

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

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.

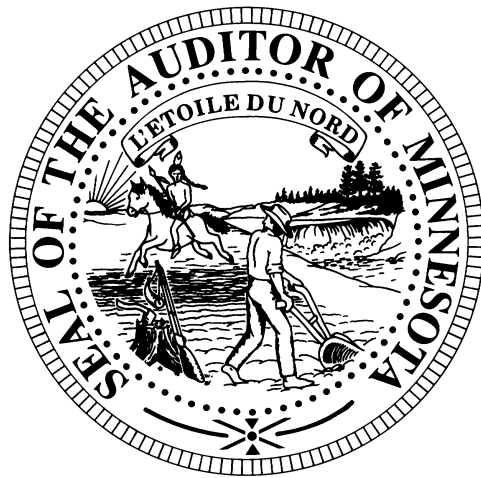
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Year Ended December 31, 2004



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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2004**

Office	Name	Term Expires
Commissioners		
1st District	Judy Hanson	January 2007
2nd District	James Stenson	January 2005
3rd District	Jack Kolars	January 2007
4th District	Dr. David Dehen*	January 2005
5th District	Paul Engel	January 2007
Officers Elected		
Attorney	Michael K. Riley	January 2007
Auditor	Robert Bruns	January 2007
County Judge	Warren Litynski	January 2007
County Recorder	Kathryn Conlon	January 2007
Registrar of Titles	Kathryn Conlon	January 2007
Sheriff	David Lange	January 2007
Treasurer	Myrna Schoeb	January 2007
Officers Appointed		
Assessor	Doreen Pehrson	December 2008
Court Administrator	Shirley Eken	Indefinite
Highway Engineer	Michael Wagner	May 2008
Probation Officer (Court Services Director)	Stephen Kley	Indefinite
Surveyor	Peter Blethen	Indefinite
Veterans Service Officer	Henry Sadler	May 2008
Coroner	Dr. Kim Beecher Englehardt	Indefinite
Administrator	Bob Podhradsky	Indefinite
Human Services Director	Cliff Nebel	Indefinite
Public Health Nursing Director	Nita Aasen	Indefinite
Environmental Services Director	Tina Rosenstein	Indefinite
Extension Director	Kelly Kunkel	Indefinite

*Chair

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STATE OF MINNESOTA

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nicollet County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nicollet County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Nicollet County as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Nicollet County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Nicollet County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly 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 December 21, 2005, on our consideration of Nicollet County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: December 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004
(Unaudited)**

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Nicollet County exceeded its liabilities by \$67,529,212 at the close of 2004. Of this amount, \$12,411,385 (unrestricted net assets) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.

Nicollet County's total net assets increased by \$2,372,947 in 2004. This is attributable primarily to increases in infrastructure, equipment purchases, and future capital projects.

At the close of 2004, Nicollet County's governmental funds reported combined ending fund balances of \$14,882,654--an increase of \$2,104,628 in comparison with the prior year. Of the total fund balance, \$6,295,446 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.

At the close of 2004, unreserved, undesignated fund balance for the General Fund was \$2,326,169, or 26 percent of total General Fund expenditures.

Nicollet County's total debt increased by \$2,210,000, or 37 percent, during 2004. The key factor in the increase was the issuance of general obligation bonds for road projects and capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Level Financial Statements

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

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial

statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Proprietary funds. Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 to 10.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Nicollet County's fiduciary funds consist of six agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. Fiduciary funds are on Exhibit 11.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and notes, Nicollet County also provides supplementary information on Nicollet County's deposits and investments, taxes, and intergovernmental revenues.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Nicollet County's assets exceeded liabilities by \$67,529,212 at the close of 2004. The largest portion of Nicollet County's net assets (80 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Nicollet County Governmental Net Assets

	2004	2003 (Restated)
Current and other assets	\$ 18,771,893	\$ 15,911,962
Capital assets	<u>60,854,333</u>	<u>58,816,150</u>
Total Assets	<u>\$ 79,626,226</u>	<u>\$ 74,728,112</u>
Long-term liabilities outstanding	\$ 9,511,907	\$ 7,410,174
Other liabilities	<u>2,585,107</u>	<u>2,161,673</u>
Total Liabilities	<u>\$ 12,097,014</u>	<u>\$ 9,571,847</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 53,903,073	\$ 52,704,119
Restricted	1,214,754	847,209
Unrestricted	<u>12,411,385</u>	<u>11,604,937</u>
Total Net Assets	<u>\$ 67,529,212</u>	<u>\$ 65,156,265</u>

The unrestricted net asset amount of \$12,411,385 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors.

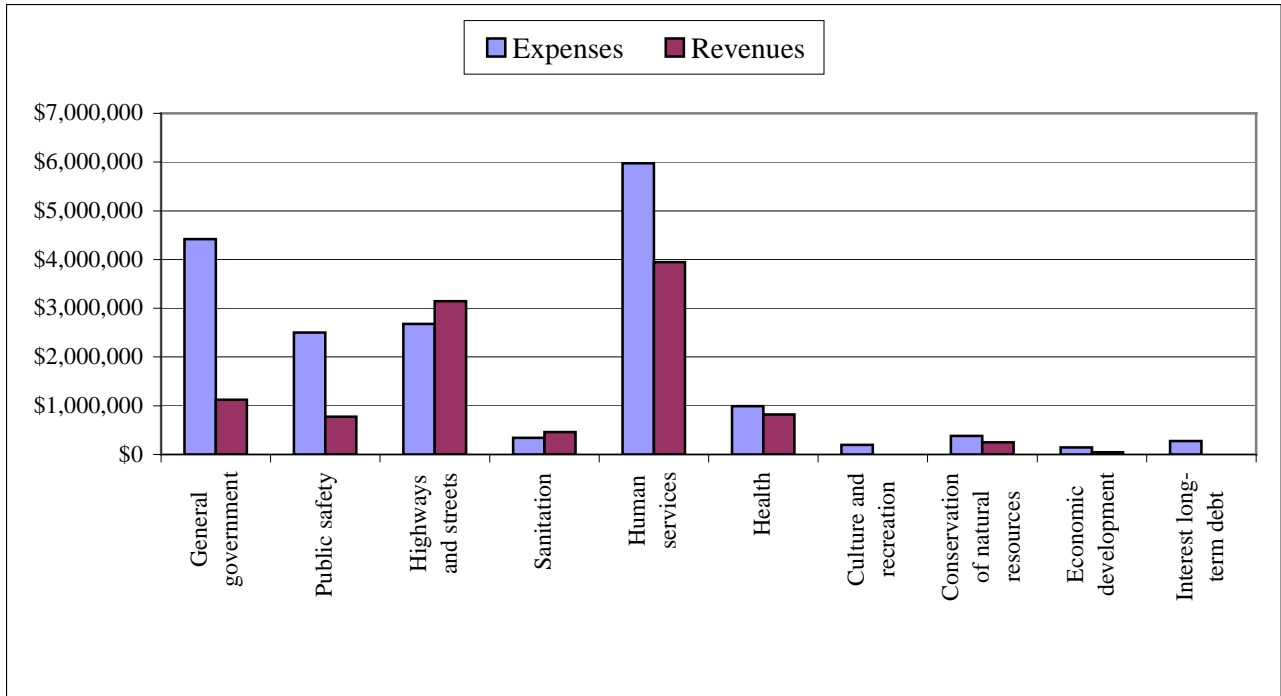
Governmental Activities

Nicollet County's activities increased net assets by \$2,372,947 or four percent, over the 2003 net assets. The key element of the increase was due to additional infrastructure and future capital projects.

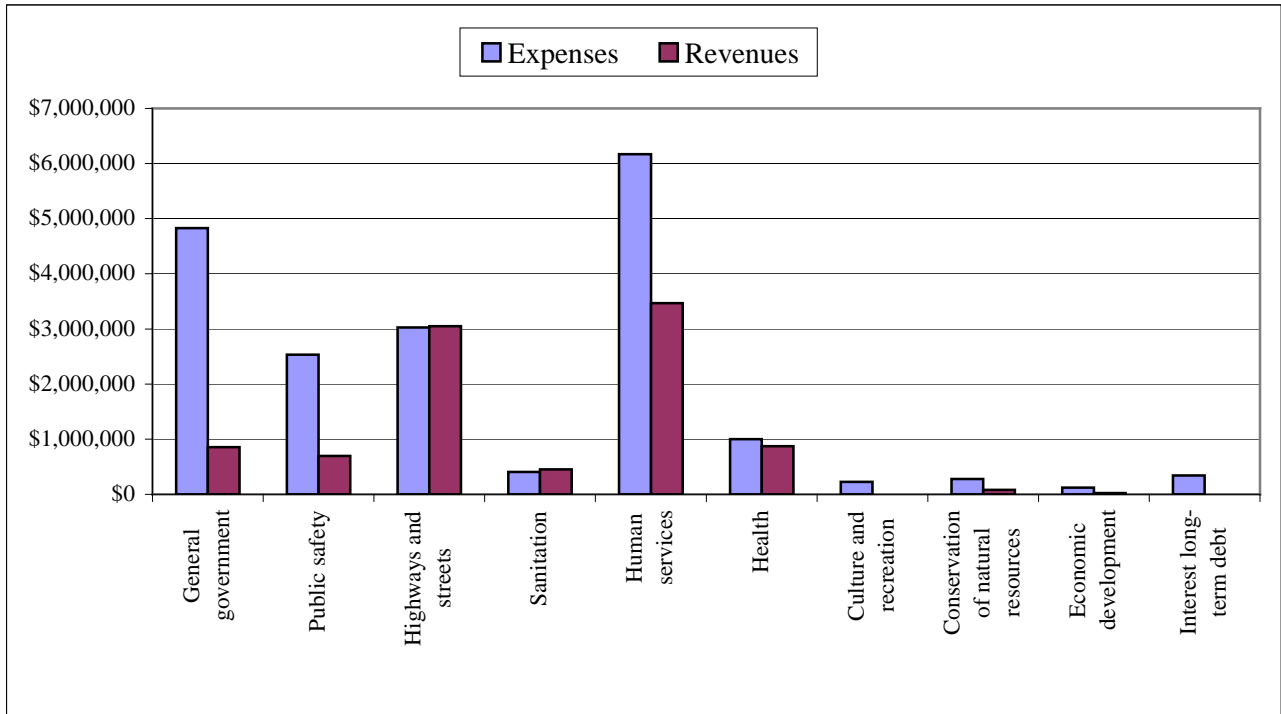
**Nicollet County
Changes In Net Assets**

	<u>2004</u>	<u>2003 (Restated)</u>
Revenues		
Program revenues		
Charges for services	\$ 2,573,131	\$ 2,740,649
Operating grants and contributions	6,846,959	7,576,177
Capital grants and contributions	89,642	248,566
General revenues		
Property taxes	9,187,804	8,641,810
Other	2,610,322	2,539,186
Total Revenues	<u>\$ 21,307,858</u>	<u>\$ 21,746,388</u>
Expenses		
General government	\$ 4,829,703	\$ 4,420,989
Public safety	2,530,663	2,499,498
Highways and streets	3,028,586	2,676,868
Sanitation	404,039	339,525
Human services	6,169,165	5,975,963
Health	1,000,067	994,327
Culture and recreation	227,280	195,524
Conservation of natural resources	280,941	382,477
Economic development	121,086	142,520
Interest	343,381	278,323
Total Expenses	<u>\$ 18,934,911</u>	<u>\$ 17,906,014</u>
Increase in Net Assets	\$ 2,372,947	\$ 3,840,374
Net Assets - January 1	<u>65,156,265</u>	<u>61,315,891</u>
Net Assets - December 31	<u>\$ 67,529,212</u>	<u>\$ 65,156,265</u>

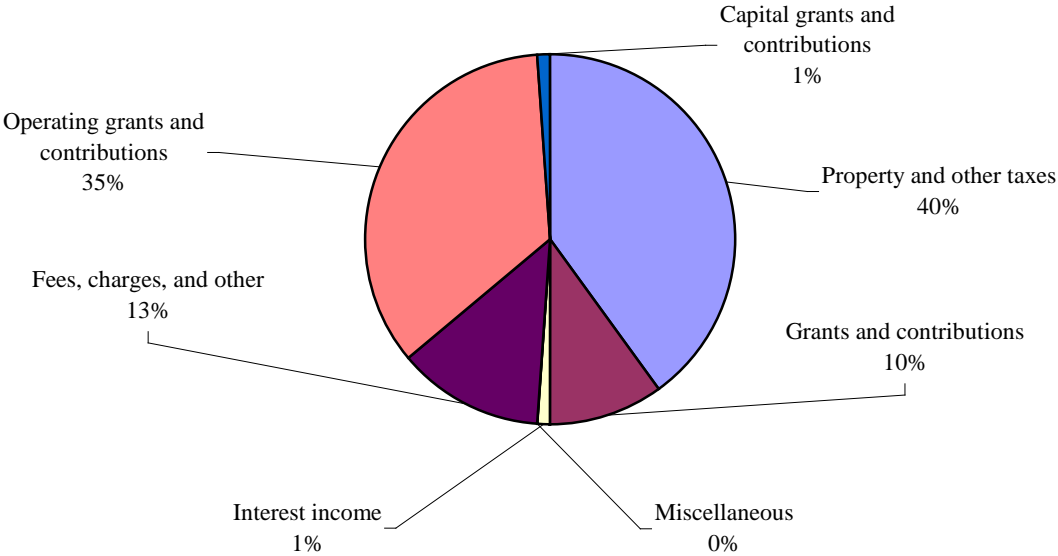
Expenses and Program Revenues 2003



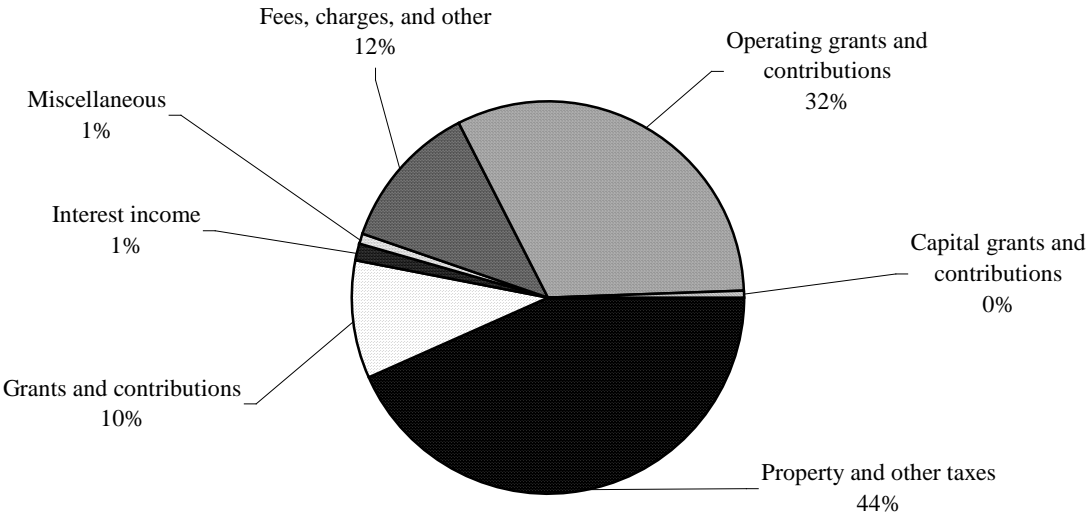
Expenses and Program Revenues 2004



Revenues by Source 2003



Revenues by Source 2004



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,882,654, an increase of \$2,104,628 in comparison with the prior year. The majority of this amount (\$13,851,085) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,326,538, while total fund balance was \$8,731,196. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 92 percent of total General Fund expenditures, while total fund balance represents 97 percent of that same amount. In 2004, the fund balance amount in the General Fund increased by \$784,639. The primary reason for this increase was that expenditures increased only one percent over 2003.

The Road and Bridge Special Revenue Fund's fund balance increased \$1,688,716 in 2004. The main reason for this increase was due to the issuance of general obligation bonds for road construction in 2004.

The Human Services Special Revenue Fund's fund balance decrease of \$346,835 was due to reallocating property tax credits to the General Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The actual revenues exceeded budgeted revenues by \$635,823. The largest variance was in taxes due to an increase in the levy. The actual expenditures were less than budgeted expenditures by nearly \$400,000. The largest variances were in general government and health, which accounted for most of the variance. The County also issued \$825,000 in bonds for future capital projects, which were not included in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2004, amount to \$60,854,333 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was three percent. The major capital asset event in 2004 was additional infrastructure additions (primarily bridges and County State-Aid Highway roads).

	Nicollet County Governmental Capital Assets (Net of Depreciation)	
	<u>2004</u>	<u>2003</u>
Land	\$ 1,654,149	\$ 2,070,032
Land improvements	203,430	186,239
Buildings	11,855,301	12,246,145
Machinery, vehicles, furniture, and equipment	839,140	1,019,650
Infrastructure	<u>46,302,313</u>	<u>43,294,084</u>
Totals	<u>\$ 60,854,333</u>	<u>\$ 58,816,150</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$8,175,000, which is backed by the full faith and credit of the government.

	Nicollet County Outstanding Debt	
	<u>2004</u>	<u>2003</u>
General Obligation Bonds	<u>\$ 8,175,000</u>	<u>\$ 5,965,000</u>

The County's debt related to general obligation bonds increased by \$2,210,000 (37 percent) during the fiscal year. The main reason for the increase was the issuance of general obligation bonds for road projects and future capital improvements.

Nicollet County's bond rating is "A2" from Moody's.

Minnesota statutes limit the amount of debt that a county may levy to two percent of its total market value. As of the end of 2004, Nicollet County is well below the two percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Nicollet County's unemployment rate was 3.4 percent as of the end of 2004. This is significantly below the statewide rate of 4.3 percent.
- Mortgage interest rates have continued to be low causing many people to refinance their mortgages.

At the end of 2004, Nicollet County set its 2005 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Assets

Cash and pooled investments	\$ 16,102,845
Petty cash and change funds	1,327
Taxes receivable	
Prior	127,794
Special assessments receivable	
Prior	11,162
Noncurrent	474,500
Accounts receivable	503,739
Accrued interest receivable	99,927
Due from other governments	1,102,310
Inventories	288,623
Prepaid items	11,451
Deferred charges	48,215
Capital assets	
Non-depreciable	1,654,149
Depreciable - net of accumulated depreciation	<u>59,200,184</u>
Total Assets	<u>\$ 79,626,226</u>

Liabilities

Accounts payable	\$ 514,568
Salaries payable	200,320
Contracts payable	97,691
Due to other governments	123,829
Accrued interest payable	146,002
Unearned revenue	21,449
Long-term liabilities	
Due within one year	1,481,248
Due in more than one year	<u>9,511,907</u>
Total Liabilities	<u>\$ 12,097,014</u>

Net Assets

Invested in capital assets - net of related debt	\$ 53,903,073
Restricted for	
Debt service	242,663
General government	208,494
Public safety	195,564
Highways and streets	567,433
Health	600
Unrestricted	<u>12,411,385</u>
Total Net Assets	<u>\$ 67,529,212</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 4,829,703	\$ 680,097	\$ 176,442	\$ -
Public safety	2,530,663	298,970	399,037	-
Highways and streets	3,028,586	52,403	2,908,530	89,642
Sanitation	404,039	381,548	70,081	-
Human services	6,169,165	506,470	2,963,940	-
Health	1,000,067	570,439	303,382	-
Culture and recreation	227,280	-	-	-
Conservation of natural resources	280,941	83,204	-	-
Economic development	121,086	-	25,547	-
Interest and administrative charges	343,381	-	-	-
Total governmental activities	<u>\$ 18,934,911</u>	<u>\$ 2,573,131</u>	<u>\$ 6,846,959</u>	<u>\$ 89,642</u>
General Revenues				
Property taxes				\$ 9,187,804
Mortgage registry and deed tax				30,758
Payments in lieu of tax				12,276
Grants and contributions not restricted to specific programs				2,083,768
Investment income				258,083
Miscellaneous				225,437
Total general revenues				<u>\$ 11,798,126</u>
Change in net assets				
				<u>\$ 2,372,947</u>
Net Assets - January 1, as previously reported				\$ 64,879,550
Restatement (Note 1.E.)				276,715
Net Assets - January 1, as restated				<u>\$ 65,156,265</u>
Net Assets - December 31				<u>\$ 67,529,212</u>

FUND FINANCIAL STATEMENTS

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 8,470,313	\$ 2,277,694
Petty cash and change funds	1,227	100
Taxes receivable		
Delinquent	70,454	16,699
Special assessments receivable		
Delinquent	6,916	-
Deferred	6,870	-
Accounts receivable	43,438	818
Accrued interest receivable	99,927	-
Interfund receivable	207,028	-
Due from other funds	122,903	79,755
Due from other governments	208,409	457,106
Inventories	-	288,623
Prepaid items	17,177	-
	<u>\$ 9,254,662</u>	<u>\$ 3,120,795</u>
Total Assets	\$ 9,254,662	\$ 3,120,795

EXHIBIT 3

Human Services	Revolving Loan	Ditch	Nonmajor Debt Service Fund	Total Governmental Funds
\$ 3,442,027	\$ 199,556	\$ -	\$ 233,748	\$ 14,623,338
-	-	-	-	1,327
32,575	-	-	8,066	127,794
-	2,423	1,823	-	11,162
-	398,452	69,178	-	474,500
459,483	-	-	-	503,739
-	-	-	-	99,927
-	-	-	-	207,028
-	-	-	103,887	306,545
436,795	-	-	-	1,102,310
-	-	-	-	288,623
-	-	-	-	17,177
\$ 4,370,880	\$ 600,431	\$ 71,001	\$ 345,701	\$ 17,763,470

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 127,092	\$ 50,322
Salaries payable	143,714	16,494
Contracts payable	-	97,691
Interfund payable	-	-
Due to other funds	115,545	43,154
Due to other governments	61,570	6,574
Matured interest payable	-	-
Deferred revenue - unavailable	63,438	470,288
Deferred revenue - unearned	12,107	2,904
	\$ 523,466	\$ 687,427
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 288,623
Law library	127,629	-
Recorder's equipment purchases	38,735	-
E-911	102,973	-
Boat and water safety	1,844	-
Sheriff's contingency	42,347	-
Sheriff's forfeited property	48,400	-
Attorney's forfeited property	27,743	-
Highway projects	-	145,857
ISTS loans	-	-
Donations	14,987	-
Unreserved		
Designated for cash flows	2,401,665	600,000
Designated for capital improvements	200,000	-
Designated for long-term improvements	548,704	-
Designated for contingencies	800,000	-
Designated for emergency	100,000	-
Designated for court costs	500,000	-
Designated for elections	50,000	-
Designated for insurance	1,400,000	-
Undesignated	2,326,169	1,398,888
Unreserved, reported in nonmajor		
Debt Service Fund	-	-
	\$ 8,731,196	\$ 2,433,368
Total Liabilities and Fund Balances	\$ 9,254,662	\$ 3,120,795

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 220,201	\$ 8,475	\$ 9,896	\$ -	\$ 415,986
40,112	-	-	-	200,320
-	-	-	-	97,691
-	-	207,028	-	207,028
31,700	-	24,943	91,203	306,545
55,685	-	-	-	123,829
-	-	-	4,274	4,274
494,647	399,525	70,048	5,748	1,503,694
4,625	-	-	1,813	21,449
\$ 846,970	\$ 408,000	\$ 311,915	\$ 103,038	\$ 2,880,816
\$ -	\$ -	\$ -	\$ -	\$ 288,623
-	-	-	-	127,629
-	-	-	-	38,735
-	-	-	-	102,973
-	-	-	-	1,844
-	-	-	-	42,347
-	-	-	-	48,400
-	-	-	-	27,743
-	-	-	-	145,857
-	192,431	-	-	192,431
-	-	-	-	14,987
955,270	-	-	-	3,956,935
-	-	-	-	200,000
-	-	-	-	548,704
-	-	-	-	800,000
-	-	-	-	100,000
-	-	-	-	500,000
-	-	-	-	50,000
-	-	-	-	1,400,000
2,568,640	-	(240,914)	-	6,052,783
-	-	-	242,663	242,663
\$ 3,523,910	\$ 192,431	\$ (240,914)	\$ 242,663	\$ 14,882,654
\$ 4,370,880	\$ 600,431	\$ 71,001	\$ 345,701	\$ 17,763,470

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 3A

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

Fund Balances - total governmental funds (Exhibit 3) **\$ 14,882,654**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 60,854,333

Other assets are not available to pay for current period expenditures and are deferred in the funds

Deferred revenue	\$	1,503,694	
Deferred charges and prepaid items reported on Exhibit 1		59,666	
Less: prepaid items reported as fund assets		<u>(17,177)</u>	1,546,183

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(7,955,000)	
Less: unamortized discount on bonds payable		20,790	
Capital notes payable		(220,000)	
Accrued interest payable		(141,728)	
Capital leases payable		(585,000)	
Loans payable		(699,243)	
Compensated absences payable		<u>(1,510,743)</u>	(11,090,924)

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net assets.

1,336,966

Net Assets of Governmental Activities (Exhibit 1) **\$ 67,529,212**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Revenues		
Taxes	\$ 5,372,540	\$ 1,144,471
Special assessments	316,354	-
Licenses and permits	78,575	-
Intergovernmental	2,346,690	3,090,980
Charges for services	1,209,071	35,762
Gifts and contributions	13,302	1,215
Interest on investments	258,083	-
Miscellaneous	513,287	26,873
	\$ 10,107,902	\$ 4,299,301
Expenditures		
Current		
General government	\$ 4,577,338	\$ -
Public safety	2,479,837	-
Highways and streets	-	5,600,010
Sanitation	267,629	-
Human services	-	-
Health	1,022,321	-
Culture and recreation	116,519	15,306
Conservation of natural resources	231,242	-
Economic development	121,086	-
Capital outlay	36,116	-
Intergovernmental	93,494	-
Debt service		
Principal retirement	50,000	205,000
Interest	37,105	89,895
Administrative charges	750	374
	\$ 9,033,437	\$ 5,910,585
Excess of Revenues Over (Under) Expenditures	\$ 1,074,465	\$ (1,611,284)

EXHIBIT 4

Human Services	Revolving Loan	Ditch	Nonmajor Debt Service Fund	Total Governmental Funds
\$ 2,067,270	\$ -	\$ -	\$ 617,031	\$ 9,201,312
-	80,776	204,473	-	601,603
-	-	-	-	78,575
3,234,614	-	-	80,594	8,752,878
218,359	-	-	-	1,463,192
-	-	-	-	14,517
-	-	-	-	258,083
301,523	-	248	-	841,931
\$ 5,821,766	\$ 80,776	\$ 204,721	\$ 697,625	\$ 21,212,091
\$ -	\$ -	\$ -	\$ -	\$ 4,577,338
-	-	-	-	2,479,837
-	-	-	-	5,600,010
-	136,410	-	-	404,039
6,168,601	-	-	-	6,168,601
-	-	-	-	1,022,321
-	-	-	-	131,825
-	-	142,464	-	373,706
-	-	-	-	121,086
-	-	-	-	36,116
-	-	-	-	93,494
-	75,883	-	640,000	970,883
-	-	-	158,161	285,161
-	-	-	1,818	2,942
\$ 6,168,601	\$ 212,293	\$ 142,464	\$ 799,979	\$ 22,267,359
\$ (346,835)	\$ (131,517)	\$ 62,257	\$ (102,354)	\$ (1,055,268)

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 6,246	\$ 1,050,000
Transfers out	(1,106,459)	-
Loans issued	-	-
Bonds issued	825,000	2,230,000
Discount on bonds/notes issued	(14,613)	-
	\$ (289,826)	\$ 3,280,000
Net Change in Fund Balance	\$ 784,639	\$ 1,668,716
Fund Balance - January 1, as previously reported	\$ 7,946,557	\$ 712,321
Restatement (Note 1.F.)	-	-
	\$ 7,946,557	\$ 712,321
Fund Balance - January 1, as restated	\$ 7,946,557	\$ 712,321
Increase (decrease) in reserved for inventories	\$ -	\$ 52,331
Fund Balance - December 31	\$ 8,731,196	\$ 2,433,368

EXHIBIT 4
(Continued)

Human Services	Revolving Loan	Ditch	Nonmajor Debt Service Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 56,459	\$ 1,112,705
-	(6,246)	-	-	(1,112,705)
-	119,509	-	-	119,509
-	-	-	-	3,055,000
-	-	-	-	(14,613)
\$ -	\$ 113,263	\$ -	\$ 56,459	\$ 3,159,896
\$ (346,835)	\$ (18,254)	\$ 62,257	\$ (45,895)	\$ 2,104,628
\$ 4,299,524	\$ 210,685	\$ (303,171)	\$ 288,558	\$ 13,154,474
(428,779)	-	-	-	(428,779)
\$ 3,870,745	\$ 210,685	\$ (303,171)	\$ 288,558	\$ 12,725,695
\$ -	\$ -	\$ -	\$ -	\$ 52,331
\$ 3,523,910	\$ 192,431	\$ (240,914)	\$ 242,663	\$ 14,882,654

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 4A

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds (Exhibit 4) **\$ 2,104,628**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay reported in the funds	\$ 3,971,494	
Depreciation expense	(1,930,045)	2,041,449

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		186,558
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The issuance of long-term debt (such as capital notes and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Bonds issued	\$ (2,605,000)	
Discount on debt	14,613	
Deferred debt issuance costs	27,621	
Capital notes issued	(450,000)	
Loans issued	(119,509)	(3,132,275)

Repayment of debt principal		970,883
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Amortization of discount on debt and issuance costs		(5,595)
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The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and retirements) is to decrease net assets.		(3,266)
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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.

Inventories	\$ 52,331	
Accrued interest payable and prepaid interest	(49,683)	
Compensated absences payable	(69,336)	(66,688)

The net revenue of the Internal Service Fund is reported with governmental activities.		277,253
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Change in net assets of governmental activities (Exhibit 2) **\$ 2,372,947**

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,344,431	\$ 4,416,535	\$ 5,372,540	\$ 956,005
Special assessments	230,000	230,000	316,354	86,354
Licenses and permits	36,000	36,000	78,575	42,575
Intergovernmental	2,068,962	2,996,858	2,346,690	(650,168)
Charges for services	1,210,300	1,210,300	1,209,071	(1,229)
Fines and forfeits	26,000	26,000	-	(26,000)
Gifts and contributions	11,900	11,900	13,302	1,402
Investment earnings	370,000	370,000	258,083	(111,917)
Miscellaneous	174,486	174,486	513,287	338,801
Total Revenues	\$ 9,472,079	\$ 9,472,079	\$ 10,107,902	\$ 635,823
Expenditures				
Current				
General government				
Commissioners	\$ 195,814	\$ 195,814	\$ 210,274	\$ (14,460)
Courts	44,027	44,027	38,984	5,043
Law library	148,037	148,037	48,167	99,870
County administration	240,465	240,465	236,933	3,532
County auditor	356,883	356,883	365,750	(8,867)
County treasurer	277,438	277,438	270,401	7,037
County assessor	439,566	439,566	426,490	13,076
Elections	15,000	15,000	33,927	(18,927)
Accounting and auditing	48,000	48,000	60,671	(12,671)
Data processing	419,633	419,633	609,859	(190,226)
Machine room	72,100	72,100	52,528	19,572
Attorney	511,432	511,432	502,494	8,938
Recorder	372,157	372,157	353,628	18,529
Surveyor	10,000	10,000	3,541	6,459
Environmental services	389,357	389,357	387,014	2,343
Buildings and plant	468,035	468,035	406,191	61,844
Telecommunications	58,765	58,765	72,111	(13,346)
Veterans service officer	103,150	103,150	101,200	1,950
Other general government	546,421	546,421	397,175	149,246
Total general government	\$ 4,716,280	\$ 4,716,280	\$ 4,577,338	\$ 138,942
Public safety				
Sheriff	\$ 1,526,345	\$ 1,526,345	\$ 1,552,305	\$ (25,960)
Boat and water safety	5,900	5,900	4,646	1,254
Emergency services	79,737	79,737	150,357	(70,620)
Coroner	9,000	9,000	5,434	3,566
E-911 systems	50,000	50,000	9,639	40,361
County jail	264,000	264,000	168,747	95,253
Prisoner commission account	8,000	8,000	3,066	4,934
Court services	643,333	643,333	585,643	57,690
Total public safety	\$ 2,586,315	\$ 2,586,315	\$ 2,479,837	\$ 106,478

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 277,297	\$ 277,297	\$ 265,337	\$ 11,960
Other sanitation	-	-	2,292	(2,292)
Total sanitation	\$ 277,297	\$ 277,297	\$ 267,629	\$ 9,668
Health				
Nursing service	\$ 546,858	\$ 546,858	\$ 497,385	\$ 49,473
WIC program	81,317	81,317	65,644	15,673
Senior citizen transportation	77,039	77,039	76,447	592
Maternal and child health	143,902	143,902	137,724	6,178
Health center	300,402	300,402	216,666	83,736
Bioterrorism	29,771	29,771	28,455	1,316
Total health	\$ 1,179,289	\$ 1,179,289	\$ 1,022,321	\$ 156,968
Culture and recreation				
Historical society	\$ 85,700	\$ 85,700	\$ 85,700	\$ -
Parks	-	-	30,819	(30,819)
Total culture and recreation	\$ 85,700	\$ 85,700	\$ 116,519	\$ (30,819)
Conservation of natural resources				
Cooperative extension	\$ 169,011	\$ 169,011	\$ 113,777	\$ 55,234
Soil and water conservation	60,574	60,574	60,574	-
Agricultural inspector	13,225	13,225	12,141	1,084
Agricultural society	44,750	44,750	44,750	-
Total conservation of natural resources	\$ 287,560	\$ 287,560	\$ 231,242	\$ 56,318
Economic development				
Housing and redevelopment authority	\$ 90,454	\$ 90,454	\$ 90,454	\$ -
Other	22,200	22,200	30,632	(8,432)
Total economic development	\$ 112,654	\$ 112,654	\$ 121,086	\$ (8,432)
Intergovernmental				
Culture and recreation - regional library	\$ 96,504	\$ 96,504	\$ 93,494	\$ 3,010
Capital outlay				
General government	\$ -	\$ -	\$ 36,116	\$ (36,116)

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Debt service				
Principal retirement	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest	35,730	35,730	37,105	(1,375)
Administrative charges	750	750	750	-
Total debt service	\$ 86,480	\$ 86,480	\$ 87,855	\$ (1,375)
Total Expenditures	\$ 9,428,079	\$ 9,428,079	\$ 9,033,437	\$ 394,642
Excess of Revenues Over (Under) Expenditures	\$ 44,000	\$ 44,000	\$ 1,074,465	\$ 1,030,465
Other Financing Sources (Uses)				
Transfers in	\$ 6,000	\$ 6,000	\$ 6,246	\$ 246
Transfers out	(50,000)	(50,000)	(1,106,459)	(1,056,459)
Bonds issued	-	-	825,000	825,000
Discount on bonds/notes issued	-	-	(14,613)	(14,613)
Total Other Financing Sources (Uses)	\$ (44,000)	\$ (44,000)	\$ (289,826)	\$ (245,826)
Net Change in Fund Balance	\$ -	\$ -	\$ 784,639	\$ 784,639
Fund Balance - January 1	7,946,557	7,946,557	7,946,557	-
Fund Balance - December 31	\$ 7,946,557	\$ 7,946,557	\$ 8,731,196	\$ 784,639

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,295,910	\$ 1,134,290	\$ 1,144,471	\$ 10,181
Intergovernmental	2,943,669	3,105,289	3,090,980	(14,309)
Charges for services	112,000	112,000	35,762	(76,238)
Gifts and contributions	-	-	1,215	1,215
Miscellaneous	145,839	145,839	26,873	(118,966)
Total Revenues	\$ 4,497,418	\$ 4,497,418	\$ 4,299,301	\$ (198,117)
Expenditures				
Current				
Highways and streets				
Administration	\$ 206,730	\$ 206,730	\$ 317,243	\$ (110,513)
Maintenance	1,163,811	1,062,916	1,088,369	(25,453)
Construction	2,279,504	2,074,504	3,805,499	(1,730,995)
Equipment maintenance and shop	362,547	362,547	386,702	(24,155)
Material and services for resale	-	-	2,197	(2,197)
Total highways and streets	\$ 4,012,592	\$ 3,706,697	\$ 5,600,010	\$ (1,893,313)
Culture and recreation				
Parks	\$ 25,750	\$ 25,750	\$ 15,306	\$ 10,444
Debt service				
Principal retirement	\$ -	\$ 205,000	\$ 205,000	\$ -
Interest	-	89,895	89,895	-
Administrative (fiscal) charges	-	-	374	(374)
Total debt service	\$ -	\$ 294,895	\$ 295,269	\$ (374)
Total Expenditures	\$ 4,038,342	\$ 4,027,342	\$ 5,910,585	\$ (1,883,243)
Excess of Revenues Over (Under) Expenditures	\$ 459,076	\$ 470,076	\$ (1,611,284)	\$ (2,081,360)
Other Financing Sources (Uses)				
Transfers in	\$ 61,000	\$ 50,000	\$ 1,050,000	\$ 1,000,000
Proceeds from sale of bonds	-	-	2,230,000	2,230,000
Total Other Financing Sources (Uses)	\$ 61,000	\$ 50,000	\$ 3,280,000	\$ 3,230,000
Net Change in Fund Balance	\$ 520,076	\$ 520,076	\$ 1,668,716	\$ 1,148,640
Fund Balance - January 1	712,321	712,321	712,321	-
Increase (decrease) in reserved for inventories	-	-	52,331	52,331
Fund Balance - December 31	\$ 1,232,397	\$ 1,232,397	\$ 2,433,368	\$ 1,200,971

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,725,874	\$ 2,412,641	\$ 2,067,270	\$ (345,371)
Intergovernmental	2,875,152	3,188,385	3,234,614	46,229
Charges for services	286,150	286,150	218,359	(67,791)
Miscellaneous	256,900	256,900	301,523	44,623
Total Revenues	\$ 6,144,076	\$ 6,144,076	\$ 5,821,766	\$ (322,310)
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,772,811	\$ 1,772,811	\$ 1,865,048	\$ (92,237)
Social services	4,371,265	4,371,265	4,303,553	67,712
Total Expenditures	\$ 6,144,076	\$ 6,144,076	\$ 6,168,601	\$ (24,525)
Net Change in Fund Balance	\$ -	\$ -	\$ (346,835)	\$ (346,835)
Fund Balance - January 1, as previously reported	\$ 4,299,524	\$ 4,299,524	\$ 4,299,524	\$ -
Restatement (Note 1.F.)	(428,779)	(428,779)	(428,779)	-
Fund Balance - January 1, as restated	\$ 3,870,745	\$ 3,870,745	\$ 3,870,745	\$ -
Fund Balance - December 31	\$ 3,870,745	\$ 3,870,745	\$ 3,523,910	\$ (346,835)

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 8

**STATEMENT OF NET ASSETS
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2004**

Assets

Current assets	
Cash and pooled investments	\$ <u>1,479,507</u>

Liabilities

Current liabilities	
Accounts payable	\$ 98,582
Noncurrent liabilities	
Claims and judgments payable	<u>43,959</u>

Total Liabilities	\$ <u>142,541</u>
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Net Assets

Unrestricted	<u>\$ <u>1,336,966</u></u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 9

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Revenues	
Charges for services	\$ 2,279,666
Operating Expenses	
Professional services	<u>2,002,413</u>
Operating Income	\$ 277,253
Net Assets - January 1	<u>1,059,713</u>
Net Assets - December 31	<u><u>\$ 1,336,966</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 10

**STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,279,666
Payments to suppliers	<u>(1,992,829)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 286,837
Cash and Cash Equivalents at January 1	<u>1,192,670</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,479,507</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 277,253</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	\$ 48,580
Increase (decrease) in claims payable	<u>(38,996)</u>
Total adjustments	<u>\$ 9,584</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 286,837</u></u>

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 11

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2004

Assets

Cash and pooled investments	<u>\$ 1,415,656</u>
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Liabilities

Due to other governments	<u>\$ 1,415,656</u>
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**NICOLLET COUNTY
ST. PETER MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. 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. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2004 were \$258,083.

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
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Investments of the County are reported at fair value.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as an “interfund receivable/payable.” All other outstanding balances between funds are reported as “due to/from other funds.”

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

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

Special assessments receivable consist of delinquent special assessments payable in the years 1997 through 2004 and deferred special assessments payable in 2005 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

4. Inventories and Prepaid Items

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

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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.

5. Capital Assets

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

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

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

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

6. Compensated Absences

It is Nicollet County's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Compensated Absences (Continued)

absences and is not paid to employees upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net assets reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

10. Use of Estimates

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

E. Restatement of Net Assets

Net assets at January 1, 2004, were restated to correct an error in the calculation of the compensated absences liability, as described below:

Net Assets - January 1, as previously reported	\$ 64,879,550
To record correction of compensated absences liability, recorded as \$1,718,122, when it should have been \$1,441,407	<u>276,715</u>
Net Assets - January 1, as restated	<u><u>\$ 65,156,265</u></u>

**NICOLLET COUNTY
ST. PETER MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

F. Restatement of Human Services Special Revenue Fund Balance

The Human Services Special Revenue Fund balance at January 1, 2004, was restated to correct an error in recording unearned revenue from fees, as described below:

Fund Balance - January 1, as previously reported	\$ 4,299,524
To record adjustment to deferred revenue and charges for services revenue, to correct for unearned revenue from fees, previously recorded as earned revenue	<u>(428,779)</u>
Fund Balance - January 1, as restated	<u>\$ 3,870,745</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds and the nonmajor Debt Service Fund. All annual appropriations lapse at year-end.

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

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The Road and Bridge and Human Services Special Revenue Funds and the Debt Service Fund had expenditures in excess of budget for the year ended December 31, 2004.

	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund	\$ 5,910,585	\$ 4,027,342	\$ 1,883,243
Human Services Special Revenue Fund	6,168,601	6,144,076	24,525
Debt Service Fund	799,979	699,197	100,782

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2004, as follows:

Fund Balance - modified accrual basis	\$ (240,914)
Deferred revenue - unavailable	70,048
Fund Balance - full accrual basis	\$ (170,866)

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

40 ditches with positive balances	\$ 109,196
47 ditches with deficit balances	(280,062)
Net Fund Balance Deficit	\$ (170,866)

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds			
Cash and pooled investments	\$	14,623,338	
Petty cash and change funds		1,327	
Internal Service Fund			
Cash and pooled investments		1,479,507	
Fiduciary funds			
Cash and pooled investments			
Agency funds		1,415,656	
Total Cash and Investments	\$	17,519,828	

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$15,285,456, of which \$9,485,456 was cash deposits and \$5,800,000 was invested in certificates of deposit. The bank balance deposit amount was \$15,572,124. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 801,521
Collateralized with securities held by the pledging financial institution's agent in the County's name	14,181,482
Total covered deposits	\$ 14,983,003
Uncollateralized	589,121
Total	\$ 15,572,124

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

At December 31, 2004, the County had no investments that fit into the aforementioned custodial credit risk categories.

Following is a summary of the County's cash and investments at December 31, 2004.

Deposits	\$ 15,285,456
Petty cash and change funds	1,327
Mutual fund	<u>2,233,045</u>
Total Cash and Investments	<u>\$ 17,519,828</u>

2. Receivables

The County did not have any receivables scheduled to be collected beyond one year, except for deferred special assessments of \$349,646.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,070,032	\$ -	\$ 415,883	\$ 1,654,149
Capital assets depreciated				
Buildings	\$ 15,887,977	\$ -	\$ -	\$ 15,887,977
Land improvements	333,126	30,819	-	363,945
Machinery and equipment	4,413,875	120,120	78,156	4,455,839
Infrastructure	53,634,516	4,236,438	-	57,870,954
Total capital assets depreciated	\$ 74,269,494	\$ 4,387,377	\$ 78,156	\$ 78,578,715
Less: accumulated depreciation for				
Buildings	\$ 3,641,832	\$ 390,844	\$ -	\$ 4,032,676
Land improvements	146,887	13,628	-	160,515
Machinery and equipment	3,394,225	297,364	74,890	3,616,699
Infrastructure	10,340,432	1,228,209	-	11,568,641
Total accumulated depreciation	\$ 17,523,376	\$ 1,930,045	\$ 74,890	\$ 19,378,531
Total capital assets depreciated, net	\$ 56,746,118	\$ 2,457,332	\$ 3,266	\$ 59,200,184
Governmental Activities Capital Assets, Net	\$ 58,816,150	\$ 2,457,332	\$ 419,149	\$ 60,854,333

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

General government	\$ 376,582
Public safety	108,753
Highways and streets, including depreciation of infrastructure assets	1,407,207
Human services	35,542
Culture and recreation	1,961
Total Depreciation Expense	\$ 1,930,045

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue Fund Debt Service Fund	\$ 31,700 91,203
Total Due to General Fund		<u>\$ 122,903</u>
Road and Bridge Special Revenue Fund	General Fund Ditch Special Revenue Fund	\$ 54,812 24,943
Total Due to Road and Bridge Special Revenue Fund		<u>\$ 79,755</u>
Debt Service Fund	General Fund Road and Bridge Special Revenue Fund	\$ 60,733 43,154
Total Due to Debt Service Fund		<u>\$ 103,887</u>
Total Due To/From Other Funds		<u>\$ 306,545</u>

2. Interfund Receivable/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ditch Special Revenue Fund	<u>\$ 207,028</u>

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to Road and Bridge Special Revenue Fund from General Fund	\$ 1,050,000	County parks appropriation and road construction projects
Transfers to General Fund from Revolving Loan Special Revenue Fund	6,246	Fee for administration of septic system loans
Transfers to Debt Service Fund from General Fund	<u>56,459</u>	A portion of the proceeds from bond sales
Total Interfund Transfers	<u>\$ 1,112,705</u>	

C. Liabilities

1. Other Postemployment Benefits

Retirees

Nicollet County provides postemployment health care benefits for early retirees and elected officials. There are two policies that cover early retirement and another policy for elected officials.

- The first early retirement policy is for employees that exercised an early retirement option between July 1 and October 1, 1991. In this policy, individuals are eligible for benefits until they are age 65.
- The second early retirement policy is for employees that exercised an early retirement option between November 15, 1999, and January 30, 2000. This policy insures benefits to the individual for ten years or until the individual is eligible for Medicare, whichever comes first.
- Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits

Retirees (Continued)

The County pays 100 percent of health premiums for the retirees and their dependents. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans.

As of December 31, 2004, there were four employees and one elected official receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2004, the County recognized \$29,206 of expenditures.

2. Capital Leases

The County has entered into a capital lease agreement to provide facilities for Human Services. This lease qualifies as a capital lease for accounting purposes, and the building is recorded by the County as a capital asset at the present value of the future minimum payments as of the inception of the lease. The capital lease consists of the following at December 31, 2004:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Human Services Building	2013	Semi-annual	\$50,000 - \$80,000	<u>\$ 940,000</u>	<u>\$ 585,000</u>

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Leases (Continued)

Lease payments are being made by the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

Year Ending December 31		
2005	\$	83,705
2006		85,738
2007		82,575
2008		84,210
2009		85,523
2010 - 2013		339,752
Total minimum lease payments	\$	761,503
Less: amount representing interest and fiscal fees		(176,503)
Present Value of Minimum Lease Payments	\$	585,000

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General obligation bonds					
1999A G.O. capital improvement bonds	2014	\$220,000 - \$415,000	4.10 - 4.65	\$ 4,000,000	\$ 3,310,000
2002A G.O. state-aid road bonds	2014	\$200,000 - \$205,000	4.00 - 4.60	2,450,000	2,040,000
2004A G.O. capital improvement bonds	2015	\$235,000 - \$295,000	2.50 - 3.70	2,605,000	2,605,000
2004 G.O. capital equipment notes	2005	\$220,000 - \$230,000	1.50 - 2.25	450,000	220,000
Total General Obligation Bonds				\$ 9,505,000	\$ 8,175,000
Less: unamortized discount					(20,790)
Total General Obligation Bonds, Net					\$ 8,154,210

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

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

Loans Payable

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
1995 Groundwater Implementation CWP Project	2014	\$12,067	-	\$ 362,000	\$ 229,267
1997 Groundwater Protection CWP Project	2010	\$25,875	-	517,500	284,625
2002 Seven Mile Creek CWP Project	2015	\$30,478	2.00	<u>185,351</u>	<u>185,351</u>
Totals				<u>\$ 1,064,851</u>	<u>\$ 699,243</u>

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Year Ending December 31	General Obligation Bonds		Loans*	
	Principal	Interest	Principal	Interest
2005	\$ 645,000	\$ 332,059	\$ 75,883	\$ -
2006	660,000	284,374	75,884	-
2007	750,000	259,263	75,883	-
2008	765,000	231,557	75,883	-
2009	785,000	202,171	75,884	-
2010 - 2014	4,275,000	512,090	134,475	-
2015 - 2019	295,000	5,458	-	-
Total	<u>\$ 8,175,000</u>	<u>\$ 1,826,972</u>	<u>\$ 513,892</u>	<u>\$ -</u>

*The debt service requirements for the loan from the Minnesota Pollution Control Agency of \$185,351 are not known as of December 31, 2004.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 5,965,000	\$ 3,055,000	\$ 845,000	\$ 8,175,000	\$ 645,000
Less: deferred amounts for issuance discounts	(7,778)	(14,613)	(1,601)	(20,790)	-
Total bonds payable	\$ 5,957,222	\$ 3,040,387	\$ 843,399	\$ 8,154,210	\$ 645,000
Capital leases	635,000	-	50,000	585,000	50,000
Loans payable	655,617	119,509	75,883	699,243	75,883
Compensated absences	1,441,407	69,336	-	1,510,743	710,365
Long-Term Liabilities	<u>\$ 8,689,246</u>	<u>\$ 3,229,232</u>	<u>\$ 969,282</u>	<u>\$ 10,949,196</u>	<u>\$ 1,481,248</u>

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$100,000 stop-loss per family per year (\$2,071,200 aggregate) for the health plan. There is a maximum claim limit of \$750 per person per year for the dental plan.

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

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

	Year Ended December 31	
	2004	2003
Unpaid claims, January 1	\$ 82,955	\$ 97,071
Incurred claims (including IBNRs)	1,606,328	1,400,348
Claims payments	(1,645,324)	(1,414,464)
Unpaid Claims, December 31	\$ 43,959	\$ 82,955

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 of service and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent of average salary for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at 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 are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

**NICOLLET COUNTY
ST. PETER MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 347,381	\$ 46,045	\$ 42,478
2003	343,149	47,094	39,529
2002	338,692	50,106	37,072

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.

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.

The County's contributions for the years ending December 31, 2004, 2003, and 2002, were \$3,989, \$3,927, and \$3,779, respectively, equal to the contractually required contributions for each year as set by state statute.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2004, the Health Services Board had net assets of \$513,585. Complete financial statements for the Health Services Board can be obtained at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

Tri-County Solid Waste

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

**NICOLLET COUNTY
ST. PETER MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Solid Waste (Continued)

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$98,832 in 2004. Sibley County is the fiscal agent. Current financial statements are not available.

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services Joint Powers Board is a joint powers organization founded by nine counties including: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan. The primary function of the joint venture is to implement and administer a regional emergency medical services program in Southern Minnesota. The Board receives funding from local, state, and federal government sources.

During the year, the County made no contributions to the South Central Minnesota Emergency Medical Services Joint Powers Board.

C. Jointly-Governed Organizations

South Central Children's Project Collaborative

Nicollet County, in conjunction with other local governments, formed the South Central Children's Project Collaborative. The Collaborative was established to protect the health and welfare of its citizens. It plans and develops policies pertaining to implementing, directly managing, or contracting for the operation of services for the Family Services Collaborative grant programs and the Children's Mental Health Collaborative grant programs. The goal of the South Central Children's Project Collaborative is to ensure the availability of comprehensive services designed to enhance or strengthen family functioning and the mental health of children. Blue Earth County is the fiscal agent of the Collaborative. Nicollet County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentence to Serve

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

Nicollet County Family Services Collaborative

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

South Central Regional Immtrack Collaborative

Nicollet County, in conjunction with Blue Earth, Brown, Le Sueur, Waseca, and Watonwan Counties, formed the South Central Regional Immtrack Collaborative. The purpose of the Collaborative is to protect the health and welfare of its citizens. The Collaborative plans and develops policies pertaining to implementing, directly managing, or contracting for the operation of a regional immunization information system. The goal of the Collaborative is to ensure age-appropriate immunizations and reduce the occurrence of vaccine-preventable diseases by maintaining complete and accurate immunization records. Blue Earth County is the fiscal agent of the Collaborative. Nicollet County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited.

**NICOLLET COUNTY
ST. PETER MINNESOTA**

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2004 is \$90,454. The proportionate shares of the counties may change for years 2005 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

B. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2004.

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

DEBT SERVICE FUND

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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Statement 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
DEBT SERVICE NONMAJOR FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 699,197	\$ 618,603	\$ 617,031	\$ (1,572)
Intergovernmental	-	80,594	80,594	-
Total Revenues	\$ 699,197	\$ 699,197	\$ 697,625	\$ (1,572)
Expenditures				
Debt service				
Principal retirement	\$ 699,197	\$ 510,000	\$ 640,000	\$ (130,000)
Interest	-	187,379	158,161	29,218
Administrative charges	-	1,818	1,818	-
Total Expenditures	\$ 699,197	\$ 699,197	\$ 799,979	\$ (100,782)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (102,354)	\$ (102,354)
Other Financing Sources (Uses)				
Transfers in	-	-	56,459	56,459
Net Change in Fund Balance	\$ -	\$ -	\$ (45,895)	\$ (45,895)
Fund Balance - January 1	288,558	288,558	288,558	-
Fund Balance - December 31	\$ 288,558	\$ 288,558	\$ 242,663	\$ (45,895)

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

The Tri-County Solid Waste Fund accounts for collections and disbursements for the Tri-County Solid Waste joint venture.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 6,356</u>	<u>\$ 515,354</u>	<u>\$ 514,041</u>	<u>\$ 7,669</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 6,356</u>	<u>\$ 515,354</u>	<u>\$ 514,041</u>	<u>\$ 7,669</u>
 <u>SETTLEMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 220,300</u>	<u>\$ 36,218,176</u>	<u>\$ 36,230,667</u>	<u>\$ 207,809</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 220,300</u>	<u>\$ 36,218,176</u>	<u>\$ 36,230,667</u>	<u>\$ 207,809</u>
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 100,106</u>	<u>\$ 4,229,264</u>	<u>\$ 4,250,676</u>	<u>\$ 78,694</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 100,106</u>	<u>\$ 4,229,264</u>	<u>\$ 4,250,676</u>	<u>\$ 78,694</u>
 <u>COMMUNITY HEALTH SERVICE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 317,257</u>	<u>\$ 1,044,815</u>	<u>\$ 1,095,062</u>	<u>\$ 267,010</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 317,257</u>	<u>\$ 1,044,815</u>	<u>\$ 1,095,062</u>	<u>\$ 267,010</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*Statement 2
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 606,182	\$ 449,405	\$ 352,035	\$ 703,552
<u>Liabilities</u>				
Due to other governments	\$ 606,182	\$ 449,405	\$ 352,035	\$ 703,552
 <u>TRI-COUNTY SOLID WASTE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 113,279	\$ 181,007	\$ 143,364	\$ 150,922
<u>Liabilities</u>				
Due to other governments	\$ 113,279	\$ 181,007	\$ 143,364	\$ 150,922
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,363,480	\$ 42,638,021	\$ 42,585,845	\$ 1,415,656
<u>Liabilities</u>				
Due to other governments	\$ 1,363,480	\$ 42,638,021	\$ 42,585,845	\$ 1,415,656

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Interest Rate</u>	<u>Amount</u>
Deposits and Investments		
Checking accounts	Varies	\$ 4,339,408
Cash on hand	None	1,327
Saving or money market accounts	Varies	5,146,048
Mutual funds	Varies	2,233,045
Certificates of deposit	1.50% to 2.93%	<u>5,800,000</u>
Total Deposits and Investments		<u>\$ 17,519,828</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 2

TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS

	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 18,533,226		\$ 20,664,856		\$ 22,414,299	
Personal property	528,027		640,645		722,600	
Less: tax increment	(312,543)		(481,714)		(603,000)	
Net Tax Capacity	\$ 18,748,710		\$ 20,823,787		\$ 22,533,899	
Taxes Levied for County Purposes						
County Revenue	\$ 6,302,920	30.733	\$ 6,102,350	26.096	\$ 6,815,701	26.645
Road and Bridge	1,495,910	6.912	1,495,910	6.223	1,700,000	6.657
Human Services	2,493,675	11.034	2,721,054	13.067	2,738,176	10.598
Regional Library*	96,504	1.238	94,644	1.090	94,644	1.029
Debt Service	462,337	2.466	699,197	3.358	936,266	4.153
Total Levy for County Purposes	\$ 10,851,346	52.383	\$ 11,113,155	49.834	\$ 12,284,787	49.082
Less State Aids	(1,165,933)		(868,275)		(1,361,538)	
Net Levy for County Purposes	\$ 9,685,413		\$ 10,244,880		\$ 10,923,249	
Tax Capacity - Light and Power						
Transmission	\$ 3,418		\$ 4,012		\$ 4,542	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Transmission	\$ 5,357	96.576	\$ 6,157	94.355	\$ 6,800	94.167
Special Assessments						
Ditch liens and assessments	\$ 382,981		\$ 536,310		\$ 387,777	
Percentage of Current Collections for All Purposes	99.130%		98.710%		N/A	

*Not applicable to all sections of the County.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Shared Revenue

State

Highway users tax	\$	2,738,525
County program aid		868,275
PERA rate reimbursement		34,276
Disparity reduction aid		11,717
Police aid		46,882
Enhanced 911		43,799
Market value credit		1,142,954
Market value credit - manufactured homes		26,546
		26,546

Total Shared Revenue **\$ 4,912,974**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,642,843
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Grants

State

Minnesota Department/Board of		
Education	\$	6,483
Corrections		218,631
Public Safety		9,582
Health		109,639
Natural Resources		25,547
Human Services		844,215
Water and Soil Resources		77,653
Veterans Affairs		2,800
Office of Environmental Assistance		70,081
Peace Officers Board		5,013
		5,013

Total State **\$ 1,369,644**

Federal

Department of		
Agriculture	\$	99,964
Justice		10,699
Transportation		3,099
Health and Human Services		615,559
Homeland Security		85,820
		85,820

Total Federal **\$ 815,141**

Total State and Federal Grants **\$ 2,184,785**

Payments in lieu of taxes **\$ 12,276**

Total Intergovernmental Revenue **\$ 8,752,878**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 4

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Nicollet County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Nicollet County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal awards program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Nicollet County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Temporary Assistance for Needy Families (TANF) CFDA #93.558
- H. The threshold for distinguishing between Type A and B programs was \$300,000.
- I. Nicollet County was determined to be a low risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 **Ditch Fund Deficit Cash Balances**

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

At December 31, 2004, 46 ditch systems had negative cash balances totaling \$307,576, and 47 ditch systems had negative fund balances totaling \$280,062.

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

99-1

Security for Deposits

At December 31, 2004, the total amount of deposits not covered by pledged collateral was \$589,121.

- To secure deposits at the First National Bank of St. Peter, ten investments were pledged as collateral. All of these investments were held at Vining Sparks IBG, L.P. Since the safekeeping of these investments pledged does not meet the requirements of Minn. Stat. § 118A.03, subd. 7, the deposits with First National Bank exceeded the amount of federal deposit insurance and collateral properly placed in safekeeping by \$407,551.
- Deposits held at another County depository (ProGrowth Bank of Nicollet) exceeded the amount of federal insurance and collateral placed in safekeeping by \$181,570.

Minn. Stat. § 118A.03, subd. 7, states, “All collateral shall be placed in safekeeping in a restricted account at a 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. The selection shall be approved by the governmental entity.” A broker is not qualified as a “financial institution” under Minn. Stat. § 118A.01, subd.3. Minn. Stat. § 118A.03, subd. 3, requires collateral of 110 percent of balances not covered by federal deposit insurance.

We recommend that the County Treasurer secure sufficient collateral to protect County funds at all times. We also recommend that the County Treasurer request that the collateral at First National Bank be moved to comply with Minn. Stat. § 118A.03, subd. 7. If the First National Bank is unwilling to move the safekeeping of collateral, we recommend deposits be reduced to an amount in compliance with Minn. Stat. § 118A.03, subd. 3.

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral Assignment - County Treasurer (97-2)

The County Treasurer was not able to demonstrate that the County had a perfected security interest in pledged collateral.

Resolution

Our review of the County Treasurer’s records indicated that the County has perfected a security interest in its pledged collateral.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-1 Business Continuity Plan

The County does not have a formal business continuity plan if a disaster or major computer breakdown were to occur. A business continuity plan would give greater assurance that the County is prepared for a disaster or major computer breakdown.

A business continuity plan should include, but is not limited to, the following:

- a list of key personnel, including actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and all other County employees;
- a plan as to how the County should continue operations until normal operations are re-established, including the use of alternative computer facilities or the use of manual procedures;
- a list of materials the County would need to continue operations and how they are to be obtained;
- identification of what space should be used; and
- a schedule for developing and periodically reviewing and updating the plan.

We recommend that the County develop and implement a business continuity plan. All County employees should be familiar with the plan. The plan should detail the steps to be taken to continue operations in the event of a disaster or major computer breakdown.

OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Nicollet County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of and for the year ended December 31, 2004, and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nicollet County's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nicollet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for 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 tests indicate that, for the items tested, Nicollet County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1 and 99-1.

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/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY AUDITOR

End of Fieldwork: December 21, 2005



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Nicollet County

Compliance

We have audited the compliance of Nicollet County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Nicollet County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Nicollet County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Nicollet County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Nicollet County as of and for the year ended December 31, 2004, and have issued our report thereon dated December 21, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: December 21, 2005

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 5

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 95,646
Passed Through Minnesota Department of Human Services Administrative Matching Grant for Food Stamp Program	10.561	4,318
Total U.S. Department of Agriculture		\$ 99,964
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	\$ 6,878
Direct Bulletproof Vest Partnership Program	16.607	1,400
Total U.S. Department of Justice		\$ 8,278
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Immunization Grant	93.268	\$ 650
Center for Disease Control and Prevention	93.283	42,688
Temporary Assistance for Needy Families	93.558	14,611
Maternal and Child Health Services Block Grant	93.994	34,164
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	12,059
Temporary Assistance for Needy Families	93.558	247,092
Child Care Mandatory and Matching Funds	93.596	17,260
Children's Justice Grant	93.643	1,500
Foster Care - Title IV-E	93.658	77,962
Social Services Block Grant - Title XX	93.667	171,542
Independent Living	93.674	3,856
Total U.S. Department of Health and Human Services		\$ 623,384

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 5
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Supplemental Program	97.004	\$ 58,911
State and Local Homeland Security	97.006	3,441
Emergency Management Performance Grant	97.042	18,811
State and Local Emergency Operations Planning Disaster Relief and Assistance	97.051	<u>4,657</u>
Total U.S. Department of Homeland Security		<u>\$ 85,820</u>
Total Federal Awards		<u>\$ 817,446</u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Nicollet County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. In some instances, expenditures shown are greater than reported revenues because the revenues were not available.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.