$ 2,019,105	\$ (207,573)

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

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 719,843	\$ 719,843	\$ 718,975	\$ (868)
Intergovernmental	1,462,665	1,462,665	1,594,214	131,549
Charges for services	281,936	281,936	240,370	(41,566)
Miscellaneous	23,788	23,788	63,951	40,163
Total Revenues	\$ 2,488,232	\$ 2,488,232	\$ 2,617,510	\$ 129,278
Expenditures				
Current				
Human services				
Income maintenance	\$ 633,966	\$ 633,966	\$ 613,178	\$ 20,788
Social services	1,895,021	1,895,021	1,735,396	159,625
RSVP	101,485	101,485	72,359	29,126
Total Expenditures	\$ 2,630,472	\$ 2,630,472	\$ 2,420,933	\$ 209,539
Net Change in Fund Balance	\$ (142,240)	\$ (142,240)	\$ 196,577	\$ 338,817
Fund Balance - January 1	2,090,987	2,090,987	2,090,987	-
Fund Balance - December 31	\$ 1,948,747	\$ 1,948,747	\$ 2,287,564	\$ 338,817

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 68,500	\$ 68,500	\$ 111,967	\$ 43,467
Investment earnings	-	-	160	160
Total Revenues	\$ 68,500	\$ 68,500	\$ 112,127	\$ 43,627
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 40,000	\$ 40,000	\$ 91,621	\$ (51,621)
Debt service				
Principal	15,000	15,000	15,000	-
Interest	2,070	2,070	2,070	-
Administrative (fiscal) fees	450	450	446	4
Total Expenditures	\$ 57,520	\$ 57,520	\$ 109,137	\$ (51,617)
Net Change in Fund Balance	\$ 10,980	\$ 10,980	\$ 2,990	\$ (7,990)
Fund Balance - January 1	87,015	87,015	87,015	-
Fund Balance - December 31	\$ 97,995	\$ 97,995	\$ 90,005	\$ (7,990)

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT A-5

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 3,542,463	\$ 3,542,463	0.0%	\$ 2,461,776	143.9%

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

There were no amendments to the budget in the current year.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
General Fund	\$ 3,503,771	\$ 3,418,833	\$ 84,938
Special Revenue Funds			
Highway	3,828,684	3,359,155	469,529
Ditch	109,137	57,520	51,617

5. Other Postemployment Benefits Funding Status

Big Stone County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2009. Since the County has no irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one actuarial valuation is available. Future reports will provide additional trend analysis to meet the three-year valuation funding status requirements as the information becomes available.

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SUPPLEMENTARY INFORMATION

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Debt service				
Interest	\$ -	\$ -	\$ 27,220	\$ (27,220)
Administrative (fiscal) fees	-	-	450	(450)
Total Expenditures	\$ -	\$ -	\$ 27,670	\$ (27,670)
Other Financing Sources (Uses)				
Transfers in	-	-	27,670	27,670
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ -	\$ -	\$ -

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

AGENCY FUNDS

Family Services Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

State - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT C-1

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 108,262</u>	<u>\$ 43,379</u>	<u>\$ 54,243</u>	<u>\$ 97,398</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 108,262</u>	<u>\$ 43,379</u>	<u>\$ 54,243</u>	<u>\$ 97,398</u>
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 52,654</u>	<u>\$ 45,878</u>	<u>\$ 6,776</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 52,654</u>	<u>\$ 45,878</u>	<u>\$ 6,776</u>
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 8,133</u>	<u>\$ 493,782</u>	<u>\$ 485,096</u>	<u>\$ 16,819</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 8,133</u>	<u>\$ 493,782</u>	<u>\$ 485,096</u>	<u>\$ 16,819</u>

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 77,694</u>	<u>\$ 10,977,126</u>	<u>\$ 10,934,626</u>	<u>\$ 120,194</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 77,694</u>	<u>\$ 10,977,126</u>	<u>\$ 10,934,626</u>	<u>\$ 120,194</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 194,089</u>	<u>\$ 11,566,941</u>	<u>\$ 11,519,843</u>	<u>\$ 241,187</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 194,089</u>	<u>\$ 11,566,941</u>	<u>\$ 11,519,843</u>	<u>\$ 241,187</u>

SCHEDULES

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT D-1

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

Shared Revenue

State

Highway users tax	\$ 2,226,255
County program aid	394,290
PERA rate reimbursement	11,448
Disparity reduction aid	87,742
Police aid	28,679
Enhanced 911	76,403
Market value credit	180,264

Total shared revenue **\$ 3,005,081**

Reimbursement for Services

Minnesota Department of Human Services **\$ 475,727**

Payments

Local

Payments in lieu of taxes	\$ 54,429
Local contributions	36,976

Total payments **\$ 91,405**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 5,554
Corrections	9,751
Human Services	427,946
Natural Resources	50,935
Water and Soil Resources	9,931
Veterans Affairs	10,400
Peace Officer Standards and Training Board	1,792
Pollution Control Agency	55,950

Total state **\$ 572,259**

Federal

Department of	
Agriculture	\$ 65,410
Commerce	60,829
Energy	15,106
Health and Human Services	443,355
Homeland Security	234,232
Corporation for National and Community Service	23,629

Total federal **\$ 842,561**

Total state and federal grants **\$ 1,414,820**

Total Intergovernmental Revenue **\$ 4,987,033**

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

EXHIBIT D-2

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	\$ 64,559
State Administrative Matching Grants for SNAP - ARRA	10.561	851
Total U.S. Department of Agriculture		\$ 65,410
U.S. Department of Commerce		
Passed Through Central Minnesota Regional Radio Board		
Public Safety Interoperable Communications Grant Program	11.555	\$ 60,829
U.S. Department of Energy		
Passed Through Minnesota Department of Commerce		
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	81.128	\$ 15,106
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	\$ 13,907
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	\$ 50,536
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	78,472
Child Support Enforcement - ARRA	93.563	7,404
Refugee and Entrant Assistance State-Administered Programs	93.566	67
Child Care and Development Block Grant	93.575	2,202
Child Welfare Services - State Grant	93.645	3,000
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	43,073
Foster Care - Title IV-E - ARRA	93.658	92
Social Services Block Grant	93.667	57,163
Chafee Foster Care Independence Program	93.674	1,085
Children's Health Insurance Program	93.767	408
Medical Assistance Program	93.778	199,853
Total U.S. Department of Health and Human Services		\$ 443,355

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

**EXHIBIT D-2
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
Corporation for National and Community Service		
Direct		
Retired and Senior Volunteer Program	94.002	<u>\$ 23,629</u>
U.S. Department of Homeland Security		
Passed Through United Way		
Emergency Food and Shelter National Board Program	97.024	\$ 3,765
Passed Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	151,909
Emergency Management Performance Grants	97.042	7,637
Homeland Security Grant Program	97.067	41,149
Passed Through West Central Minnesota Emergency Medical Services Regulatory Board		
Homeland Security Grant Program	97.067	<u>29,772</u>
Total U.S. Department of Homeland Security		<u>\$ 234,232</u>
Total Federal Awards		<u><u>\$ 856,468</u></u>

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 842,561
Help America Vote Act Requirements Payments grant monies unspent in previous years and expended in 2010 (CFDA#90.401)	<u>13,907</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 856,468</u>

5. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2010.

**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

6. American Recovery and Reinvestment Act

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

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**BIG STONE COUNTY
ORTONVILLE, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Big Stone County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Big Stone County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Big Stone County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Big Stone County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs were:
- | | |
|--|--------------|
| Medical Assistance Program | CFDA #93.778 |
| Disaster Grants - Public Assistance
(Presidentially Declared Disasters) | CFDA #97.036 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Big Stone County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-1 Segregation of Duties

Due to the limited number of personnel within some County offices and departments, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Big Stone County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view, as the situation increases the risk that errors or irregularities may occur and not be detected in a timely manner.

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

We recommend that County management be aware of the lack of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Client's Response:

Big Stone County's management is aware that staff size does not provide for adequate segregation of accounting duties and responsibilities. Management remains cognizant of the situation and strives to ensure that staff duties and responsibilities provide as much segregation as possible.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

GASB Statement 54

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

Fund Balance Reporting

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

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

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

- Review the requirements of GASB Statement 54;
- Review current fund balances and compare to the new classifications;
- Reclassify January 1, 2011, fund balance using the new classifications;
- Review/update/prepare a comprehensive fund balance policy;
- Prepare appropriate board resolutions to commit fund balance; and
- If the County Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

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

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

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

- Prepare a list of the County's special revenue funds;
- Determine the sources of revenues for each of those funds;
- Identify whether any of those revenues are restricted or committed;

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

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, for example, detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf

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

Board of County Commissioners
Big Stone County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Stone 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 a deficiency in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as item 97-1, that we consider to be a significant deficiency 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 Big Stone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County has no tax increment financing districts.

The results of our tests indicate that for the items tested Big Stone County complied with the material terms and conditions of applicable legal provisions.

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

Big Stone County's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 24, 2011

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

Board of County Commissioners
Big Stone County

Compliance

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

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

In our opinion, Big Stone County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Big Stone County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 24, 2011