

# **FILLMORE COUNTY**

Preston, Minnesota

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

For the Year Ended December 31, 2010

# FILLMORE COUNTY

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## INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners  
Fillmore County  
Preston, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Fillmore County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fillmore County's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from Fillmore County's 2009 financial statements and, in our report dated July 12, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Fillmore County, Minnesota, as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the County Board of Commissioners  
Fillmore County

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011 on our consideration of Fillmore County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fillmore County's basic financial statements. The combining financial statements, budgetary comparison schedules, schedule of intergovernmental revenues, and component unit financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements, budgetary comparison schedules, schedule of intergovernmental revenues, and component unit financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Baker Tilly Vuchow Krause, LLP*

Minneapolis, Minnesota  
June 20, 2011

## **FILLMORE COUNTY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Fillmore County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2010. Readers are encouraged to consider the information presented here in conjunction with the financial statements which begin on page 1.

### **FINANCIAL HIGHLIGHTS**

- Fillmore County's total net assets at year-end were \$116,151,405. This represents an increase in net assets of \$974,766 (or .85%) from the balance at the beginning of the year and is primarily due to construction in progress.
- The County's overall fund balance reflects an increase of \$3,637,012 or an increase of 42.7% as a result of this year's operations. This was a temporary increase of \$2,775,373 primarily due to the 2010 Refunding Bonds to repay the 2003 Capital Improvement Plan Bonds due February 1, 2011. Roads and Bridges, Building and Other Governmental fund balances increased by \$1,188,454, \$93,697 and \$101,110 respectively.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 1 and 2) provide information about the activities of the County as a whole and present a long term view of the County's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the county's operations in more detail than the government-wide statements by providing information about the county's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

### **REPORTING THE COUNTY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on page 1. The reader will consider the following question about the County's financial condition, "Is the County as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most businesses. Revenues and expenditures are recognized when they are earned and when goods or services are received.

These two statements report the County's net assets and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. An analysis of this information will reflect a maintenance and improvement in the County's financial position both in 2009 and 2010. The reader will also need to consider other non-financial factors such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

- Governmental activities – Most of the County’s basic services are reported here, including law enforcement, public works, human services, public health, and general administration. Property taxes, state and federal grants, and departmental fees finance most of these activities.
- Component unit – The County includes one separate legal entity in its report – the Economic Development Authority. Although legally separate, this “component unit” is important because the County is financially accountable for it.

## **Reporting the County’s Most Significant Funds**

### **Fund 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. Fillmore County has two kinds of funds: governmental and fiduciary.

Governmental funds – Most of the County’s basic services are reported in governmental funds, which focus on how resources flow into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

The fund financial statements begin on page 3 and provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Board establishes many other funds to help it control and manage money for particular purposes (like the Sanitation Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Funds are organized as major funds or non-major funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Fillmore County or if its assets, liabilities, revenues or expenditures are ten percent or more of total governmental fund assets, liabilities, revenues, or expenditures.

Fillmore County’s major funds for 2010 are: General Fund, Human Services Special Revenue Fund, Roads and Bridges Special Revenue Fund, Building Special Revenues Fund and 2010 Refunding Bonds Debt Service Fund. The County adopts an annual budget for all of its funds. A budget comparison has been provided for the General Fund.

### **The County as Trustee**

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

The County collects taxes and other receipts on behalf of other governments and individuals. Fillmore County reports these collections in fiduciary funds. We exclude these activities from the County’s other financial statements because the County cannot use these assets to finance its operations.

**THE COUNTY AS A WHOLE**

In comparison to 2009, Fillmore County's net assets increased by \$974,766 in 2010. This .8% increase was primarily due to road improvements in the County.

The Statement of Net Assets for Fillmore County is summarized in the following table:

**TABLE 1**  
**Net Assets**

	2010	2009
<b>Current and other assets</b>	\$ 14,128,487	\$ 10,560,984
<b>Capital assets</b>	\$ 110,764,205	\$ 110,664,007
<b>Total assets</b>	<b>\$ 124,892,692</b>	<b>\$ 121,224,991</b>
<b>Long-term debt outstanding</b>	\$ 1,452,285	\$ 1,432,326
<b>Other liabilities</b>	\$ 7,289,002	\$ 4,616,026
<b>Total liabilities</b>	<b>\$ 8,741,287</b>	<b>\$ 6,048,352</b>
<b>Net assets:</b>		
<b>Invested in capital assets, net of debt</b>	\$ 107,864,741	\$ 107,612,386
<b>Restricted</b>	\$ 903,915	\$ 872,706
<b>Unrestricted</b>	\$ 7,382,749	\$ 6,691,547
<b>Total Net Assets</b>	<b>\$ 116,151,405</b>	<b>\$ 115,176,639</b>

The Statement of Activities provides information on the changes in the County's net assets and how the various activities of the County are funded. The following table summarizes the County's governmental activities:

Table 2  
Statement of Activities

Fillmore County	Governmental Activities 2010	Governmental Activities 2009
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$2,948,281	\$3,508,543
Operating Grants and Contributions	\$5,304,455	4,907,962
Capital Grants and Contributions	\$4,895,854	5,535,996
Program Revenue subtotal	\$13,148,590	\$13,952,501
General Revenues:		
Taxes		
Property taxes, levied for general purpose	\$6,854,406	\$6,728,392
Property taxes, levied for debt service	204,429	211,311
Other taxes	247,688	265,917
Intergovernmental revenues not restricted	1,633,697	1,927,556
Investment income	63,635	52,659
Miscellaneous	170,804	118,097
General Revenue subtotal	\$9,174,659	\$9,303,932
<b>REVENUE TOTAL</b>	<b>\$22,323,249</b>	<b>\$23,256,433</b>
<b>EXPENDITURES</b>		
Governmental Activities		
General Government	\$3,762,741	\$3,612,092
Public Safety	3,236,885	3,148,148
Public Works	7,776,134	7,681,019
Health & Human Services	5,557,043	5,474,632
Culture, Recreation & Education	319,086	313,737
Conservation and Development	572,990	633,663
Interest and fiscal charges	123,604	119,512
<b>EXPENDITURE TOTAL</b>	<b>\$21,348,483</b>	<b>\$20,982,803</b>
Change in Net Assets	\$974,766	\$2,273,630
Net Assets – Beginning of Year	\$115,176,639	\$112,903,009
<b>NET ASSETS – END OF YEAR</b>	<b>\$116,151,405</b>	<b>\$115,176,639</b>

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS AND BUDGETARY HIGHLIGHTS**

Total cost of all of the County's programs increased by a total of \$365,680 from 2009 primarily due to increased expenditures related to telecommunications equipment and infrastructure upgrades. A significant amount was related to preparation for the federally mandated narrow band upgrade for public safety communications and will be offset by grant revenue.

The County's overall fund balance reflects an increase of \$3,637,012 (or 42.7%) as a result of this year's operations. The most significant increase in fund balance (\$2,775,373) occurred in the 2010 Refunding Bonds Fund and resulted from bond receipts that will be used to retire the 2003 Capital Improvement Bond liability in early 2011. Roads & Bridges, Other Governmental and Building Funds also increased due to construction in progress, improved Sanitation service charges and dividend receipts.

General Government fund balance was reduced by \$419,237 due to the increased telecommunication infrastructure expenditures and related deferred revenues and reduced interest revenues.

General Revenue budget revenue variances were due to less than projected tax collections and charges for services. The expenditure variance is primarily due to the increased public safety telecommunication expenditures.

By Minnesota statute, the County Board sets a preliminary budget in September and adopts the final budget in December of the year prior to operations. Un-allotment of State aids was an additional variable again in 2010 and reduced State aids are expected to continue in subsequent years due to the on-going recessed economy. There are inherent assumptions related to revenues and expenditures based on historical information that must occur during the development of the budget. These original budget projections may result in budgetary variances once actual revenues and expenditures are recognized.

The Fillmore County Board of Commissioners approved a 2010 budget decrease of \$362,929 (or -1.5%) and set the 2010 levy on December 22, 2009. The levy increase of 1.5% was offset with budgeted use of \$190,000 of fund balance. Significant structural changes were made by the Board in 2010 in recognition that financial resources will continue to be limited.

## **CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**

- \$978,197 of projects that were under construction in the prior year were completed in 2010. Completed projects include 2 bridges and 1 road project.
- Infrastructure assets increased by \$996,208 due to highway roads and bridges construction projects.
- Long-term debt increased by \$2,656,155 due to the 2010 refunding bonds. Liabilities for vested compensated absences decreased by \$4,203. Also the County has a decreased liability of \$14,981 for a MPCA loan and an increased liability of \$36,005 for AgBMP Loans which are for individual septic system upgrades. These loans are secured by the County's interest in the participant loan agreements.
- More detailed information is available in Note III E, Long-term Obligations.

## **CONTACT INFORMATION**

For additional information regarding this report, please contact Karen Brown, Fillmore County Coordinator; PO Box 466, Preston, MN 55965 or by email at [kbrown@co.fillmore.mn.us](mailto:kbrown@co.fillmore.mn.us) or by telephone at 507.765.4566.

# FILLMORE COUNTY

## STATEMENT OF NET ASSETS

December 31, 2010

(With Comparative Totals - Primary Government for December 31, 2009)

	Primary Government		Component Unit
	Governmental Activities		Economic Development Authority
	2010	2009	
<b>ASSETS</b>			
Cash and investments	\$ 9,846,375	\$ 8,971,759	\$ 154,740
Restricted cash and investments	2,797,373	-	-
Delinquent taxes receivable	260,494	236,581	1,396
Other receivables	440,245	556,721	31,484
Due from other governments	474,334	503,784	-
Prepaid items and inventories	264,520	275,022	-
Other assets	45,146	17,117	-
Capital Assets			
Construction in progress	6,220,348	3,676,805	-
Land	337,889	337,889	-
Other capital assets, net of depreciation	104,205,968	106,649,313	-
Total Assets	124,892,692	121,224,991	187,620
<b>LIABILITIES</b>			
Accounts payable	816,114	784,345	220
Accrued liabilities	275,895	235,208	-
Due to other governments	170,987	177,172	-
Unearned revenue	189,289	235,601	-
Noncurrent liabilities			
Due within one year	3,009,025	221,189	-
Due in more than one year	4,279,977	4,394,837	-
Total Liabilities	8,741,287	6,048,352	220
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	107,864,741	107,612,386	-
Restricted for			
Debt service	226,443	233,577	-
Missing heirs	27,362	27,362	-
Law library	25,808	23,697	-
Recorder's equipment	122,417	157,140	-
Land information	57,498	66,870	-
Enhanced 911	428,347	341,120	-
Veterans	8,016	1,816	-
Law enforcement	8,024	21,124	-
Unrestricted	7,382,749	6,691,547	187,400
<b>TOTAL NET ASSETS</b>	<b>\$ 116,151,405</b>	<b>\$ 115,176,639</b>	<b>\$ 187,400</b>

See accompanying notes to financial statements.

# FILLMORE COUNTY

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

(With Comparative Totals - Primary Government for the Year Ended December 21, 2009)

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for		Governmental Activities		Component Unit EDA
		Services	Operating Grants and Contributions	Capital Grants and Contributions	2010	
Governmental Activities						
General government	\$ 3,762,741	\$ 549,217	\$ 189,982	\$ (3,023,542)	\$ (2,765,601)	\$ -
Public safety	3,236,885	532,536	367,047	(2,337,302)	(2,182,565)	-
Public works	7,776,134	543,118	2,265,418	(71,744)	259,497	-
Health	1,644,736	807,075	284,312	(553,349)	(503,278)	-
Human services	3,912,307	515,384	1,974,196	(1,422,727)	(1,038,779)	-
Culture, recreation, and education	319,086	-	58,241	(260,845)	(260,755)	-
Conservation and development	572,990	951	165,259	(406,780)	(419,309)	-
Interest and fiscal charges	123,604	-	-	(123,604)	(119,512)	-
Total Primary Government	<u>\$ 21,348,483</u>	<u>\$ 2,948,281</u>	<u>\$ 5,304,455</u>	<u>\$ (8,199,893)</u>	<u>(7,030,302)</u>	<u>-</u>
Component Unit						
Economic Development Authority (EDA)	\$ 35,897	\$ -	\$ -	-	-	(35,897)
General Revenues						
Taxes						
Property taxes, levied for general purposes				6,854,406	6,728,392	35,107
Property taxes, levied for debt service				204,429	211,311	-
Other taxes				247,688	265,917	-
Intergovernmental revenues not restricted to specific programs				1,633,697	1,927,556	7,561
Investment income				63,635	52,659	-
Miscellaneous				170,804	118,097	-
Total General Revenues				<u>9,174,659</u>	<u>9,303,932</u>	<u>42,668</u>
Change in Net Assets				974,766	2,273,630	6,771
NET ASSETS - Beginning of Year				<u>115,176,639</u>	<u>112,903,009</u>	<u>180,629</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$116,151,405</u>	<u>\$115,176,639</u>	<u>\$ 187,400</u>

See accompanying notes to financial statements.

# FILLMORE COUNTY

## BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2010

	General Fund	Special Revenue		
		Human Services	Roads and Bridges	Building
<b>ASSETS</b>				
Cash and investments	\$ 2,919,929	\$ 1,625,332	\$ 2,578,906	\$ 1,424,630
Restricted cash and investments	-	-	-	-
Receivables				
Delinquent taxes	161,274	37,948	44,759	1,057
Accounts	109,865	26,387	27,767	-
Interest	7,270	-	-	-
Notes	-	-	-	-
Due from other governments	142,315	240,474	91,545	-
Due from other funds	2,929	-	5,187	-
Inventories and prepaid items	-	-	264,520	-
<b>TOTAL ASSETS</b>	<b><u>\$ 3,343,582</u></b>	<b><u>\$ 1,930,141</u></b>	<b><u>\$ 3,012,684</u></b>	<b><u>\$ 1,425,687</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 181,904	\$ 162,069	\$ 442,462	\$ -
Accrued liabilities	140,159	46,011	33,806	-
Due to other governments	101,546	63,690	5,751	-
Due to other funds	3,205	2,947	15	-
Deferred revenues	316,073	29,835	126,207	836
<b>Total Liabilities</b>	<b><u>742,887</u></b>	<b><u>304,552</u></b>	<b><u>608,241</u></b>	<b><u>836</u></b>
<b>Fund Balances</b>				
<b>Reserved for</b>				
Missing heirs	27,362	-	-	-
Law library	25,808	-	-	-
Recorder equipment	122,417	-	-	-
Land information	57,498	-	-	-
Enhanced 911	428,347	-	-	-
Law enforcement	8,024	-	-	-
Veterans	8,016	-	-	-
Inventory and prepaid items	-	-	264,520	-
Debt service	-	-	-	-
<b>Unreserved, designated, reported in</b>				
General fund	1,923,223	-	-	-
Special revenue funds	-	1,625,589	902,664	1,100,000
Unreserved, undesignated	-	-	1,237,259	324,851
<b>Unreserved, undesignated, reported in</b>				
Non-major special revenue funds	-	-	-	-
<b>Total Fund Balances</b>	<b><u>2,600,695</u></b>	<b><u>1,625,589</u></b>	<b><u>2,404,443</u></b>	<b><u>1,424,851</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,343,582</u></b>	<b><u>\$ 1,930,141</u></b>	<b><u>\$ 3,012,684</u></b>	<b><u>\$ 1,425,687</u></b>

<u>Debt Service</u>	<u>Other</u>	<u>Total</u>
<u>2010 Refunding</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Bonds</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ 1,297,578	\$ 9,846,375
2,797,373	-	2,797,373
-	15,456	260,494
-	26,017	190,036
-	-	7,270
-	242,939	242,939
-	-	474,334
-	-	8,116
-	-	264,520
<u>\$ 2,797,373</u>	<u>\$ 1,581,990</u>	<u>\$ 14,091,457</u>
\$ 22,000	\$ 7,679	\$ 816,114
-	2,925	222,901
-	-	170,987
-	1,949	8,116
-	255,075	728,026
<u>22,000</u>	<u>267,628</u>	<u>1,946,144</u>
-	-	27,362
-	-	25,808
-	-	122,417
-	-	57,498
-	-	428,347
-	-	8,024
-	-	8,016
-	-	264,520
2,775,373	268,600	3,043,973
-	-	1,923,223
-	565,493	4,193,746
-	-	1,562,110
-	480,269	480,269
<u>2,775,373</u>	<u>1,314,362</u>	<u>12,145,313</u>
<u>\$ 2,797,373</u>	<u>\$ 1,581,990</u>	<u>\$ 14,091,457</u>

See accompanying notes to financial statements.

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## FILLMORE COUNTY

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS December 31, 2010

Total fund balance - governmental funds		\$ 12,145,313
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Capital assets at year end consist of:</p>		
Capital assets	\$ 155,978,228	
Accumulated depreciation	<u>(45,214,023)</u>	110,764,205
<p>Revenues that are not available to pay current liabilities are reported as deferred revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. Notes receivable are also off set by deferred revenue in the fund financial statements. These types of deferred revenues at year end consist of:</p>		
Taxes	205,023	
Governmental grants	90,775	
Notes	<u>242,939</u>	538,737
<p>Debt issuance costs are expenditures in the fund financial statements, but are capitalized in the government-wide financial statements.</p>		
		45,146
<p>Long-term liabilities, including bond and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities at year end consist of:</p>		
General obligation debt	(5,765,000)	
Debt discount	57,224	
Accrued interest on general obligation debt	(52,994)	
Other long-term obligation	(329,612)	
Vested employee benefits	<u>(1,251,614)</u>	<u>(7,341,996)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 116,151,405</u></b>

See accompanying notes to financial statements.

# FILLMORE COUNTY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2010

	General Fund	Special Revenue		
		Human Services	Roads and Bridges	Building
<b>REVENUES</b>				
Taxes	\$ 4,417,852	\$ 1,019,280	1,165,666	\$ 27,706
Intergovernmental	2,364,603	2,059,843	7,345,467	6,209
Licenses and permits	67,445	-	-	-
Fines, forfeitures and penalties	11,045	-	-	-
Public charges for services	1,345,421	51,713	158,372	-
Intergovernmental charges for services	420,848	-	-	-
Investment income	55,255	-	13,822	-
Miscellaneous	96,693	463,671	72,950	179,942
Total Revenues	<u>8,779,162</u>	<u>3,594,507</u>	<u>8,756,277</u>	<u>213,857</u>
<b>EXPENDITURES</b>				
Current				
General government	3,411,582	-	-	120,160
Public safety	3,317,244	-	-	-
Public works	-	-	7,540,972	-
Health	1,588,520	-	-	-
Human services	-	3,696,892	-	-
Culture, recreation, and education	311,086	-	-	-
Conservation and development	569,967	-	-	-
Capital Outlay	-	-	26,851	-
Debt Service				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	<u>9,198,399</u>	<u>3,696,892</u>	<u>7,567,823</u>	<u>120,160</u>
Excess (deficiency) of revenues over expenditures	<u>(419,237)</u>	<u>(102,385)</u>	<u>1,188,454</u>	<u>93,697</u>
<b>OTHER FINANCING SOURCES</b>				
Discount on issuance of bonds	-	-	-	-
Refunding debt issued	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(419,237)	(102,385)	1,188,454	93,697
FUND BALANCES - Beginning of Year	3,019,932	1,727,974	1,226,491	1,331,154
Decrease in reserve for inventory	-	-	(10,502)	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,600,695</u>	<u>\$ 1,625,589</u>	<u>\$ 2,404,443</u>	<u>\$ 1,424,851</u>

2010 Refunding Bonds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 417,528	\$ 7,048,032
-	228,789	12,004,911
-	-	67,445
-	-	11,045
-	302,853	1,858,359
-	-	420,848
-	-	69,077
-	73,279	886,535
-	1,022,449	22,366,252
-	-	3,531,742
-	-	3,317,244
-	558,626	8,099,598
-	-	1,588,520
-	-	3,696,892
-	-	311,086
-	57,085	627,052
-	64,767	91,618
31,390	106,885	138,275
-	191,061	191,061
31,390	978,424	21,593,088
(31,390)	44,025	773,164
(23,237)	-	(23,237)
2,830,000	57,085	2,887,085
2,806,763	57,085	2,863,848
2,775,373	101,110	3,637,012
-	1,213,252	8,518,803
-	-	(10,502)
\$ 2,775,373	\$ 1,314,362	\$ 12,145,313

See accompanying notes to financial statements.

## FILLMORE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2010

---

Net change in fund balances - total governmental funds	\$ 3,637,012
 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 these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Capital outlay is capitalized in the government-wide statements	91,618
Some functional expenses are capitalized	3,455,103
Depreciation is reported in the government-wide statements	(3,335,013)
 Proceeds from the sale of capital assets are reported as other financing sources in the fund statements, but in the government-wide statements, the gain or loss on disposal is reported. This is the loss on disposal.	
	(111,510)
 Taxes and other receivables that are not available to pay current liabilities are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. This is the net effect of those deferred revenues.	
	(155,113)
 Issuing debt provides current financial resources in the governmental funds, but the repayment of debt consumes current financial resources in the governmental funds.	
Private septic system loan	(57,085)
GO Refunding Bonds	(2,830,000)
Principal payments	191,061
 Making loans for the upgrade of private septic systems is reported as an expenditure in the fund statements, but is reported as an increase in receivables in the government-wide statements.	
	57,085
 Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements. The following did not require the use of current financial resources:	
Decrease in compensated absence	4,203
Accrued interest expense	(8,967)
Amortization of debt discount and debt issuance costs	46,874
 The change in inventory is reported as a change in fund balance in the fund financial statements, but is a change in expense in the government-wide statements.	
	<u>(10,502)</u>
 <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	 <b><u>\$ 974,766</u></b>

See accompanying notes to financial statements.

**FILLMORE COUNTY**

**STATEMENT OF NET ASSETS -  
FIDUCIARY FUNDS  
December 31, 2010**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 608,452
<b>TOTAL ASSETS</b>	<u>\$ 608,452</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 135,562
Due to clients	28,231
Due to other governments	<u>444,659</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 608,452</u>

See accompanying notes to financial statements.

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# FILLMORE COUNTY

## INDEX TO NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of Fillmore County, Minnesota conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

Fillmore County is an organized county having the powers, duties, and privileges granted counties by Minn. Statute 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 January annual meeting. The county policy coordinator, appointed by the board, serves as the clerk of the board of commissioners but has no vote.

This report includes all of the funds of Fillmore County. The reporting entity for the county consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that is legally separate from the government.

#### ***Economic Development Authority***

The government-wide statements include Fillmore County Economic Development Authority (EDA) as a component unit. The EDA is a legally separate organization. The board of the EDA is appointed by the Board of County Commissioners. The sale of bonds or other obligations issued by the EDA must be approved by the Board. The EDA is presented as a governmental fund type. As a component unit, the EDA's financial statements have been presented as a discrete column in the financial statements. See Note III.G. The EDA does not issue separate financial statements. The EDA's fund financial statements are included on pages 50 and 51.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

In June 2007, the GASB issued statement No. 51 - *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and reporting requirements for intangible assets to reduce inconsistencies among governments, thereby enhancing the comparability of such assets among state and local governments. The county implemented this standard effective January 1, 2010. GASB Statement No. 51 does not have a material effect on the county.

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. All of Fillmore County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Fillmore County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Fillmore County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all governmental funds.
- b. In addition, any other governmental fund that Fillmore County believes is particularly important to financial statement users may be reported as a major fund.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Fund Financial Statements (cont.)***

Fillmore County reports the following major governmental funds:

General Fund – accounts for Fillmore County's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Human Services Special Revenue Fund – accounts for Fillmore County's social services and income maintenance transactions.

Roads and Bridges Special Revenue Fund – accounts for the transactions related to the construction, reconstruction, and maintenance of county state-aid highways, county highways, county bridges and work done for local municipalities.

Building Special Revenue Fund – accounts for transactions related to maintaining and improving county buildings.

2010 Refunding Bonds Debt Service Fund – accounts for proceeds of the 2010 refunding bonds which will be used to refund the 2003 capital improvement bonds in 2011.

Fillmore County reports the following non-major governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Sanitation  
Airport

MPCA Septic System Loan Program  
Agriculture Best Practices Loan Program

Debt Service Fund – used to account for financial resources used to pay for the principal and interest payments of the county's general obligation debt.

2003 Capital Improvement Bonds

In addition, Fillmore County reports the following fund type:

Agency funds are used to account for assets held by Fillmore County as an agent for individuals, private organizations, and/or other governmental units. Fillmore County reports the following as agency funds:

Taxes and Penalties – accounts for property taxes collected for the county and on behalf of school districts and local municipalities.

Other Taxes – accounts for sales and other taxes collected by the county and remitted to the state.

Prepaid Taxes – accounts for property taxes paid before the due date.

State Revenue – accounts for the state's share of property taxes and state fees collected by the county.

Sheriff Canteen – accounts for canteen funds held by the sheriff.

Sheriff – accounts for sheriff and jail collections that are remitted to the county on a monthly basis.

Licenses – accounts for the collection of licenses remitted monthly to the county and the state.

Insurance – accounts for payroll deposits for health insurance.

Social Services – accounts for funds held by the county in a representative payee capacity.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, Fillmore County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period Fillmore County is entitled to the resources and the amounts are available. Amounts owed to the county which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The county reports deferred revenues on its governmental funds balance sheet. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the county has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the county has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **1. Deposits and Investments**

Minnesota statutes authorize the county board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Investments are limited to:

- > Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress.
- > State and local securities that meet specified bond ratings by a national rating service.
- > Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- > Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
- > Banker's acceptances of United States banks.

Fillmore County has adopted an investment policy. That policy follows state statutes for allowable investments. The policy also follows state statutes to address custodial credit risk by requiring the County Treasurer to monitor collateral to ensure it is held in safekeeping by a third party and it is at least 10% greater than the amount on deposit. The policy also requires that county deposits be held in qualifying financial institutions within the county, and that they be diversified to reduce the concentration of credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **1. Deposits and Investments (cont.)**

Fillmore County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to MN Statutes § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the county's position in the pool is essentially the same as the value of the pool shares. See Note III.A. for further information.

##### **2. Receivables**

The county levies and collects property taxes and special assessments for all governmental units within the county. Property tax collections and payments to other governmental units are accounted for in agency funds. Property taxes and special assessments are billed to individual property owners within the county annually, and for the most part, are due and payable in January but may be paid in two equal installments on or before May 15 and October 13 without penalty. The county is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in MN Statutes 276.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. No allowance for uncollectible delinquent taxes has been provided because of the county's demonstrated ability to recover any losses through the sale of the applicable property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

##### **3. Inventories and Prepaid Items**

Inventory in the Roads and Bridges fund is valued at cost based on average cost using the purchases method of accounting and consists of supplies held for consumption. Reported inventories are offset by reserved fund balance in the fund financial statements to indicate they are not available, spendable resources.

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.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### *4. Restricted Assets*

Mandatory segregations of assets, as required by bond agreements or other external parties, are presented as restricted assets. As of December 31, 2010, the county held \$2,797,373 of proceeds from 2010 capital improvement plan refunding bonds. These are restricted for refunding the 2003 capital improvement plan bonds in 2011. For more information, see Note III.E.

##### *5. Capital Assets*

###### *Government –Wide Statements*

Capital assets, which include property, buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and the following initial cost:

Land	\$	1
Machinery, Equipment and Vehicles		5,000
Land Improvements		25,000
Buildings and Building Improvements		25,000
Roads and Bridges (Infrastructure)		50,000

All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. All infrastructure assets acquired since January 1, 1980 are reported, as required by GASB Statement No. 34.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery, Equipment and Vehicles	3-15 Years
Land Improvements	15-50 Years
Buildings and Building Improvements	15-50 Years
Roads	50 Years
Bridges	75 Years

###### *Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund upon acquisition.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **6. Other Assets**

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### **7. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2010 are determined on the basis of current salary rates and include salary related payments.

##### **8. Long-Term Obligations/Conduit Debt**

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. The county has not issued any conduit debt.

For the government-wide statements bond premiums and discounts are deferred and amortized over the life of the issue using the effective-interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The county may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the county. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no outstanding industrial revenue bonds at December 31, 2010.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

##### **10. Equity Classifications**

###### ***Government–Wide Statements***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

###### ***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year’s budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation.

##### **11. Prior Period Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended December 31, 2009, from which the summarized information was derived.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for governmental funds as described in Note I.C. A budget has been adopted for each of the county's funds except for the MCPA Septic Loan Program Fund, the Agriculture Best Practices Loan Fund and the 2010 Refunding Bond Fund.

The budgeted amounts presented include any amendments made. Changes to the overall budget must be approved by board action. Appropriations lapse at year end unless specifically carried over. Budgets are adopted at the functional level of expenditure.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds had 2010 expenditures in excess of appropriations:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
General Fund	\$ 9,187,526	\$ 9,198,399	\$ 10,873
Human Service Fund	3,666,909	3,696,892	29,983
Building Fund	35,000	120,160	85,160

The county controls expenditures at the functional level. Some functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the actual to budget schedules in the Required Supplementary Information section of the financial statements.

### NOTE III – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The county's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 7,338,409	\$ 7,571,574	Custodial credit
Time deposits	3,302,499	3,302,499	Custodial credit
MAGIC	2,763,952	2,763,952	Credit, interest rate
Petty cash	2,080	-	N/A
<b>Total Cash and Investments</b>	<b>\$ 13,406,940</b>	<b>\$ 13,638,025</b>	

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Reconciliation to financial statements

Per statement of net assets –		
Unrestricted cash and investments	\$	9,846,375
Restricted cash and investments		2,797,373
Per statement of net assets –		
EDA Component Unit		154,740
Per statement of net assets –		
Fiduciary Funds		<u>608,452</u>
 Total Cash and Investments	 \$	 <u>13,406,940</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and an unlimited amount for non-interest bearing accounts.

The county maintains collateral agreements with its banks to insure its deposits of amounts in excess of the FDIC insured limits. At December 31, 2010, the banks had pledged various government securities in the amount \$6,091,361 to secure the county's deposits.

#### ***Custodial Credit Risk***

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county. The county does not have any deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have any investments exposed to custodial credit risk.

#### ***Credit and Interest Rate Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. All of the county's investments are with Minnesota Association of Governments Investing for Counties (MAGIC), an unrated external investment pool. MAGIC's weighted average maturity is 45 days.

**FILLMORE COUNTY**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**B. RECEIVABLES**

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Amounts Not Expected to Be Collected Within One Year</u>
General	\$ 420,724	\$ 67,519
Human Services	304,809	15,804
Roads and Bridges	164,071	18,969
Building	1,057	-
Nonmajor Funds	284,412	222,963

No allowance for uncollectible accounts is considered necessary.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Taxes receivable	\$ 205,023	\$ -	\$ 205,023
Grants not received within 60 days of year end	90,775	-	90,775
Grants received but not earned	-	189,289	189,289
Loans	<u>242,939</u>	<u>-</u>	<u>242,939</u>
 Total Deferred/Unearned Revenue for Governmental Funds	 <u>\$ 538,737</u>	 <u>\$ 189,289</u>	 <u>\$ 728,026</u>

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### C. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 3,676,805	\$ 3,521,740	\$ (978,197)	\$ 6,220,348
Land	337,889	-	-	337,889
Total Capital Assets Not Being Depreciated	4,014,694	3,521,740	(978,197)	6,558,237
Capital assets being depreciated				
Buildings	11,771,071	-	(63,365)	11,707,706
Machinery and equipment	7,389,914	292,182	(313,465)	7,368,631
Roads	108,335,721	589,288	-	108,925,009
Bridges	21,051,830	406,920	(40,105)	21,418,645
Total Capital Assets Being Depreciated	148,548,536	1,288,390	(416,935)	149,419,991
Less: Accumulated depreciation for				
Buildings	(4,040,911)	(349,535)	-	(4,390,446)
Machinery and equipment	(4,430,039)	(526,557)	6,310	(4,950,286)
Roads	(29,512,200)	(2,178,500)	-	(31,690,700)
Bridges	(3,916,073)	(280,421)	13,903	(4,182,591)
Total Accumulated Depreciation	(41,899,223)	(3,335,013)	20,213	(45,214,023)
Total Capital Assets, Depreciated, Net	106,649,313			104,205,968
Total Capital Assets	\$ 110,664,007			\$ 110,764,205

**FILLMORE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**C. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

**Governmental Activities**

General government	\$	276,990
Public safety		59,058
Public works, which includes the depreciation of roads and bridges		2,897,908
Human services		87,924
Health		3,625
Culture, recreation and education		8,000
Conservation and development		<u>1,508</u>
 Total Governmental Activities Depreciation Expense	 \$	 <u><u>3,335,013</u></u>

**D. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Human Services	\$ 2,914
General Fund	Roads and Bridges	15
Road and Bridge Fund	General Fund	3,205
Road and Bridge Fund	Human Services	33
Road and Bridge Fund	Airport	1,215
Road and Bridge Fund	Sanitation	<u>734</u>
 Subtotal - Fund financial statements		 8,116
 Less: Fund eliminations		 <u>(8,116)</u>
 Total – Government-Wide Statement of Net Assets		 <u><u>\$ -</u></u>

All interfund receivables are expected to be repaid within one year.

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities are netted and eliminated.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### E. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>General Obligation Debt</b>					
Bonds payable	\$ 3,090,000	\$ -	\$ (155,000)	\$ 2,935,000	\$ 2,935,000
Refunding bonds payable	-	2,830,000	-	2,830,000	-
Bond discount	(38,379)	(23,237)	4,392	(57,224)	N/A
Total Bonds Payable	3,051,621	2,806,763	(150,608)	5,707,776	2,935,000
<b>Other Liabilities</b>					
MPCA loan	155,109	-	(14,981)	140,128	15,282
AgBMP loan	153,479	57,085	(21,080)	189,484	21,195
Vested compensated absences	1,255,817	52,906	(57,109)	1,251,614	37,548
Total Long-Term Liabilities	\$ 4,616,026	\$ 2,916,754	\$ (243,778)	\$ 7,289,002	\$ 3,009,025

#### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the county. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the county may not exceed 3% of the market value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2010 was \$80,655,954. General obligation debt outstanding at year end was \$5,765,000.

General obligation debt payable for the county at December 31, 2010, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-10
Capital Improvement Plan Bonds	2/1/2003	2/1/2024	2.9-3.8%	\$ 3,800,000	\$ 2,935,000
Refunding Bonds	11/3/2010	2/1/2024	2.0-3.25%	2,830,000	2,830,000
Total General Obligation Debt					\$ 5,765,000

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### E. LONG-TERM OBLIGATIONS (cont.)

##### *General Obligation Debt* (cont.)

Debt service requirements to maturity for the capital improvement bonds are as follows:

	General Obligation Debt	
	Principal	Interest
2011	\$ 2,935,000	\$ 104,775
2012	165,000	70,597
2013	185,000	67,097
2014	195,000	63,297
2015	195,000	59,398
2016 – 2020	1,090,000	227,964
2021 – 2024	1,000,000	64,300
Totals	\$ 5,765,000	\$ 657,428

##### *Other Liabilities*

The county entered into a loan agreement with the Minnesota Pollution Control Agency (MPCA) to provide loans to eligible participants to upgrade their septic systems. The loan funds were disbursed to the county as the county made loans to eligible participants. The loan was closed during 2009, with the final loan amount of \$162,488. Repayments of principal and interest at 2% are due semi-annually 2009 through 2019. The MPCA has authorized up to another \$740,000 for future loans.

Debt service requirements to maturity for the MPCA loan are as follows:

	MPCA loan	
	Principal	Interest
2011	\$ 15,282	\$ 2,727
2012	15,589	2,419
2013	15,903	2,106
2014	16,223	1,787
2015	16,548	1,460
2016 – 2019	60,583	2,446
Totals	\$ 140,128	\$ 12,945

The county has also entered into an agreement with the Minnesota Department of Agriculture to provide loans to eligible farmers, rural landowners and agriculture supply businesses for projects that mitigate non-point source pollution and other adverse environmental impacts. The Department of Agriculture disburses funds to the county as the loans are made, and all funds provided to the county must be repaid, at no interest, to the Department of Agriculture. A repayment schedule is not available.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### *E. LONG-TERM OBLIGATIONS (cont.)*

##### ***Other Debt Information***

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the bond agreement. The county believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

##### ***Current Refunding***

On November 3, 2010, the county issued \$2,830,000 of general obligation capital improvement plan refunding bonds with an average interest rate of 2.78%. Net bond proceeds of \$2,775,373 (after payment of \$54,627 in underwriting fees, insurance and other issuance costs) were used to prepay the outstanding debt service requirements on outstanding bonds on February 1, 2011. Outstanding bonds refunded in 2011 with the 2010 bond proceeds are \$2,775,000 of 2003 general obligation capital improvement plan bonds at an average interest rate of 3.5%. As of December 31, 2010, proceeds from the 2010 refunding bond are accounted for in a separate debt service fund.

The cash flow requirements on the 2003 bonds prior to the current refunding would be \$3,743,856 from 2011 through 2024. The cash flow requirements on the 2010 bonds used for refunding are \$3,646,038 from 2011 through 2024. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$80,474.

#### *F. NET ASSETS/FUND BALANCES*

Net assets reported on the government wide statement of net assets at December 31, 2010 includes the following:

##### ***Governmental Activities***

Invested in capital assets, net of related debt	
Construction in progress	\$ 6,220,348
Land	337,889
Other capital assets, net of accumulated depreciation	104,205,968
Less: related long-term debt outstanding	<u>(2,899,464)</u>
Total Invested in Capital Assets	107,864,741
Restricted	903,915
Unrestricted	<u>7,382,749</u>
Total Governmental Activities Net Assets	<u>\$ 116,151,405</u>

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. NET ASSETS/FUND BALANCES (cont.)

##### *Governmental Activities* (cont.)

Designated fund balance as of December 31, 2010, includes the following items:

Fund	Amount	Designation
General Fund	\$ 2,000,000	Cash flow purposes
	667,410	Compensated absences
	17,693	Gun permits
	7,253	County park
	94,269	Budget carryovers
	<u>(863,402)</u>	Reduction to available fund balance
Total	<u>\$ 1,923,223</u>	
Human Services	\$ 1,550,000	Cash flow purposes
	260,138	Compensated absences
	<u>(184,549)</u>	Reduction to available fund balance
Total	<u>\$ 1,625,589</u>	
Roads and Bridges	\$ 600,000	Cash flow purposes
	<u>302,664</u>	Compensated absences
Total	<u>\$ 902,664</u>	
Building	\$ 150,000	General building
	275,000	Law enforcement center
	<u>675,000</u>	Interoperable communications
Total	<u>\$ 1,100,000</u>	
Nonmajor funds	\$ 90,000	Cash flow purposes
	454,092	Future landfill closure costs
	<u>21,401</u>	Compensated absences
Total	<u>\$ 565,493</u>	

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **G. COMPONENT UNIT**

This report contains Fillmore County Economic Development Authority (EDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities. In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting and Measurement Focus

The EDA prepares its financial statements in accordance with the modified accrual basis of accounting. The measurement focus of the EDA is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

b. Deposits and Investments

At year end, the EDA's deposits were commingled with the county's cash and investments. The balances were insured by the FDIC or covered by perfected collateral pledges.

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### NOTE IV – OTHER INFORMATION

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#### **A. PENSION PLANS**

##### ***Plan Description***

All full-time and certain part-time employees of Fillmore County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF 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, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. PENSION PLANS (cont.)

##### *Plan Description* (cont.)

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

Two methods are used to compute benefits for PERF's 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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% for each year of service for PECF members.

For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling 651 296 7460 or 1 800 652 9026.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. PENSION PLANS (cont.)

##### *Funding Policy*

Minnesota Statutes Chapter 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. PECF members are required to contribute 5.83% of their annual covered salary. Fillmore County is required to contribute the following percentages of annual covered payroll:

Basic Plan PERF members	11.78%
Coordinated Plan PERF members	7.00
PEPFF members	14.10
PECF members	8.75

The county's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$400,837, \$407,654, and \$372,769, respectively. The county's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008, were \$154,719, \$158,783, and \$137,262, respectively. The county's contributions to the PECF for the years ending December 31, 2010, 2009, and 2008, were \$37,067, \$33,721, and \$31,614, respectively. The county's contributions to the Public Employees Elected Officials fund was \$2,290, \$2,467, and \$1,247, for years ended December 31, 2010, 2009, and 2008, respectively. The county's contributions were equal to the contractually required contributions for each year as set by state statute.

##### *Defined Contribution Plan*

Two board members of Fillmore County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. PENSION PLANS (cont.)

##### *Defined Contribution Plan (cont.)*

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 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 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by Fillmore County during 2010 were \$2,290, which is 5% of covered payroll as required.

#### B. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to protect against liabilities from workers compensation and property and casualty. The county purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

The workers compensation division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 and \$430,000 per claim in 2010 and 2009, respectively. Should workers compensation liabilities of the MCIT workers compensation division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

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

# FILLMORE COUNTY

## NOTES TO FINANCIAL STATEMENTS December 31, 2010

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### NOTE IV – OTHER INFORMATION (cont.)

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#### *C. COMMITMENTS AND CONTINGENCIES*

From time to time, the county is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the county attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the county's financial position or results of operations.

As of December 31, 2010, the county had several open contracts for approximately \$2,200,000 related to various road and bridge construction projects.

The county has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the county comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Minnesota provides a variety of aid and grant programs which benefit the county. Those aid and grant programs are dependent on continued approval and funding by the Minnesota governor and legislature, through their budget processes. State changes to funding or eligibility of local aid programs could have a significant impact on the future operating results of the county.

#### *D. JOINTLY-GOVERNED ORGANIZATIONS*

Jointly governed organizations are a regional government or multi-governmental arrangement formed to provide a variety of services and are governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility. The county appoints at least one member to the following organizations:

Southeast Minnesota Water Quality Board provides regional water quality services to several counties. The county paid \$4,000 to the Southeast Minnesota Water Quality Board in 2010.

The county contributed \$204,403 to the Southeastern Minnesota Library to provide library services within the county.

Workforce Development, Inc. provides various job training services to member counties. During the year, the county paid \$127,221 for these services.

The Southeastern Minnesota Narcotics Task Force provides specialized law enforcement services to several counties. During the year, the county paid \$6,000 to the Task Force.

The county paid \$61,928 to the Minnesota Counties Computer Consortium, which provides various computer services to a number of counties.

The Dodge-Fillmore-Olmstead Community Corrections JPB provides local comprehensive correctional programs for the community. The county paid \$176,443 to the DFO Community Corrections JPB during 2010.

## FILLMORE COUNTY

### NOTES TO FINANCIAL STATEMENTS December 31, 2010

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#### **NOTE IV – OTHER INFORMATION (cont.)**

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##### ***E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Application of these standards may restate portions of these financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - GENERAL FUND For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,919,207	\$ 4,536,065	\$ 4,417,852	\$ (118,213)
Intergovernmental	1,780,328	2,163,471	2,364,603	201,132
Licenses and permits	48,040	48,040	67,445	19,405
Fines, forfeitures and penalties	3,700	3,700	11,045	7,345
Public charges for services	1,528,400	1,528,400	1,345,421	(182,979)
Intergovernmental charges for services	486,375	486,375	420,848	(65,527)
Interest income	95,000	95,000	55,255	(39,745)
Miscellaneous	136,476	136,476	96,693	(39,783)
Total Revenues	<u>8,997,526</u>	<u>8,997,527</u>	<u>8,779,162</u>	<u>(218,365)</u>
<b>EXPENDITURES</b>				
Current				
General government	3,663,363	3,663,363	3,411,582	251,781
Public safety	3,078,606	3,078,606	3,317,244	(238,638)
Health	1,646,375	1,646,375	1,588,520	57,855
Culture, recreation, and education	251,953	251,953	311,086	(59,133)
Conservation and development	547,229	547,229	569,967	(22,738)
Total Expenditures	<u>9,187,526</u>	<u>9,187,526</u>	<u>9,198,399</u>	<u>(10,873)</u>
<b>Net change in fund balances</b>	(190,000)	(189,999)	(419,237)	(207,492)
FUND BALANCE - Beginning of Year	<u>3,019,932</u>	<u>3,019,932</u>	<u>3,019,932</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,829,932</u>	<u>\$ 2,829,933</u>	<u>\$ 2,600,695</u>	<u>\$ (207,492)</u>

See accompanying notes to required supplementary information and independent auditors' report.

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - HUMAN SERVICES For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,143,827	\$ 1,053,567	1,019,280	\$ (34,287)
Intergovernmental	2,117,132	2,207,392	2,059,843	(147,549)
Public charges for services	57,950	57,950	51,713	(6,237)
Miscellaneous	348,000	348,000	463,671	115,671
Total Revenues	<u>3,666,909</u>	<u>3,666,909</u>	<u>3,594,507</u>	<u>(72,402)</u>
<b>EXPENDITURES</b>				
Current				
Human services	3,666,909	3,666,909	3,696,892	(29,983)
Total Expenditures	<u>3,666,909</u>	<u>3,666,909</u>	<u>3,696,892</u>	<u>(29,983)</u>
<b>Net change in fund balances</b>	-	-	(102,385)	(102,385)
FUND BALANCE - Beginning of Year	<u>1,727,974</u>	<u>1,727,974</u>	<u>1,727,974</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,727,974</u>	<u>\$ 1,727,974</u>	<u>\$ 1,625,589</u>	<u>\$ (102,385)</u>

See accompanying notes to required supplementary information and independent auditors' report.

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - ROADS AND BRIDGES For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,309,253	\$ 1,206,115	\$ 1,165,666	\$ (40,449)
Intergovernmental	7,972,585	8,075,723	7,345,467	(730,256)
Public charges for services	264,000	264,000	158,372	(105,628)
Investment income	55,000	55,000	13,822	(41,178)
Miscellaneous	26,000	26,000	72,950	46,950
Total Revenues	<u>9,626,838</u>	<u>9,626,838</u>	<u>8,756,277</u>	<u>(870,561)</u>
<b>EXPENDITURES</b>				
Current				
Public works	9,625,838	9,625,838	7,540,972	2,084,866
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>26,851</u>	<u>(25,851)</u>
Total Expenditures	<u>9,626,838</u>	<u>9,626,838</u>	<u>7,567,823</u>	<u>2,059,015</u>
<b>Net change in fund balances</b>	-	-	1,188,454	1,188,454
FUND BALANCE - Beginning of Year	1,226,491	1,226,491	1,226,491	-
Increase in reserve for inventory	<u>-</u>	<u>-</u>	<u>(10,502)</u>	<u>(10,502)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,226,491</u>	<u>\$ 1,226,491</u>	<u>\$ 2,404,443</u>	<u>\$ 1,177,952</u>

See accompanying notes to required supplementary information and independent auditors' report.

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - BUILDING For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 30,930	\$ 28,454	\$ 27,706	\$ (748)
Intergovernmental	4,070	6,546	6,209	(337)
Miscellaneous	-	-	179,942	179,942
<b>Total Revenues</b>	<u>35,000</u>	<u>35,000</u>	<u>213,857</u>	<u>178,857</u>
<b>EXPENDITURES</b>				
Current				
General government	35,000	35,000	120,160	(85,160)
<b>Total Expenditures</b>	<u>35,000</u>	<u>35,000</u>	<u>120,160</u>	<u>(85,160)</u>
<b>Net change in fund balances</b>	-	-	93,697	93,697
FUND BALANCE - Beginning of Year	<u>1,331,154</u>	<u>1,331,154</u>	<u>1,331,154</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,331,154</u>	<u>\$ 1,331,154</u>	<u>\$ 1,424,851</u>	<u>\$ 93,697</u>

See accompanying notes to required supplementary information and independent auditors' report.

# FILLMORE COUNTY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2010

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### ***Budgetary Information***

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting. The county controls expenditures at the functional level and variances from final budget amounts are in the preceding schedules.

Total expenditures exceeded budgeted expenditures for the general fund, human services fund and building fund as disclosed in Note II.B.

**SUPPLEMENTARY INFORMATION**

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## FILLMORE COUNTY

### OTHER GOVERNMENTAL FUNDS

December 31, 2010

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#### Special Revenue Funds

Sanitation – Used to account for the solid waste and recycling activities of the county.

Airport – Used to account for transaction related to the county's airport.

Septic System Loan Program – Used to account for loan proceeds, loan disbursements, and loan balances made to county residents for upgrade to their septic systems.

Agriculture Best Practices Loan Program – Used to account for loan proceeds, loan disbursements, and loan balances made to eligible farmers, rural landowners and agriculture supply businesses for projects that mitigate non-point source pollution and other adverse environmental impacts.

#### Debt Service Fund

2003 Capital Improvement Bonds – Used to account for the accumulation of resources for the payment of principal and interest on the county's 2003 capital improvement general obligation bonds.

**FILLMORE COUNTY**

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS  
December 31, 2010

	Special Revenue Funds				Debt Service Fund	Total Other Governmental Funds
	Sanitation	Airport	MPCA Septic Loan Program	Agriculture Best Practices Loan Program	2003 Capital Improvement Bonds	
<b>ASSETS</b>						
Cash	\$ 827,673	\$ 105,453	\$ 82,460	\$ 15,027	\$ 266,965	\$ 1,297,578
Taxes receivable	6,745	850	-	-	7,861	15,456
Accounts receivable	26,017	-	-	-	-	26,017
Notes receivable	-	-	59,902	183,037	-	242,939
<b>TOTAL ASSETS</b>	<u>\$ 860,435</u>	<u>\$ 106,303</u>	<u>\$ 142,362</u>	<u>\$ 198,064</u>	<u>\$ 274,826</u>	<u>\$ 1,581,990</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 5,202	\$ 2,477	\$ -	\$ -	\$ -	\$ 7,679
Accrued liabilities	2,887	38	-	-	-	2,925
Due to other funds	734	1,215	-	-	-	1,949
Deferred revenues	5,254	656	59,902	183,037	6,226	255,075
Total Liabilities	<u>14,077</u>	<u>4,386</u>	<u>59,902</u>	<u>183,037</u>	<u>6,226</u>	<u>267,628</u>
<b>Fund Balances</b>						
Reserved	-	-	-	-	268,600	268,600
Unreserved						
Designated	499,264	66,229	-	-	-	565,493
Undesignated	347,094	35,688	82,460	15,027	-	480,269
Total Fund Balances	<u>846,358</u>	<u>101,917</u>	<u>82,460</u>	<u>15,027</u>	<u>268,600</u>	<u>1,314,362</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 860,435</u>	<u>\$ 106,303</u>	<u>\$ 142,362</u>	<u>\$ 198,064</u>	<u>\$ 274,826</u>	<u>\$ 1,581,990</u>

**FILLMORE COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010

	Special Revenue Funds				Debt Service Fund	Total Other Governmental Funds
	Sanitation	Airport	MPCA Septic Loan Program	Agriculture Best Practices Loan Program	2003 Capital Improvement Bonds	
<b>REVENUES</b>						
Taxes	\$ 188,249	\$ 24,752	\$ -	\$ -	\$ 204,527	\$ 417,528
Intergovernmental	107,416	76,050	-	-	45,323	228,789
Public charges for services	302,853	-	-	-	-	302,853
Miscellaneous	5,542	4,335	37,669	25,733	-	73,279
Total Revenues	<u>604,060</u>	<u>105,137</u>	<u>37,669</u>	<u>25,733</u>	<u>249,850</u>	<u>1,022,449</u>
<b>EXPENDITURES</b>						
Current						
Public works	516,720	41,906	-	-	-	558,626
Conservation and development	-	-	-	57,085	-	57,085
Capital Outlay	-	64,767	-	-	-	64,767
Debt Service						
Interest and fiscal charges	-	-	3,028	-	103,857	106,885
Principal	-	-	14,981	21,080	155,000	191,061
Total Expenditures	<u>516,720</u>	<u>106,673</u>	<u>18,009</u>	<u>78,165</u>	<u>258,857</u>	<u>978,424</u>
Excess (deficiency) of revenues over expenditures	<u>87,340</u>	<u>(1,536)</u>	<u>19,660</u>	<u>(52,432)</u>	<u>(9,007)</u>	<u>44,025</u>
<b>OTHER FINANCING SOURCES</b>						
Debt issued	-	-	-	57,085	-	57,085
Total Other Financing Sources	-	-	-	57,085	-	57,085
<b>Net change in fund balances</b>	87,340	(1,536)	19,660	4,653	(9,007)	101,110
FUND BALANCES - Beginning of Year	<u>759,018</u>	<u>103,453</u>	<u>62,800</u>	<u>10,374</u>	<u>277,607</u>	<u>1,213,252</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 846,358</u>	<u>\$ 101,917</u>	<u>\$ 82,460</u>	<u>\$ 15,027</u>	<u>\$ 268,600</u>	<u>\$ 1,314,362</u>

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - SANITATION For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 210,897	\$ 194,180	\$ 188,249	\$ (5,931)
Intergovernmental	93,416	110,133	107,416	(2,717)
Public charges for services	277,018	277,018	302,853	25,835
Miscellaneous	3,116	3,116	5,542	2,426
Total Revenues	<u>584,447</u>	<u>584,447</u>	<u>604,060</u>	<u>19,613</u>
<b>EXPENDITURES</b>				
Current				
Public works	584,447	584,447	516,720	67,727
Total Expenditures	<u>584,447</u>	<u>584,447</u>	<u>516,720</u>	<u>67,727</u>
<b>Net change in fund balances</b>	-	-	87,340	87,340
FUND BALANCE - Beginning of Year	<u>759,018</u>	<u>759,018</u>	<u>759,018</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 759,018</u>	<u>\$ 759,018</u>	<u>\$ 846,358</u>	<u>\$ 87,340</u>

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - AIRPORT For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 27,808	\$ 25,642	\$ 24,752	\$ (890)
Intergovernmental	123,451	125,617	76,050	(49,567)
Miscellaneous	<u>600</u>	<u>600</u>	<u>4,335</u>	<u>3,735</u>
Total Revenues	<u>151,859</u>	<u>151,859</u>	<u>105,137</u>	<u>(46,722)</u>
<b>EXPENDITURES</b>				
Current				
Public works	26,859	26,859	41,906	(15,047)
Capital Outlay	<u>125,000</u>	<u>125,000</u>	<u>64,767</u>	<u>60,233</u>
Total Expenditures	<u>151,859</u>	<u>151,859</u>	<u>106,673</u>	<u>45,186</u>
<b>Net change in fund balances</b>	-	-	(1,536)	(1,536)
FUND BALANCE - Beginning of Year	<u>103,453</u>	<u>103,453</u>	<u>103,453</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 103,453</u>	<u>\$ 103,453</u>	<u>\$ 101,917</u>	<u>\$ (1,536)</u>

## FILLMORE COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - 2003 CAPITAL IMPROVEMENT BONDS For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 229,306	\$ 211,230	\$ 204,527	\$ (6,703)
Intergovernmental	30,119	48,195	45,323	(2,872)
<b>Total Revenues</b>	<u>259,425</u>	<u>259,425</u>	<u>249,850</u>	<u>(9,575)</u>
<b>EXPENDITURES</b>				
Debt Service				
Interest and fiscal charges	104,425	104,425	103,857	568
Principal	155,000	155,000	155,000	-
<b>Total Expenditures</b>	<u>259,425</u>	<u>259,425</u>	<u>258,857</u>	<u>568</u>
<b>Net change in fund balances</b>	-	-	(9,007)	(9,007)
FUND BALANCE - Beginning of Year	<u>277,607</u>	<u>277,607</u>	<u>277,607</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 277,607</u>	<u>\$ 277,607</u>	<u>\$ 268,600</u>	<u>\$ (9,007)</u>

## FILLMORE COUNTY

AGENCY FUNDS  
December 31, 2010

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Taxes and Penalties – To account for property taxes and penalties collected and distributed to other governmental units and county funds.

Other Taxes – Used to account for other taxes collected and distributed to other governmental units.

Prepaid Taxes – Used to account for property taxes remitted to the county before they are due.

State Revenue – Used to account for funds collected on behalf of the State of Minnesota.

Sheriff Canteen – Used to account for canteen funds held by the sheriff.

Sheriff – Used to account for cash collected by the sheriff and remitted to the county.

Licenses – Used to account for the collection and remittance of licenses on behalf of the State of Minnesota.

Insurance – Used to account for insurance premiums held by the county before remitting to insurance carrier.

Social Services – Used to account for funds held by the county for clients in a representative payee capacity.

## FILLMORE COUNTY

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

For the Year Ended December 31, 2010

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 380,987	\$ 23,077,264	\$ 23,076,887	\$ 381,364
<b>LIABILITIES</b>				
Due to other governments	\$ 380,987	\$ 23,077,264	\$ 23,076,887	\$ 381,364
<b><u>OTHER TAXES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 534	\$ 375,605	\$ 374,864	\$ 1,275
<b>LIABILITIES</b>				
Due to other governments	\$ 534	\$ 375,605	\$ 374,864	\$ 1,275
<b><u>PREPAID TAXES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 46,067	\$ 98,122	\$ 106,672	\$ 37,517
<b>LIABILITIES</b>				
Due to other governments	\$ 46,067	\$ 98,122	\$ 106,672	\$ 37,517
<b><u>STATE REVENUE</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 10,241	\$ 1,583,345	\$ 1,577,966	\$ 15,620
<b>LIABILITIES</b>				
Due to other governments	\$ 10,241	\$ 1,583,345	\$ 1,577,966	\$ 15,620
<b><u>SHERIFF CANTEEN</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 74,223	\$ 67,555	\$ 6,668
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 74,223	\$ 67,555	\$ 6,668

## FILLMORE COUNTY

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS For the Year Ended December 31, 2010

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SHERIFF</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 30,360	\$ 911,470	\$ 926,319	\$ 15,511
<b>LIABILITIES</b>				
Accounts payable	\$ 30,360	\$ 911,470	\$ 926,319	\$ 15,511
<b><u>LICENSES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 50,782	\$ 48,567	\$ 2,215
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 50,782	\$ 48,567	\$ 2,215
<b><u>INSURANCE</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 125,797	\$ 1,411,913	\$ 1,417,659	\$ 120,051
<b>LIABILITIES</b>				
Accounts payable	\$ 125,797	\$ 1,411,913	\$ 1,417,659	\$ 120,051
<b><u>SOCIAL SERVICES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 32,107	\$ 136,322	\$ 140,198	\$ 28,231
<b>LIABILITIES</b>				
Due to clients	\$ 32,107	\$ 136,322	\$ 140,198	\$ 28,231
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 626,093	\$ 27,719,046	\$ 27,736,687	\$ 608,452
<b>LIABILITIES</b>				
Accounts payable	\$ 156,157	\$ 2,323,383	\$ 2,343,978	\$ 135,562
Due to clients	32,107	136,322	140,198	28,231
Due to other governments	437,829	25,259,341	25,252,511	444,659
	<u>\$ 626,093</u>	<u>\$ 27,719,046</u>	<u>\$ 27,736,687</u>	<u>\$ 608,452</u>

# FILLMORE COUNTY

## SCHEDULE OF INTERGOVERNMENTAL REVENUES For the Year Ended December 31, 2010

	Total Primary Government	EDA Component Unit
<b>SHARED REVENUE</b>		
<b>State</b>		
Highway Users Tax	\$ 6,620,234	\$ -
County Program Aid	813,871	4,090
Market Value Aid	619,800	3,103
PERA Aid	26,020	-
Disparity Aid	112,979	568
Police Aids	119,130	-
Total Shared Revenue	8,312,034	7,761
<b>REIMBURSEMENT FOR SERVICES</b>		
Minnesota Department of Human Services	173,960	-
	173,960	-
<b>GRANTS</b>		
<b>Minnesota Department of</b>		
Health	143,329	-
Natural Resources	65,105	-
Human Services	633,045	-
Transportation	58,043	-
Public Safety	104,683	-
Pollution Control	108,593	-
Water and Soil Resources Board	51,478	-
Miscellaneous boards	68,555	-
Pollution Control - R32	55,950	-
Total State	1,288,781	-
<b>United States Department of</b>		
Agriculture	248,665	-
Commerce	90,065	-
Justice	7,102	-
Transportation	491,475	-
U.S. Elections Commission	33,872	-
Health and Human Services	1,093,681	-
Homeland Security	27,651	-
Total Federal	1,992,511	-
<b>Local</b>	9,179	-
<b>TOTAL GRANTS</b>	3,290,471	-
<b>PAYMENTS IN LIEU OF TAXES</b>	228,446	-
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	\$ 12,004,911	\$ 7,761

# FILLMORE COUNTY

## BALANCE SHEET - EDA COMPONENT UNIT December 31, 2010

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<b>ASSETS</b>	
Cash	\$ 154,740
Taxes receivable	1,396
Loans receivable	<u>31,484</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>187,620</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable	\$ 220
Deferred revenues	<u>32,600</u>
Total Liabilities	<u>32,820</u>
Fund Balance	
Unreserved, designated	105,000
Unreserved, undesignated	<u>49,800</u>
Total Fund Balance	<u>154,800</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>187,620</u></b>
<b>RECONCILIATION TO THE STATEMENT OF NET ASSETS</b>	
Fund balance from above	\$ 154,800
Deferred revenue related to outstanding loans eliminated	31,484
Tax revenue deferred on fund statements because it was not available	<u>1,116</u>
Net Assets per page 1	<b>\$ <u>187,400</u></b>

## FILLMORE COUNTY

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - EDA COMPONENT UNIT

For the Year Ended December 31, 2010

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<b>REVENUES</b>	
Taxes	\$ 35,045
Intergovernmental	7,761
Other	1,925
Total Revenues	<u>44,731</u>
<b>EXPENDITURES</b>	
Current	
Economic development	<u>44,897</u>
<b>Net change in fund balance</b>	(166)
FUND BALANCES - Beginning of Year	<u>154,966</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 154,800</u>
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>	
Net change in fund balance, per above	\$ (166)
Disbursement of loan receivable	9,000
Repayment of loan	(2,125)
Net change in deferred tax revenue	<u>62</u>
Change in Net Assets per page 2	<u>\$ 6,771</u>