

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**BIG STONE COUNTY**  
**ORTONVILLE, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2005

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**For the Year Ended December 31, 2005**



**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, 2005**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Douglas Tomschin	January 2009
2nd District	Wade Athey*	January 2007
3rd District	Brent Olson	January 2009
4th District	Bruce Swigerd**	January 2007
5th District	Howard Janssen	January 2009
<b>Officers</b>		
<b>Elected</b>		
Attorney	William Watson	January 2007
Auditor	Michelle Knutson	January 2007
County Recorder	Gloria Arndt	January 2007
Sheriff	Joseph Berning, Jr.	January 2007
Treasurer	Cindy Nelson	January 2007
<b>Appointed</b>		
Assessor	Sandra Vold	December 2008
Coroner	Robert Ross, M.D.	Indefinite
Environmental Officer	Darren Wilke	Indefinite
Highway Engineer	Nicholas Anderson	May 2009
Veterans Service Officer	Richard Johnson	Indefinite
Human Resources Director/Emergency Management Director	Darlene Nichols-Born	Indefinite
<b>Family Services</b>		
<b>Board</b>		
Chair	Bruce Swigerd	January 2007
Vice Chair	Douglas Tomschin	January 2009
Secretary	Kathy Morrill	July 2007
Member	Brent Olson	January 2009
Member	Howard Janssen	January 2009
Member	Wade Athey	January 2007
Member	Alice Stielow	July 2006
Director	Daniel Hanratty	Indefinite

\*Chair 2006

\*\*Chair 2005

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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 as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic 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, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Page 2

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Big Stone County. The schedule and statement listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Big Stone County. The supporting information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, 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

End of Fieldwork: November 3, 2006

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

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2005  
(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, 2005. 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 \$28,728,542, of which \$21,044,337 is invested in capital assets, net of related debt, and \$646,597 is restricted to specific purposes. The \$7,037,608 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net assets increased by \$109,531 for the year ended December 31, 2005.
- The net cost of governmental activities for the current fiscal year was \$3,499,625. The net cost was funded by general revenues and other items totaling \$3,609,156.
- The fund balances of the governmental funds increased by \$251,648.
- For the year ended December 31, 2005, the unreserved fund balance of the General Fund was \$2,864,415, or 103.8 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 non-financial 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, highway, 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 fund--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 balances 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, and Ditch Special Revenue Fund. Budgetary comparison statements 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 \$28,728,542 at the close of 2005. The largest portion of the net assets (73.3 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.

	<b>Net Assets (in thousands)</b>	
	Governmental Activities 2005	Governmental Activities 2004
	<hr/>	<hr/>
Assets		
Current and other assets	\$ 8,479	\$ 8,003
Capital assets	21,133	21,572
	<hr/>	<hr/>
Total Assets	\$ 29,612	\$ 29,575
	<hr/>	<hr/>
Liabilities		
Long-term liabilities	\$ 628	\$ 630
Other liabilities	255	326
	<hr/>	<hr/>
Total Liabilities	\$ 883	\$ 956
	<hr/>	<hr/>
Net Assets		
Invested in capital assets, net of related debt	\$ 21,044	\$ 21,458
Restricted	647	266
Unrestricted	7,038	6,895
	<hr/>	<hr/>
Total Net Assets	\$ 28,729	\$ 28,619
	<hr/>	<hr/>

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 24.5 percent of the net assets.

## Governmental Activities

The County's activities increased net assets by four percent (\$28,728,542 for 2005 compared to \$28,619,011 for 2004). Key elements in this increase in net assets are as follows:

### Changes in Net Assets (in thousands)

	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues		
Charges for services	\$ 869	\$ 482
Operating grants and contributions	2,615	2,560
Capital grants and contributions	1,464	1,511
General revenues		
Property taxes	2,227	2,049
Other	1,382	1,401
Total Revenues	<u>\$ 8,557</u>	<u>\$ 8,003</u>
Expenses		
General government	\$ 1,285	\$ 1,191
Public safety	894	854
Highways	3,531	1,358
Sanitation	177	174
Human services	2,135	2,100
Health	71	70
Culture and recreation	114	110
Conservation of natural resources	217	183
Economic development	14	34
Interest	10	12
Total Expenses	<u>\$ 8,448</u>	<u>\$ 6,086</u>
Change in Net Assets	\$ 109	\$ 1,917
Net Assets - January 1	<u>28,619</u>	<u>26,702</u>
Net Assets - December 31	<u>\$ 28,728</u>	<u>\$ 28,619</u>

## **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 \$7,499,690, an increase of \$234,343 in comparison with the prior year. Of the combined ending fund balances, \$6,970,402 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 \$2,864,415. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 103.8 percent of total General Fund expenditures. During 2005, the ending fund balance increased by \$48,485.

The Highway Special Revenue Fund had an unreserved fund balance of \$1,412,623 at fiscal year-end, representing 45.8 percent of its annual expenditures. The ending fund balance increased \$39,082 during 2005.

The Family Services Special Revenue Fund had an unreserved fund balance of \$2,577,781 at fiscal year-end, representing 121.8 percent of its annual expenditures. The ending fund balance increased \$111,567 during 2005, primarily due to the reduction of IV-E foster care payments.

The Ditch Special Revenue Fund had an unreserved fund balance of \$115,583 at fiscal year-end. The ending fund balance increased \$35,209 during 2005, primarily due to the increase of special assessments to continue to improve the financial condition of the ditch systems and strive towards establishing balances in the various ditch funds to allow for routine repairs and maintenance.

### **Governmental Activities**

The County's total revenues were \$8,557,834. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2005.

**Table 1**  
**Revenues by Source**

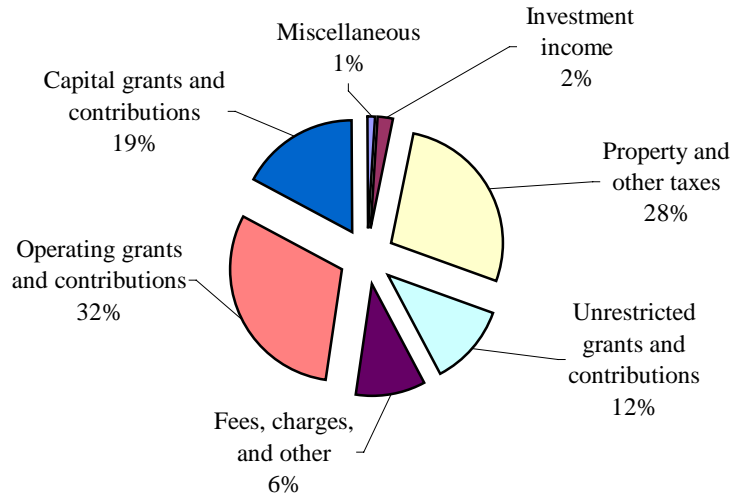
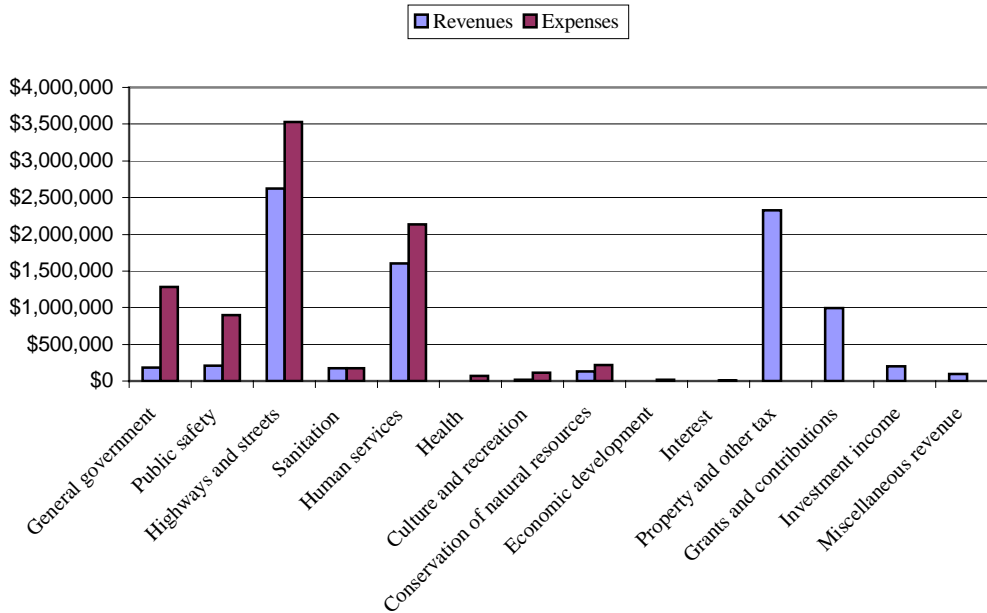


Table 2 presents the costs and revenues of each program, as well as the County's general revenues and special and extraordinary items.

Total revenues for the County were \$8,557,834, while total expenses were \$8,448,303. This reflects a \$109,531 increase in net assets for the year ended December 31, 2005.

**Table 2**



(Unaudited)

The cost of all governmental activities this year was \$8,448,303. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$3,499,625, because some of the cost was paid by those who directly benefited from the programs (\$868,839) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,079,839). The County paid for the remaining “public benefit” portion of governmental activities with \$3,609,156 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 2005	Net Cost of Services 2005
Highway	\$ 3,531,111	\$ 904,673
Family Services	2,135,132	532,190
General Government	1,285,190	1,102,971
Public Safety	894,063	682,306
All others	602,807	277,485
Totals	\$ 8,448,303	\$ 3,499,625

**General Fund Budgetary Highlights**

Over the course of the year, the County Board revises the General Fund budget as needed. The actual charges to appropriations (expenditures) were \$134,202 over the final budget amounts. The most significant negative variance (\$71,681) occurred in the County’s Emergency Management Department, where the grant expenditures for the County’s communication tower and other emergency equipment did not get included in the budget.

On the other hand, resources available for appropriation were also \$302,366 above the final budgeted amount. Greater than expected collections for certain fees, an insurance dividend, and 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, 2005, totaled \$21,132,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets decreased \$439,108, or 2.0 percent, from the previous year. The decrease is a result of current year depreciation exceeding capital purchases.

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

	2005	2004
Land	\$ 715	\$ 699
Infrastructure	18,290	18,756
Buildings	852	871
Improvements other than buildings	153	162
Machinery and equipment	1,123	1,084
Total	<u>\$ 21,133</u>	<u>\$ 21,572</u>

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 \$193,658, which was backed by the full faith and credit of the government.

#### Outstanding Debt

	2005	2004
General obligation bonds	\$ 105,000	\$ 120,000
Contracts for deed	88,658	114,034
Total	<u>\$ 193,658</u>	<u>\$ 234,034</u>

The County's debt related to general obligation bonds decreased by \$15,000 (12.5 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to 2 percent of its total market value. At the end of 2005, the County's outstanding debt was .05 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 2006 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Big Stone County for 2005 was 4.5 percent. This compares unfavorably with the state unemployment rate of 4.0 percent, but shows a decrease from the County's 4.8 percent rate of one year ago. This could impact the level of services requested by County residents.
- Mortgage interest rates have been extremely low, causing many to refinance their mortgages and/or finance new construction.
- The County General Fund expenditures for 2006 are budgeted to increase 20.5 percent (\$538,382) over the 2005 original budget. The 2006 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to increase 51.7 percent (\$301,262) over the 2005 original budget.
- The property tax levy for the County increased 7.79 percent (\$248,015) from 2005; but due to state aid cuts (\$57,954), the net tax levy (the amount spread to taxpayers) increased 12.06 percent from 2005.

## **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., 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, 2005**

**Assets**

Cash and pooled investments	\$	6,072,552
Investments		1,019,120
Receivables - net		1,261,710
Inventories		125,519
Capital assets		
Non-depreciable capital assets		714,948
Depreciable capital assets - net of accumulated depreciation		20,418,047
		20,418,047
<b>Total Assets</b>	<b>\$</b>	<b>29,611,896</b>

**Liabilities**

Accounts payable and other current liabilities	\$	242,099
Accrued interest payable		3,855
Unearned revenue		9,626
Long-term liabilities		
Due within one year		100,519
Due in more than one year		527,255
		527,255
<b>Total Liabilities</b>	<b>\$</b>	<b>883,354</b>

**Net Assets**

Invested in capital assets - net of related debt	\$	21,044,337
Restricted for		
Highways and streets		474,059
Public safety		75,581
Conservation of natural resources		71,952
Other purposes		25,005
Unrestricted		7,037,608
		7,037,608
<b>Total Net Assets</b>	<b>\$</b>	<b>28,728,542</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
General government	\$ 1,285,190	\$ 153,891	\$ 28,328	\$ -	\$ (1,102,971)
Public safety	894,063	40,817	107,749	63,191	(682,306)
Highways and streets	3,531,111	176,204	1,049,069	1,401,165	(904,673)
Sanitation	177,135	118,475	52,679	-	(5,981)
Human services	2,135,132	290,171	1,312,771	-	(532,190)
Health	70,855	1,227	-	-	(69,628)
Culture and recreation	114,562	4,024	16,702	-	(93,836)
Conservation of natural resources	216,833	84,030	48,185	-	(84,618)
Economic development	13,814	-	-	-	(13,814)
Interest	9,608	-	-	-	(9,608)
<b>Total governmental activities</b>	<b>\$ 8,448,303</b>	<b>\$ 868,839</b>	<b>\$ 2,615,483</b>	<b>\$ 1,464,356</b>	<b>\$ (3,499,625)</b>
<b>General revenues</b>					
Property taxes					\$ 2,227,134
Gravel taxes					28,662
Mortgage registry and deed tax					3,171
Payments in lieu of tax					64,197
Grants and contributions not restricted to specific programs					991,525
Unrestricted investment earnings					201,267
Miscellaneous					93,200
<b>Total general revenues</b>					<b>\$ 3,609,156</b>
<b>Change in Net Assets</b>					<b>\$ 109,531</b>
<b>Net Assets - Beginning</b>					<b>28,619,011</b>
<b>Net Assets - Ending</b>					<b>\$ 28,728,542</b>

**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, 2005**

	<b>General</b>	<b>Highway</b>	<b>Family Services</b>	<b>Ditch</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 2,865,949	\$ 396,342	\$ 2,526,922	\$ 208,291	\$ 5,997,504
Undistributed cash in agency funds	21,561	35,274	5,878	1,013	63,726
Petty cash and change funds	1,820	75	2,300	-	4,195
Departmental cash	7,127	-	-	-	7,127
Investments	29,722	960,000	-	29,398	1,019,120
Taxes receivable					
Prior	29,699	11,583	10,045	-	51,327
Special assessments receivable					
Prior	7,255	-	-	731	7,986
Noncurrent	-	-	-	224,346	224,346
Accounts receivable	4,747	260	32,082	-	37,089
Accrued interest receivable	87,390	12,599	-	49	100,038
Loans receivable	-	80,309	25,000	-	105,309
Due from other governments	31,235	576,911	127,389	80	735,615
Advance to other funds	123,533	-	-	-	123,533
Inventories	-	125,519	-	-	125,519
<b>Total Assets</b>	<b><u>\$ 3,210,038</u></b>	<b><u>\$ 2,198,872</u></b>	<b><u>\$ 2,729,616</u></b>	<b><u>\$ 463,908</u></b>	<b><u>\$ 8,602,434</u></b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total Governmental Funds</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 22,162	\$ 6,630	\$ 71,152	\$ -	\$ 99,944
Salaries payable	42,598	33,030	36,402	-	112,030
Due to other governments	26,146	2,019	1,960	-	30,125
Advance from other funds	-	-	-	123,533	123,533
Deferred revenue - unavailable	28,209	466,790	7,695	224,792	727,486
Deferred revenue - unearned	-	-	9,626	-	9,626
<b>Total Liabilities</b>	<b>\$ 119,115</b>	<b>\$ 508,469</b>	<b>\$ 126,835</b>	<b>\$ 348,325</b>	<b>\$ 1,102,744</b>
<b>Fund Balances</b>					
Reserved for					
Advance to other funds	\$ 123,533	\$ -	\$ -	\$ -	\$ 123,533
Inventories	-	125,519	-	-	125,519
Loans receivable	-	80,309	25,000	-	105,309
Missing heirs	4,892	-	-	-	4,892
Law library	524	-	-	-	524
Recorder's technology fund	11,489	-	-	-	11,489
Recorder's compliance fund	8,624	-	-	-	8,624
Enhanced 911	72,868	-	-	-	72,868
Sheriff's contingency	2,713	-	-	-	2,713
Gravel pit restoration	-	71,952	-	-	71,952
Gun permit fees	1,865	-	-	-	1,865
Unreserved					
Designated for future expenditures	1,768,350	409,521	1,359,387	98,518	3,635,776
Undesignated	1,096,065	1,003,102	1,218,394	17,065	3,334,626
<b>Total Fund Balances</b>	<b>\$ 3,090,923</b>	<b>\$ 1,690,403</b>	<b>\$ 2,602,781</b>	<b>\$ 115,583</b>	<b>\$ 7,499,690</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,210,038</b>	<b>\$ 2,198,872</b>	<b>\$ 2,729,616</b>	<b>\$ 463,908</b>	<b>\$ 8,602,434</b>

**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, 2005**

<b>Fund Balances - Total Governmental Funds (Exhibit 3)</b>	<b>\$</b>	<b>7,499,690</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		21,132,995
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		727,486
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (105,000)	
Contracts for deed	(88,658)	
Compensated absences	(434,116)	
Accrued interest payable	(3,855)	
	(631,629)	(631,629)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b>\$ 28,728,542</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 1,285,783	\$ 541,720	\$ 430,312	\$ -	\$ 2,257,815
Special assessments	116,182	-	-	76,589	192,771
Licenses and permits	19,764	-	-	-	19,764
Intergovernmental	940,551	2,391,440	1,507,011	-	4,839,002
Charges for services	152,852	147,414	185,047	-	485,313
Investment earnings	171,742	31,508	-	356	203,606
Miscellaneous	121,764	1,723	105,124	-	228,611
<b>Total Revenues</b>	<b>\$ 2,808,638</b>	<b>\$ 3,113,805</b>	<b>\$ 2,227,494</b>	<b>\$ 76,945</b>	<b>\$ 8,226,882</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,246,790	\$ -	\$ -	\$ -	\$ 1,246,790
Public safety	915,478	-	-	-	915,478
Highways and streets	-	2,927,197	-	-	2,927,197
Sanitation	177,002	-	-	-	177,002
Human services	-	-	2,115,927	-	2,115,927
Health	29,550	-	-	-	29,550
Culture and recreation	133,641	-	-	-	133,641
Conservation of natural resources	195,373	-	-	20,405	215,778
Economic development	13,814	-	-	-	13,814
<b>Intergovernmental</b>	41,305	128,377	-	-	169,682
<b>Debt service</b>					
Principal	7,200	18,176	-	15,000	40,376
Interest	-	4,092	-	5,933	10,025
Administrative (fiscal) fees	-	-	-	398	398
<b>Total Expenditures</b>	<b>\$ 2,760,153</b>	<b>\$ 3,077,842</b>	<b>\$ 2,115,927</b>	<b>\$ 41,736</b>	<b>\$ 7,995,658</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 48,485</b>	<b>\$ 35,963</b>	<b>\$ 111,567</b>	<b>\$ 35,209</b>	<b>\$ 231,224</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of assets	-	20,424	-	-	20,424
<b>Net Change in Fund Balances</b>	<b>\$ 48,485</b>	<b>\$ 56,387</b>	<b>\$ 111,567</b>	<b>\$ 35,209</b>	<b>\$ 251,648</b>
<b>Fund Balances - January 1</b>	<b>3,042,438</b>	<b>1,651,321</b>	<b>2,491,214</b>	<b>80,374</b>	<b>7,265,347</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(17,305)</b>	<b>-</b>	<b>-</b>	<b>(17,305)</b>
<b>Fund Balances - December 31</b>	<b>\$ 3,090,923</b>	<b>\$ 1,690,403</b>	<b>\$ 2,602,781</b>	<b>\$ 115,583</b>	<b>\$ 7,499,690</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)</b>	<b>\$</b>	<b>251,648</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 1,061,317	
Current year depreciation	<u>(1,500,425)</u>	(439,108)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		310,528
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal repayments		
General obligation bonds	\$ 15,000	
Contracts for deed	<u>25,376</u>	40,376
<p>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.</p>		
Change in accrued interest payable	\$ 815	
Change in compensated absences	(37,423)	
Change in inventories	<u>(17,305)</u>	(53,913)
<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>109,531</u></b>

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**FIDUCIARY FUNDS**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2005**

**Assets**

Cash and pooled investments	<u>\$ 197,087</u>
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**Liabilities**

Due to other governments	<u>\$ 197,087</u>
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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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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, 2005. 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 which are described in Note 5.C. The County also participates in a related organization, which is described in Note 5.D.

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, 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.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities are 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 that are 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 that are 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**

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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.

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 to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

to be 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 they are 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, 2005, 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 2005 were \$161,369.

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**

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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.

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 (FIFO) 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 market value at the date of donation.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Land improvements	20 - 35
Public domain infrastructure	15 - 70
Machinery and equipment	3 - 15

6. Compensated Absences

The liability for compensated absences reported in 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. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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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 that are not available for appropriation or are 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**

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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. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 2,760,153	\$ 2,625,951	\$ 134,202
Special Revenue Funds			
Highway	3,077,842	2,926,124	151,718
Ditch	41,736	30,000	11,736

B. Deficit Fund Equity

Ditch Special Revenue Fund

Three of 21 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies. The following summary of drainage system fund balance accounts shows the unreserved, undesignated fund balance as of December 31, 2005:

Account balances	\$ 238,826
Account balance deficits	(123,243)
Total	<u>\$ 115,583</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. 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	\$ 5,997,504
Undistributed cash in agency funds	63,726
Petty cash and change funds	4,195
Departmental cash	7,127
Investments	1,019,120
Statement of fiduciary net assets	
Cash and pooled investments	<u>197,087</u>
 Total Cash and Investments	 <u><u>\$ 7,288,759</u></u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, the County's deposits in banks were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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 does not have a policy on custodial credit risk.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy 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, 2005. The County has no investments subject to investment risks.

Checking	\$	621,098
Savings		2,086,047
Certificates of deposit		4,570,292
Departmental cash		7,127
Petty cash		4,195
		4,195
Total Cash and Investments	\$	7,288,759

2. Receivables

Receivables as of December 31, 2005, 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	\$ 51,327	\$ -
Special assessments	232,332	224,346
Accounts	37,089	-
Interest	100,038	-
Loans	105,309	61,951
Due from other governments	735,615	-
	735,615	-
Total Governmental Activities	\$ 1,261,710	\$ 286,297

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 290,000	\$ 7,590	\$ -	\$ 297,590
Gravel pits	370,781	-	1,118	369,663
Right-of-way	38,250	9,445	-	47,695
<b>Total capital assets not depreciated</b>	<b>\$ 699,031</b>	<b>\$ 17,035</b>	<b>\$ 1,118</b>	<b>\$ 714,948</b>
Capital assets depreciated				
Buildings	\$ 2,475,339	\$ 23,750	\$ -	\$ 2,499,089
Land improvements	177,567	-	-	177,567
Machinery and equipment	3,357,206	305,194	75,219	3,587,181
Infrastructure	29,898,096	715,338	-	30,613,434
<b>Total capital assets depreciated</b>	<b>\$ 35,908,208</b>	<b>\$ 1,044,282</b>	<b>\$ 75,219</b>	<b>\$ 36,877,271</b>
Less: accumulated depreciation for				
Buildings	\$ 1,604,572	\$ 41,945	\$ -	\$ 1,646,517
Land improvements	15,975	8,878	-	24,853
Machinery and equipment	2,272,760	266,401	75,219	2,463,942
Infrastructure	11,141,829	1,182,083	-	12,323,912
<b>Total accumulated depreciation</b>	<b>\$ 15,035,136</b>	<b>\$ 1,499,307</b>	<b>\$ 75,219</b>	<b>\$ 16,459,224</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 20,873,072</b>	<b>\$ (455,025)</b>	<b>\$ -</b>	<b>\$ 20,418,047</b>
Governmental Activities Capital Assets, Net	<b>\$ 21,572,103</b>	<b>\$ (437,990)</b>	<b>\$ 1,118</b>	<b>\$ 21,132,995</b>

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

Governmental Activities	
General government	\$ 37,822
Public safety	27,363
Highways and streets, including depreciation of infrastructure assets	1,404,711
Family services	12,445
Culture and recreation	15,853
Conservation of natural resources	1,113
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,499,307</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 123,533

The 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.

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

Accounts	\$ 99,944
Salaries	112,030
Due to other governments	30,125
Total Payables	\$ 242,099

2. Retired Officials' and Employees' Health Insurance Benefits

The County pays the health insurance for qualified retired employees and elected officials. Any employee or elected official hired on a full-time basis or elected to office prior to January 1, 1991, and retiring while in active service 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. To be eligible, employees and elected officials must have worked for Big Stone County for a minimum of 10 years and be at least 55 years old. All current eligible retirees shall be required to apply for Medicare coverage at their earliest eligibility. Medicare shall be the primary provider and any remaining employer contributions shall be applied to the cost of a Medicare supplement.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

2. Retired Officials' and Employees' Health Insurance Benefits (Continued)

Any 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. To be eligible, employees and elected officials must have worked for Big Stone County for a minimum of 10 years and be at least 55 years old. Such retirees shall be required to apply for Medicare coverage at their earliest eligibility. Medicare shall be the primary provider and any remaining employer contributions shall be applied to the cost of a Medicare supplement. The County finances the plan on a pay-as-you-go basis. The County's contributions for the year ended December 31, 2005, were:

	Number of Participants	Contribution
Governmental Activities		
Elected officials	10	\$ 40,005
Employees	20	76,467
Totals	30	\$ 116,472

3. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General obligation bonds					
1996 G.O. Drainage Bonds	2012	\$15,000	5.29523	\$ 235,000	\$ 105,000

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Bonded Debt (Continued)

Debt payments on the drainage bonds are made from the Ditch Fund. Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2006	\$ 15,000	\$ 5,190
2007	15,000	4,433
2008	15,000	3,660
2009	15,000	2,872
2010	15,000	2,070
2011 - 2012	30,000	1,673
Total	<u>\$ 105,000</u>	<u>\$ 19,898</u>

4. Contracts for Deed

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Contracts for deed					
Highway Fund Gravel pit	2007	\$18,176 – \$20,810	7.00	\$ 120,000	\$ 40,258
General Fund Government building	2007	\$7,200 – \$41,200	0.00	<u>75,000</u>	<u>48,400</u>
Total Contracts for Deed				<u>\$ 195,000</u>	<u>\$ 88,658</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Contracts for Deed (Continued)

Debt payments on the contracts for deed are made out of the Highway and General Funds. Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	Highway Fund - Gravel Pit		General Fund - Government Building
	Principal	Interest	Principal
2006	\$ 19,448	\$ 2,818	\$ 7,200
2007	20,810	1,457	41,200
Totals	\$ 40,258	\$ 4,275	\$ 48,400

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Drainage bonds	\$ 120,000	\$ -	\$ 15,000	\$ 105,000	\$ 15,000
Contracts for deed					
Highway Fund					
Gravel pit	58,434	-	18,176	40,258	19,448
General Fund					
Government building	55,600	-	7,200	48,400	7,200
Compensated absences	396,693	37,423	-	434,116	58,871
Governmental Activity Long-Term Liabilities	\$ 630,727	\$ 37,423	\$ 40,376	\$ 627,774	\$ 100,519

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

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). The PERA administers the Public 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.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. 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 Public 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. A reduced retirement annuity is also available to eligible members seeking early retirement.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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.

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>
2005	\$ 128,937	\$ 20,837
2004	125,978	18,953
2003	121,936	16,385

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. 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. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$2,717, \$502, and \$0, respectively, equal to the contractually required contributions for each year as set by state statute.

5. 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 Insurance Trust (MCIT). 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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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

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.

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 2005 was \$41,305.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingency and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

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.

Minnesota River Basin

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 2005, Big Stone County contributed \$500 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**

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5. Summary of Significant Contingency and Other Items

C. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, and Swift 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.

The following is a summary of the Board's annual financial report (the latest available) for the year ended December 31, 2003:

Total assets	\$ 220,978
Total liabilities	5,230
Total equity	215,748
Total revenues	889,414
Total expenditures	856,904
Net increase to fund balance	32,510

The Board reported no long-term obligations at December 31, 2003.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingency and Other Items

C. Joint Ventures (Continued)

Prime West Central County-Based Purchasing Initiative

The Prime West Central County-Based Purchasing Initiative was established in December 1998 by a joint powers agreement among Big Stone 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 the Purchasing Initiative is vested in a Joint Powers Board, composed of one Commissioner from each member county. Each member of the 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.

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. In 1999, Big Stone County provided \$25,000 in the form of an initial start-up loan to the Prime West Central County-Based Purchasing Initiative. The County did not contribute any funds to the Purchasing Initiative in 2005.

Douglas County acts as fiscal agent for Prime West Central County-Based Purchasing Initiative and reports the cash transactions as an investment trust fund on its financial statements. Complete financial information can be obtained from its administrative office at: Prime West Health Systems, Douglas County Courthouse, 305 - 8th Avenue West, Alexandria, Minnesota 56308.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingency and Other Items

C. Joint Ventures (Continued)

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 2005, Big Stone County did not contribute any funds to the Joint Powers Board. 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.

D. 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.

E. 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**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,263,687	\$ 1,263,687	\$ 1,285,783	\$ 22,096
Special assessments	115,000	115,000	116,182	1,182
Licenses and permits	21,370	21,370	19,764	(1,606)
Intergovernmental	755,139	755,139	940,551	185,412
Charges for services	138,321	138,321	152,852	14,531
Investment earnings	150,300	150,300	171,742	21,442
Miscellaneous	62,455	62,455	121,764	59,309
<b>Total Revenues</b>	<b>\$ 2,506,272</b>	<b>\$ 2,506,272</b>	<b>\$ 2,808,638</b>	<b>\$ 302,366</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 143,894	\$ 143,894	\$ 140,321	\$ 3,573
Human resources	54,437	54,437	50,104	4,333
Law library	9,600	9,600	7,049	2,551
Auditor	159,903	159,903	150,166	9,737
Treasurer	88,550	88,550	88,832	(282)
Assessor	177,227	177,227	156,408	20,819
Elections	300	300	346	(46)
Accounting and auditing	35,000	35,000	21,912	13,088
Data processing	62,000	62,000	50,157	11,843
Attorney	60,908	60,908	63,376	(2,468)
Recorder	165,772	165,772	166,727	(955)
Planning and zoning	49,380	49,380	30,959	18,421
Buildings and plant	131,198	131,198	135,235	(4,037)
Veterans service officer	21,383	21,383	17,591	3,792
Other general government	136,973	136,973	167,607	(30,634)
<b>Total general government</b>	<b>\$ 1,296,525</b>	<b>\$ 1,296,525</b>	<b>\$ 1,246,790</b>	<b>\$ 49,735</b>
<b>Public safety</b>				
Sheriff	\$ 751,887	\$ 751,887	\$ 784,655	\$ (32,768)
Boat and water safety	400	400	1,931	(1,531)
Coroner	2,000	2,000	565	1,435
E-911 system	30,000	30,000	36,019	(6,019)
Emergency management	20,627	20,627	92,308	(71,681)
<b>Total public safety</b>	<b>\$ 804,914</b>	<b>\$ 804,914</b>	<b>\$ 915,478</b>	<b>\$ (110,564)</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 172,106	\$ 172,106	\$ 177,002	\$ (4,896)
<b>Health</b>				
Public health	\$ 29,300	\$ 29,300	\$ 29,550	\$ (250)
<b>Culture and recreation</b>				
Historical society	\$ 7,000	\$ 7,000	\$ 31,576	\$ (24,576)
Parks	13,512	13,512	28,421	(14,909)
Other	56,542	56,542	73,644	(17,102)
<b>Total culture and recreation</b>	\$ 77,054	\$ 77,054	\$ 133,641	\$ (56,587)
<b>Conservation of natural resources</b>				
Extension	\$ 78,305	\$ 78,305	\$ 75,238	\$ 3,067
Water planning	31,912	31,912	39,592	(7,680)
Feedlot management	15,193	15,193	18,397	(3,204)
Other	57,073	57,073	62,146	(5,073)
<b>Total conservation of natural resources</b>	\$ 182,483	\$ 182,483	\$ 195,373	\$ (12,890)
<b>Economic development</b>				
Other	\$ 15,064	\$ 15,064	\$ 13,814	\$ 1,250
<b>Intergovernmental</b>				
Health	\$ 41,305	\$ 41,305	\$ 41,305	\$ -
<b>Debt service</b>				
Principal	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
<b>Total Expenditures</b>	\$ 2,625,951	\$ 2,625,951	\$ 2,760,153	\$ (134,202)
<b>Net Change in Fund Balance</b>	\$ (119,679)	\$ (119,679)	\$ 48,485	\$ 168,164
<b>Fund Balance - January 1</b>	3,042,438	3,042,438	3,042,438	-
<b>Fund Balance - December 31</b>	\$ 2,922,759	\$ 2,922,759	\$ 3,090,923	\$ 168,164

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
HIGHWAY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 555,178	\$ 555,178	\$ 541,720	\$ (13,458)
Intergovernmental	2,126,922	2,126,922	2,391,440	264,518
Charges for services	120,000	120,000	147,414	27,414
Investment earnings	25,000	25,000	31,508	6,508
Miscellaneous	14,000	14,000	1,723	(12,277)
<b>Total Revenues</b>	<b>\$ 2,841,100</b>	<b>\$ 2,841,100</b>	<b>\$ 3,113,805</b>	<b>\$ 272,705</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 305,197	\$ 305,197	\$ 316,507	\$ (11,310)
Maintenance	747,702	747,702	582,291	165,411
Construction	1,344,049	1,344,049	1,295,818	48,231
Equipment and maintenance shops	500,476	500,476	690,979	(190,503)
Material and services for resale	-	-	32,723	(32,723)
Other - highways and streets	28,700	28,700	8,879	19,821
<b>Total highways and streets</b>	<b>\$ 2,926,124</b>	<b>\$ 2,926,124</b>	<b>\$ 2,927,197</b>	<b>\$ (1,073)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	128,377	(128,377)
<b>Debt service</b>				
Principal	-	-	18,176	(18,176)
Interest	-	-	4,092	(4,092)
<b>Total Expenditures</b>	<b>\$ 2,926,124</b>	<b>\$ 2,926,124</b>	<b>\$ 3,077,842</b>	<b>\$ (151,718)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (85,024)</b>	<b>\$ (85,024)</b>	<b>\$ 35,963</b>	<b>\$ 120,987</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	8,000	8,000	20,424	12,424
<b>Net Change in Fund Balance</b>	<b>\$ (77,024)</b>	<b>\$ (77,024)</b>	<b>\$ 56,387</b>	<b>\$ 133,411</b>
<b>Fund Balance - January 1</b>	<b>1,651,321</b>	<b>1,651,321</b>	<b>1,651,321</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(17,305)</b>	<b>(17,305)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,574,297</b>	<b>\$ 1,574,297</b>	<b>\$ 1,690,403</b>	<b>\$ 116,106</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 430,633	\$ 409,424	\$ 430,312	\$ 20,888
Intergovernmental	1,632,874	1,632,874	1,507,011	(125,863)
Charges for services	43,000	43,000	185,047	142,047
Miscellaneous	16,000	16,000	105,124	89,124
<b>Total Revenues</b>	<b>\$ 2,122,507</b>	<b>\$ 2,101,298</b>	<b>\$ 2,227,494</b>	<b>\$ 126,196</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 493,753	\$ 493,753	\$ 529,752	\$ (35,999)
Social services	1,645,202	1,645,202	1,536,553	108,649
RSVP	-	-	49,622	(49,622)
<b>Total Expenditures</b>	<b>\$ 2,138,955</b>	<b>\$ 2,138,955</b>	<b>\$ 2,115,927</b>	<b>\$ 23,028</b>
<b>Net Change in Fund Balance</b>	<b>\$ (16,448)</b>	<b>\$ (37,657)</b>	<b>\$ 111,567</b>	<b>\$ 149,224</b>
<b>Fund Balance - January 1</b>	<b>2,491,214</b>	<b>2,491,214</b>	<b>2,491,214</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,474,766</b>	<b>\$ 2,453,557</b>	<b>\$ 2,602,781</b>	<b>\$ 149,224</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 47,700	\$ 47,700	\$ 76,589	\$ 28,889
Investment earnings	-	-	356	356
<b>Total Revenues</b>	<b>\$ 47,700</b>	<b>\$ 47,700</b>	<b>\$ 76,945</b>	<b>\$ 29,245</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ 30,000	\$ 30,000	\$ 20,405	\$ 9,595
<b>Debt service</b>				
Principal	-	-	15,000	(15,000)
Interest	-	-	5,933	(5,933)
Administrative (fiscal) fees	-	-	398	(398)
<b>Total Expenditures</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>	<b>\$ 41,736</b>	<b>\$ (11,736)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 17,700</b>	<b>\$ 17,700</b>	<b>\$ 35,209</b>	<b>\$ 17,509</b>
<b>Fund Balance - January 1</b>	<b>80,374</b>	<b>80,374</b>	<b>80,374</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 98,074</b>	<b>\$ 98,074</b>	<b>\$ 115,583</b>	<b>\$ 17,509</b>

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005

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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

Expenditure budgets were not amended during the year.

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 2,760,153	\$ 2,625,951	\$ 134,202
Special Revenue Funds			
Highway	3,077,842	2,926,124	151,718
Ditch	41,736	30,000	11,736

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**SUPPLEMENTARY INFORMATION**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Statement 1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>161,662</u>	\$ <u>92,399</u>	\$ <u>87,600</u>	\$ <u>166,461</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>161,662</u>	\$ <u>92,399</u>	\$ <u>87,600</u>	\$ <u>166,461</u>
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>7,208</u>	\$ <u>375,095</u>	\$ <u>375,630</u>	\$ <u>6,673</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>7,208</u>	\$ <u>375,095</u>	\$ <u>375,630</u>	\$ <u>6,673</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>49,515</u>	\$ <u>8,658,347</u>	\$ <u>8,683,909</u>	\$ <u>23,953</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>49,515</u>	\$ <u>8,658,347</u>	\$ <u>8,683,909</u>	\$ <u>23,953</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Statement 1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 218,385	\$ 9,125,841	\$ 9,147,139	\$ 197,087
<b><u>Liabilities</u></b>				
Due to other governments	\$ 218,385	\$ 9,125,841	\$ 9,147,139	\$ 197,087

**OTHER SCHEDULE**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

Schedule 5

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Shared Revenue**

**State**

Highway users tax	\$	2,078,977
County program aid		647,928
PERA rate reimbursement		11,447
Disparity reduction aid		89,360
Police aid		18,953
Enhanced 911		57,563
Market value credit		242,790

**Total Shared Revenue** **\$ 3,147,018**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	594,444
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**Payments**

**Local**

Payments in lieu of taxes	\$	64,197
Household hazardous waste		3,600

**Total Payments** **\$ 67,797**

**Grants**

**State**

Minnesota Department of		
Corrections	\$	9,522
Human Services		465,979
Natural Resources		95,988
Water and Soil Resources Board		52,750
Peace Officer Standards and Training Board		1,762
Office of Environmental Assistance		24,539
Pollution Control Agency		24,540

**Total State** **\$ 675,080**

**Federal**

Department of		
Agriculture	\$	1,708
Health and Human Services		225,658
Homeland Security		81,222
Corporation for National and Community Service		46,075

**Total Federal** **\$ 354,663**

**Total State and Federal Grants** **\$ 1,029,743**

**Total Intergovernmental Revenue** **\$ 4,839,002**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**Schedule 6**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**I. 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 several County offices, 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.

We recommend that Big Stone County's 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.*

## II. OTHER FINDINGS AND RECOMMENDATIONS

### A. MINNESOTA LEGAL COMPLIANCE

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

##### 04-1 Collateral Substitution

The procedures used for pledging new collateral and for collateral substitutions changed for Minnwest Bank. The Depository Pledge Agreement states the "...Bank may substitute Eligible Securities for any of the Collateral held by Custodian at any time by providing Custodian with a substitution notice signed by an authorized representative of the Bank, provided that the market value of the Collateral following such substitution would equal or exceed the Required Collateral Value. If Bank elects to require Depositor's written consent on a substitution notice in connection with any substitution complies with the proceeding sentence, Depositor agrees to provide it promptly upon Bank's request."

Minn. Stat. § 118A.03, subd. 5, states, "[a] financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the governmental entity and receiving confirmation." The processes described by the bank do not meet this standard because they allow the financial institution to substitute collateral before it gives any notice to the governmental entity.

We recommend that the County Attorney review these procedural changes for compliance with Minn. Stat. § 118A.03, subd. 5.

#### Client's Response:

*The first audit in which this comment appeared was finalized around the first part of 2006. After discussions with the involved bank, the County Attorney drafted proposed changes to the Pledge Agreement in May of 2006. Those proposals were forwarded to the State Auditor's Office and based upon subsequent phone conversations with legal staff at the Auditor's Office, we understand that when the language proposed by the County Attorney is put into the Pledge Agreement, this comment will be resolved for 2006. Thus, due to the lateness with which we received the 2004 audit, and despite expeditious action on our part, we were unable to resolve this comment for the 2005 audit.*

04-2 Depository Pledge Agreement

The depository pledge agreement between the County and Minnwest Bank states that the County is required to give notice of a failure, insolvency, or breach to the bank and wait at least three business days after the notice before the County can collect the collateral from the Custodian so the bank has time to cure the default.

Minn. Stat. § 118A.03, subd. 4, states, “The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

We recommend that the County review this security agreement to ensure that it is consistent with the default language of Minn. Stat. § 118A.03, subd. 4, and that the required language is included.

Client’s Response:

*The first audit in which this comment appeared was finalized around the first part of 2006. After discussions with the involved bank, the County Attorney drafted proposed changes to the Pledge Agreement in May of 2006. Those proposals were forwarded to the State Auditor’s Office and based upon subsequent phone conversations with legal staff at the Auditor’s Office, we understand that when the language proposed by the County Attorney is put into the Pledge Agreement, this comment will be resolved for 2006. Thus, due to the lateness with which we received the 2004 audit, and despite expeditious action on our part, we were unable to resolve this comment for the 2005 audit.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

98-2 Individual Ditch Systems Fund Deficits

Three of the 21 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2005, totaling \$123,243, which is down from \$138,208 in the prior year, with the largest being \$88,122, which is down from \$99,172 in the prior year on Combined Ditch No. 10/11. The Ditch Special Revenue Fund had a favorable fund balance of \$115,583 at December 31, 2005.

Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County Board improve the financial condition of these ditch systems by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the creation of a repair fund to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*The various ditch authorities have established a philosophy to continue levying on those ditches which are in deficit. They are also striving towards establishing balances in the various ditch funds to allow for routine repairs and maintenance. As stated in our response to this finding since 1999, the Joint Ditch Authority for Combined Ditch #10/11 set up a repayment plan to correct the deficit balance beginning with pay 2000. As revised on August 28, 2001, payments will be made over 15 years. The additional expenditures that had been incurred as referenced in 2004, are also being assessed over a period of 15 years.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

*Schedule 6*  
*(Continued)*

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Big Stone County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2008 and 2009, respectively.

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REBECCA OTTO  
STATE AUDITOR

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

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, 2005, and have issued our report thereon dated November 3, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Recommendations as item 97-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition indicated is a material weakness.

### 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 Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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, except as described in the Schedule of Findings and Recommendations as items 04-1 and 04-2.

This report is intended solely for the information and use of the Board of County Commissioners and management 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

End of Fieldwork: November 3, 2006