

FILLMORE COUNTY

Preston, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

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, 2011, 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 2010 financial statements and, in our report dated June 20, 2011, 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, 2011, 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.

As described in Note 1.B, the county adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

To the County Board of Commissioners
Fillmore County

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Unchou Krause, LLP

Minneapolis, Minnesota
June 21, 2012

**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, 2011. 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 \$115,624,343. This represents a decrease in net assets of \$527,062 (or .4%) from the balance at the beginning of the year and is primarily due to reduced Road and Bridge cash and investments.
- The County's overall fund balance reflects a decrease of \$3,169,777 or 26.1% as a result of this year's operations. A short term increase of \$2,775,373 from the 2010 Refunding Bonds revenue was used to retire the 2003 Capital Improvement Plan Bond debt on February 1, 2011. Fund balances for Human Services, Roads and Bridges and Other Governmental Funds decreased by \$162,797, \$886,454 and \$2,642,933 respectively. General Revenue and Infrastructure fund balances increased by \$482,851 and \$303,737 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) provides information about the activities of the County as a whole and presents 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 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 the question about changes in the County's financial condition as a result of 2011 activities. 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 in 2010 with a slight decline for 2011. 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 2011 are: General Fund, Human Services Special Revenue Fund, Roads and Bridges Special Revenue Fund, Infrastructure (formerly Building) Special Revenues Fund, AgBMP Loans and 2003 Capital Improvement Bonds. 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 2010, Fillmore County's net assets decreased by \$527,062 in 2011. This .4% decrease was primarily due to reduced construction in progress in the County.

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

**TABLE 1
Net Assets**

	2011	2010
Current and other assets	\$ 10,514,796	\$ 14,128,487
Capital assets	\$ 110,493,741	\$ 110,764,205
Total assets	<u>\$ 121,008,537</u>	<u>\$ 124,892,692</u>
Long-term debt outstanding	\$ 1,103,447	\$ 1,452,285
Other liabilities	\$ 4,280,747	\$ 7,289,002
Total liabilities	<u>\$ 5,384,194</u>	<u>\$ 8,741,287</u>
Net assets:		
Invested in capital assets, net of debt	\$ 107,711,085	\$ 107,864,741
Restricted by State Statute	\$ 981,857	\$ 903,915
Unrestricted	\$ 6,931,401	\$ 7,382,749
Total Net Assets	<u>\$ 115,624,343</u>	<u>\$ 116,151,405</u>

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 2011	Governmental Activities 2010
REVENUES		
Program Revenues:		
Charges for services	\$2,972,489	\$2,948,281
Operating Grants and Contributions	5,425,010	\$5,304,455
Capital Grants and Contributions	2,305,400	\$4,895,854
Program Revenue subtotal	\$10,702,899	\$13,148,590
General Revenues:		
Taxes		
Property taxes, levied for general purpose	\$4,644,512	\$4,418,85
Property taxes, levied for debt service	209,982	205,096
Property taxes levied for infrastructure	28,419	27,805
Property taxes levied for social services	940,620	1,023,460
Property taxes levied for road and bridge	1,304,593	1,169,452
Property taxes levied for sanitation	181,341	189,244
Property taxes levied for airport	21,427	24,923
Other taxes	402,123	247,688
Intergovernmental revenues not restricted	1,601,466	1,633,697
Investment income	52,315	63,635
Miscellaneous	368,898	170,804
General Revenue subtotal	\$9,755,698	\$9,174,659
REVENUE TOTAL	\$20,458,597	\$22,323,249
EXPENDITURES		
Governmental Activities		
General Government	\$3,509,300	\$3,762,741
Public Safety	3,178,242	3,236,885
Public Works	7,702,355	7,776,134
Health	1,682,607	1,644,736
Human Services	3,892,907	3,912,307
Culture, Recreation & Education	320,940	319,086
Conservation and Development	559,975	572,990
Interest and fiscal charges	139,333	123,604
EXPENDITURE TOTAL	\$20,985,659	\$21,348,483
Change in Net Assets	(\$527,062)	\$974,766
Net Assets – Beginning of Year	\$116,151,405	\$115,176,639
NET ASSETS – END OF YEAR	\$115,624,343	\$116,151,405

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS AND BUDGETARY HIGHLIGHTS

Total cost of all of the County's programs decreased by a total of \$362,624 from 2010 primarily due to decreased expenditures related to less than projected general government expenditures. A significant amount was related to decreased expenditures in technology.

The County's overall fund balance reflects a decrease of \$3,169,777 (or 26.1%) as a result of this year's operations. The most significant decrease in fund balance (\$2,775,373) occurred in the Other Governmental Funds due to retirement of the 2003 Capital Improvement Bond debt in early 2011. Roads & Bridges and Human Services also decreased due to reduced construction state aids and increased critical infrastructure repairs and program expenses in excess of projections.

General Government and Infrastructure (formerly Building) fund balances were increased by \$482,851 and \$303,737 due to increased intergovernmental aids (final market value credits and increased Payment In Lieu of Taxes) to the County and dividend receipts respectively.

Similarly General Revenue budget variances were due increased intergovernmental aids and less than projected General Government 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. 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 2012 budget decrease of \$270.00 (or -1.5%) and set the 2012 levy on December 27, 2011. This represented a 0% levy increase and was offset with budgeted use of \$305,448 of fund balance.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

- \$5,850,464 of projects that were under construction in the prior year were completed in 2011. Completed projects include 5 bridges and 2 road projects.
- Infrastructure assets increased by \$6,493,539 due to highway roads and bridges construction projects.
- Long-term debt decreased by \$2,897,915 due to retirement of the 2003 Capital Improvement Bond using the 2011 refunding bonds. Liabilities for vested compensated absences decreased by \$60,788. Also the County has a decreased liability of \$65,158 for a MPCA loan and an increased liability of \$15,606 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 or by telephone at 507.765.4566.

FILLMORE COUNTY

STATEMENT OF NET ASSETS

As of December 31, 2011

(With Comparative Totals - Primary Government for December 31, 2010)

	Primary Government		Component Unit
	Governmental Activities		Economic Development Authority
	2011	2010	
ASSETS			
Cash and investments	\$ 9,032,234	\$ 9,846,375	\$ 57,684
Restricted cash and investments	-	2,797,373	-
Delinquent taxes receivable	214,425	260,494	1,108
Other receivables	389,207	440,245	30,084
Due from other governments	551,923	474,334	-
Prepaid items and inventories	299,802	264,520	-
Other assets	27,205	45,146	-
Capital Assets			
Construction in progress	2,530,455	6,220,348	-
Land	337,889	337,889	-
Other capital assets, net of depreciation	107,625,397	104,205,968	-
Total Assets	121,008,537	124,892,692	88,876
LIABILITIES			
Accounts payable	517,516	816,114	-
Accrued liabilities	216,826	275,895	-
Due to other governments	195,061	170,987	-
Unearned revenue	174,044	189,289	-
Noncurrent liabilities			
Due within one year	231,281	3,009,025	-
Due in more than one year	4,049,466	4,279,977	-
Total Liabilities	5,384,194	8,741,287	-
NET ASSETS			
Invested in capital assets, net of related debt	107,711,085	107,864,741	-
Restricted by state statute	981,857	903,915	-
Unrestricted	6,931,401	7,382,749	88,876
TOTAL NET ASSETS	\$ 115,624,343	\$ 116,151,405	\$ 88,876

See accompanying notes to financial statements.

FILLMORE COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

(With Comparative Totals - Primary Government for the Year Ended December 31, 2010)

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Component Unit EDA
					2011	2010	
Governmental Activities				\$ -	\$ (2,798,173)	\$ (3,023,542)	\$ -
General government	\$ 3,509,300	\$ 569,905	\$ 141,222	\$ -	\$ (2,066,808)	\$ (2,337,302)	\$ -
Public safety	3,178,242	667,459	443,975	-	(2,802,536)	(71,744)	-
Public works	7,702,355	464,419	2,130,000	2,305,400	(659,149)	(553,349)	-
Health	1,682,607	668,224	355,234	-	(1,144,643)	(1,422,727)	-
Human services	3,892,907	584,604	2,163,660	-	(254,689)	(260,845)	-
Culture, recreation, and education	320,940	-	66,251	-	(417,429)	(406,780)	-
Conservation and development	559,975	17,878	124,668	-	(139,333)	(123,604)	-
Interest and fiscal charges	139,333	-	-	-	-	-	-
Total Primary Government	<u>\$ 20,985,659</u>	<u>\$ 2,972,489</u>	<u>\$ 5,425,010</u>	<u>\$ 2,305,400</u>	<u>(10,282,760)</u>	<u>(8,199,893)</u>	-
Component Unit							(141,902)
Economic Development Authority (EDA)	<u>\$ 141,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
General Revenues							
Taxes					4,644,512	4,418,855	-
Property taxes, levied for general purposes					209,982	205,096	-
Property taxes, levied for debt service					28,419	27,805	-
Property taxes, levied for infrastructure					940,620	1,023,460	-
Property taxes, levied for social services					1,304,593	1,169,452	-
Property taxes, levied for road and bridge					181,341	189,244	-
Property taxes, levied for sanitation					21,427	24,923	-
Property taxes, levied for airport					-	-	35,773
Property taxes, levied for EDA					402,123	247,688	-
Other taxes					1,601,468	1,633,697	7,605
Intergovernmental revenues not restricted to specific programs					52,315	63,635	-
Investment income					368,898	170,804	-
Miscellaneous					<u>9,755,698</u>	<u>9,174,659</u>	<u>43,378</u>
Total General Revenues					(527,062)	974,766	(98,524)
Change in Net Assets					<u>116,151,405</u>	<u>115,176,639</u>	<u>187,400</u>
NET ASSETS - Beginning of Year					<u>\$ 115,624,343</u>	<u>\$ 116,151,405</u>	<u>\$ 88,876</u>
NET ASSETS - END OF YEAR							

See accompanying notes to financial statements.

FILLMORE COUNTY

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2011

	General Fund	Special Revenue		
		Human Services	Roads and Bridges	Infrastructure
ASSETS				
Cash and investments	\$ 3,214,243	\$ 1,395,351	\$ 1,510,825	\$ 1,730,713
Receivables				
Delinquent taxes	133,885	29,116	38,177	863
Accounts	59,650	36,297	630	-
Interest	6,406	-	2,035	10,009
Notes	-	-	-	-
Due from other governments	277,151	267,516	1,583	5,673
Due from other funds	2,808	-	3,965	-
Inventories and prepaid items	-	-	299,802	-
TOTAL ASSETS	<u>\$ 3,694,143</u>	<u>\$ 1,728,280</u>	<u>\$ 1,857,017</u>	<u>\$ 1,747,258</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 65,476	\$ 172,449	\$ 246,227	\$ 8,088
Accrued liabilities	125,098	29,089	30,027	-
Due to other governments	150,853	41,671	2,537	-
Due to other funds	3,583	2,803	5	-
Deferred revenues	265,587	19,476	24,950	10,582
Total Liabilities	<u>610,597</u>	<u>265,488</u>	<u>303,746</u>	<u>18,670</u>
Fund Balances				
Nonspendable	-	-	299,802	-
Restricted	735,097	-	-	-
Committed	-	1,462,792	1,253,469	1,728,588
Assigned	967,629	-	-	-
Unassigned	1,380,820	-	-	-
Total Fund Balances	<u>3,083,546</u>	<u>1,462,792</u>	<u>1,553,271</u>	<u>1,728,588</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,694,143</u>	<u>\$ 1,728,280</u>	<u>\$ 1,857,017</u>	<u>\$ 1,747,258</u>

AgBMP Loans	Debt Service		Total Governmental Funds
	2003 Capital Improvement Bonds	Other Governmental Funds	
\$ 19,446	\$ -	\$ 1,161,656	\$ 9,032,234
-	-	12,384	214,425
-	-	25,475	122,052
-	-	-	18,450
199,019	-	49,686	248,705
-	-	-	551,923
-	-	-	6,773
-	-	-	299,802
<u>\$ 218,465</u>	<u>\$ -</u>	<u>\$ 1,249,201</u>	<u>\$ 10,494,364</u>
\$ -	\$ -	\$ 25,276	\$ 517,516
-	-	2,509	186,723
-	-	-	195,061
-	-	382	6,773
199,019	-	57,859	577,473
<u>199,019</u>	<u>-</u>	<u>86,026</u>	<u>1,483,546</u>
-	-	-	299,802
19,446	-	288,772	1,043,315
-	-	122,735	4,567,584
-	-	751,668	1,719,297
-	-	-	1,380,820
<u>19,446</u>	<u>-</u>	<u>1,163,175</u>	<u>9,010,818</u>
<u>\$ 218,465</u>	<u>\$ -</u>	<u>\$ 1,249,201</u>	<u>\$ 10,494,364</u>

See accompanying notes to financial statements.

FILLMORE COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS As of December 31, 2011

Total fund balance - governmental funds	\$	9,010,818
<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	\$	159,172,742
Accumulated depreciation	<u>(48,679,001)</u>	110,493,741
<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	140,796	
Interest	13,928	
Notes	<u>248,705</u>	403,429
<p>Debt issuance costs are expenditures in the fund financial statements, but are capitalized in the government-wide financial statements.</p>		
		27,205
<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	(2,830,000)	
Debt discount	20,139	
Accrued interest on general obligation debt	(30,103)	
Other long-term obligation	(280,060)	
Vested employee benefits	<u>(1,190,826)</u>	<u>(4,310,850)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 115,624,343</u>

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, 2011

	General Fund	Special Revenue		
		Human Services	Roads and Bridges	Infrastructure
REVENUES				
Taxes	\$ 4,712,189	\$ 951,479	1,315,747	\$ 28,698
Intergovernmental	2,444,516	2,053,106	4,706,680	173,369
Licenses and permits	78,996	-	-	-
Fines, forfeitures and penalties	15,298	-	-	-
Public charges for services	1,384,362	42,451	83,091	-
Intergovernmental charges for services	569,907	-	-	-
Investment income	26,688	-	11,099	-
Miscellaneous	192,604	536,519	52,194	273,703
Total Revenues	<u>9,424,560</u>	<u>3,583,555</u>	<u>6,168,811</u>	<u>475,770</u>
EXPENDITURES				
Current				
General government	3,335,819	-	-	91,262
Public safety	3,159,152	-	-	80,771
Public works	-	-	6,953,627	-
Health	1,676,428	-	-	-
Human services	-	3,746,352	-	-
Culture, recreation, and education	312,940	-	-	-
Conservation and development	557,370	-	-	-
Capital Outlay	-	-	151,638	-
Debt Service				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	<u>9,041,709</u>	<u>3,746,352</u>	<u>7,105,265</u>	<u>172,033</u>
Excess (deficiency) of revenues over expenditures	<u>382,851</u>	<u>(162,797)</u>	<u>(936,454)</u>	<u>303,737</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	-
Transfers in	150,000	-	50,000	-
Transfers out	(50,000)	-	-	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	482,851	(162,797)	(886,454)	303,737
FUND BALANCES - Beginning of Year	2,600,695	1,625,589	2,404,443	1,424,851
Increase in reserve for inventory	-	-	35,282	-
FUND BALANCES - END OF YEAR	<u>\$ 3,083,546</u>	<u>\$ 1,462,792</u>	<u>\$ 1,553,271</u>	<u>\$ 1,728,588</u>

See accompanying notes to financial statements.

	Debt Service		Total
	2003 Capital	Other	
AgBMP Loans	Improvement Bonds	Governmental Funds	Governmental Funds
\$ -	\$ 115,194	\$ 301,739	\$ 7,425,046
-	-	192,167	9,569,838
-	-	-	78,996
-	-	-	15,298
-	-	321,923	1,831,827
-	-	-	569,907
-	-	600	38,387
<u>33,168</u>	<u>-</u>	<u>19,313</u>	<u>1,107,501</u>
<u>33,168</u>	<u>115,194</u>	<u>835,742</u>	<u>20,636,800</u>
-	-	-	3,427,081
-	-	-	3,239,923
-	-	605,114	7,558,741
-	-	-	1,676,428
-	-	-	3,746,352
-	-	-	312,940
44,355	-	-	601,725
-	-	-	151,638
-	50,589	56,608	107,197
<u>28,749</u>	<u>2,935,000</u>	<u>65,158</u>	<u>3,028,907</u>
<u>73,104</u>	<u>2,985,589</u>	<u>726,880</u>	<u>23,850,932</u>
<u>(39,936)</u>	<u>(2,870,395)</u>	<u>108,862</u>	<u>(3,214,132)</u>
44,355	-	-	44,355
-	2,790,973	189,178	3,180,151
-	(189,178)	(2,940,973)	(3,180,151)
<u>44,355</u>	<u>2,601,795</u>	<u>(2,751,795)</u>	<u>44,355</u>
4,419	(268,600)	(2,642,933)	(3,169,777)
15,027	268,600	3,806,108	12,145,313
-	-	-	35,282
<u>\$ 19,446</u>	<u>\$ -</u>	<u>\$ 1,163,175</u>	<u>\$ 9,010,818</u>

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, 2011

Net change in fund balances - total governmental funds	\$ (3,169,777)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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:</p>	
Capital outlay is capitalized in the government-wide statements	151,638
Some capital outlay is not capitalized in the government-wide statements	(31,751)
Some current expenditures are capitalized	3,074,627
Depreciation is reported in the government-wide statements	(3,464,978)
<p>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.</p>	
	(179,663)
<p>Issuing debt provides current financial resources in the governmental funds, but the repayment of debt consumes current financial resources in the governmental funds.</p>	
Private septic system loan	(44,355)
Principal payments	3,028,907
<p>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.</p>	
	44,355
<p>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:</p>	
Decrease in compensated absence	60,788
Accrued interest expense	22,892
Amortization of debt discount and debt issuance costs	(55,027)
<p>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.</p>	
	<u>35,282</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (527,062)</u>

FILLMORE COUNTY

**STATEMENT OF NET ASSETS -
FIDUCIARY FUNDS
As of December 31, 2011**

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>883,854</u>
TOTAL ASSETS	<u>\$ 883,854</u>
LIABILITIES	
Accounts payable	\$ 290,883
Due to clients	17,062
Due to other governments	<u>575,909</u>
TOTAL LIABILITIES	<u>\$ 883,854</u>

See accompanying notes to financial statements.

FILLMORE COUNTY

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FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 52 and 53.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In February 2009, the GASB issued statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. The county made the decision to implement this standard effective January 1, 2011.

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 As of and for the Year Ended December 31, 2011

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.

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

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.

2003 Capital Improvement Debt Service Fund – accounts for proceeds of the 2003 bonds which were refinanced by the 2010 refunding 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

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.

2010 Refunding Bonds
2010 General Obligation CIP 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 As of and for the Year Ended December 31, 2011

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 As of and for the Year Ended December 31, 2011

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 As of and for the Year Ended December 31, 2011

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 15 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 As of and for the Year Ended December 31, 2011

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

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

4. 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 As of and for the Year Ended December 31, 2011

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

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

5. 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.

6. 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, 2011 are determined on the basis of current salary rates and include salary related payments.

7. Other Post Employment Benefits

The county does not offer any significant post employment benefits.

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, 2011.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the county classifies governmental fund balance as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances 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.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the County Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the County Board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) The County Board can assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted or committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The county considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The County Board has approved maintaining six months worth of fund balance for cash flow purposes as follows: \$2,000,000 general fund, \$1,550,000 human services, \$600,000 roads and bridges, and \$25,000 sanitation.

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, 2010, from which the summarized information was derived.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 2011 expenditures in excess of appropriations:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
General Fund	\$ 9,025,745	\$ 9,041,709	\$ 15,964
Human Service Fund	3,455,630	3,746,352	290,722
Infrastructure Fund	35,000	172,033	137,033
2003 Capital Improvement Bond Fund	260,000	2,985,589	2,725,589
2010 GO CIP Bond Fund	-	54,186	54,186

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	\$ 5,247,488	\$ 5,556,569	Custodial credit
Time deposits	3,000,599	3,000,599	Custodial credit
MAGIC	1,723,605	1,723,605	Credit, interest rate
Petty cash	2,080	-	N/A
Total Cash and Investments	\$ 9,973,772	\$ 10,280,773	

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

Reconciliation to financial statements

Per statement of net assets –	
Unrestricted cash and investments	\$ 9,032,234
Per statement of net assets –	
EDA Component Unit	57,684
Per statement of net assets –	
Fiduciary Funds	<u>883,854</u>
 Total Cash and Investments	 <u>\$ 9,973,772</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction 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, 2011, the banks had pledged various government securities in the amount \$4,268,683 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 As of and for the Year Ended December 31, 2011

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:

Fund	Receivable	Amounts Not Expected to Be Collected Within One Year
General	\$ 477,092	\$ 40,784
Human Services	332,929	9,054
Roads and Bridges	42,425	11,612
Infrastructure	16,545	262
AgBMP Loan Fund	199,019	177,196
Nonmajor Funds	87,545	45,645

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:

	Unavailable	Unearned	Totals
Taxes receivable	\$ 140,796	\$ -	\$ 140,796
Interest	13,928	-	13,928
Grants received but not earned	-	174,044	174,044
Loans	248,705	-	248,705
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 403,429	 \$ 174,044	 \$ 577,473

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 6,220,348	\$ 2,160,571	\$ (5,850,464)	\$ 2,530,455
Land	337,889	-	-	337,889
Total Capital Assets Not Being Depreciated	6,558,237	2,160,571	(5,850,464)	2,868,344
Capital assets being depreciated				
Buildings	11,707,706	-	-	11,707,706
Machinery and equipment	7,368,631	390,868	(54,422)	7,705,077
Roads	108,925,009	4,870,760	-	113,795,769
Bridges	21,418,645	1,622,779	-	23,041,424
Total Capital Assets Being Depreciated	149,419,991	6,884,407	(54,422)	156,249,976
Less: Accumulated depreciation for				
Buildings	(4,390,446)	(349,537)	-	4,739,983
Machinery and equipment	(4,950,286)	(565,742)	54,422	5,461,606
Roads	(31,690,700)	(2,264,117)	-	33,954,817
Bridges	(4,182,591)	(285,582)	-	4,468,173
Total Accumulated Depreciation	(45,214,023)	(3,464,978)	54,422	48,624,579
Total Capital Assets, Depreciated, Net	104,205,968			107,625,397
Total Capital Assets	\$ 110,764,205			\$ 110,493,741

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 236,346
Public safety	89,860
Public works, which includes the depreciation of roads and bridges	3,035,716
Human services	87,924
Health	5,625
Culture, recreation and education	8,000
Conservation and development	1,507
 Total Governmental Activities Depreciation Expense	 \$ 3,464,978

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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	\$ 2,803
General Fund	Roads and Bridges	5
Road and Bridge Fund	General Fund	3,583
Road and Bridge Fund	Sanitation	382
		6,773
Subtotal - Fund financial statements		(6,773)
Less: Fund eliminations		
Total – Government-Wide Statement of Net Assets		\$ -

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.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Sanitation	\$ 150,000	Fund future expenditures
Roads and Bridges	General Fund	50,000	Fund equipment purchases
2003 CIP Bond	2010 Refunding Bond	2,790,973	Close out refunding bond fund
2010 GO CIP Debt Service	2003 CIP Bond	174,178	Close 2003 CIP bond fund
2010 Refunding Bond	2003 CIP Bond	15,000	Reimburse bond issue costs
		3,180,151	
Subtotal – Fund Financial Statements		(3,180,151)	
Less: Fund eliminations			
Total – Government-Wide Statement of Activities		\$ -	

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Debt					
Bonds payable	\$ 2,935,000	\$ -	\$ (2,935,000)	\$ -	\$ -
Refunding bonds payable	2,830,000	-	-	2,830,000	165,000
Bond discount	(57,224)	-	37,085	(20,139)	N/A
Total Bonds Payable	5,707,776	-	(2,897,915)	2,809,861	165,000
Other Liabilities					
MPCA loan	140,128	-	(65,158)	74,970	9,361
AgBMP loan	189,484	44,355	(28,749)	205,090	21,195
Vested compensated absences	1,251,614	46,021	(106,809)	1,190,826	35,725
Total Long-Term Liabilities	\$ 7,289,002	\$ 90,376	\$ (3,098,631)	\$ 4,280,747	\$ 231,281

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, 2011 was \$83,393,823. General obligation debt outstanding at year end was \$2,830,000.

General obligation debt payable for the county at December 31, 2011, consists of the following:

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-11</u>
Refunding Bonds	11/3/2010	2/1/2024	2.0-3.25%	\$ 2,830,000	\$ 2,830,000
Total General Obligation Debt					\$ 2,830,000

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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
2012	\$ 165,000	\$ 70,597
2013	185,000	67,097
2014	195,000	63,297
2015	195,000	59,398
2016	205,000	55,398
2017 – 2021	1,125,000	200,116
2022 – 2024	760,000	36,750
Totals	\$ 2,830,000	\$ 552,653

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
2012	\$ 9,361	\$ 1,453
2013	9,550	1,265
2014	9,742	1,073
2015	9,937	877
2016	10,137	677
2017 – 2019	26,243	793
Totals	\$ 74,970	\$ 6,138

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 As of and for the Year Ended December 31, 2011

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

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, 2011, 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, 2011 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Construction in progress	\$ 2,530,455
Land	337,889
Other capital assets, net of accumulated depreciation	107,625,397
Less: related long-term debt outstanding	<u>(2,782,656)</u>
Total Invested in Capital Assets	<u>107,711,085</u>

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

F. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
Debt service	\$ 231,685
Grantor requirements - loan programs	15,075
Missing heirs	27,362
Law library	24,309
Recorder's equipment	52,391
Land information	43,417
Van donations	4,481
Enhanced 911	521,859
Law enforcement	36,641
Gun permits	23,738
County park forfeitures	899
Total Restricted	<u>981,857</u>
Unrestricted	<u>6,931,401</u>
Total Governmental Activities Net Assets	<u>\$ 115,624,343</u>

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. NET ASSETS/FUND BALANCES (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2011, include the following:

	General Fund	Human Services	Road and Bridges	Infra- structure	AgBMP Loans	Other Funds	Totals
Nonspendable:							
Inventory	\$ -	\$ -	\$ 299,802	\$ -	\$ -	\$ -	\$ 299,802
Restricted for:							
Statutory requirements	735,097	-	-	-	-	-	735,097
Debt service	-	-	-	-	-	261,788	261,788
Grantor requirements	-	-	-	-	19,446	26,984	46,430
Committed to:							
Airport	-	-	-	-	-	122,735	122,735
Infrastructure projects	-	-	-	1,728,588	-	-	1,728,588
Road and bridge	-	-	1,253,469	-	-	-	1,253,469
Social services	-	1,462,792	-	-	-	-	1,462,792
Assigned to:							
Compensated absences	682,403	-	-	-	-	26,644	709,047
Sanitation - landfill	-	-	-	-	-	454,092	454,092
Sanitation	-	-	-	-	-	270,932	270,932
2012 budget	285,226	-	-	-	-	-	285,226
Unassigned:							
General Fund	1,380,820	-	-	-	-	-	1,380,820
Total Fund Balances	\$ 3,083,546	\$ 1,462,792	\$ 1,553,271	\$ 1,728,588	\$ 19,446	\$ 1,163,175	\$ 9,010,818

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.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

G. COMPONENT UNIT (cont.)

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.

c. Significant Transactions with the Primary Government

During 2011, the EDA transferred \$105,000 to the County's general fund. The purpose of the transfer was to provide funds for the 2012 general fund budget. The transfer is reported on the statement of activities as an EDA expense.

NOTE IV – OTHER INFORMATION

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 General Employees Retirement Fund (GERF), 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.

GERF 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.

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 PERA'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.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV – OTHER INFORMATION (cont.)

A. PENSION PLANS (cont.)

Plan Description (cont.)

For all PEPFF members, PECF members, and GERF 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 GERF, PEPFF, and PECF. That report may be obtained on the web at 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.

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 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. 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 members	11.78%
Coordinated Plan members	7.25
PEPFF members	14.4
PECF members	8.75

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV – OTHER INFORMATION (cont.)

A. PENSION PLANS (cont.)

Funding Policy (cont.)

The county's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$413,212, \$400,837, and \$407,654, respectively. The county's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009, were \$161,012, \$154,719, and \$158,783, respectively. The county's contributions to the PECF for the years ending December 31, 2011, 2010, and 2009, were \$39,880, \$37,067, and \$33,721, respectively. The county's contributions to the Public Employees Elected Officials fund was \$2,390, \$2,290, and \$2,467, for years ended December 31, 2011, 2010, and 2009, 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.

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 2011 were \$2,390, which is 5% of covered payroll as required.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV – OTHER INFORMATION (cont.)

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 per claim in 2011 and 2010. 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.

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.

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.

FILLMORE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

The county is a participant in the Winneshiek County Area Solid Waste Agency, which disposes of the solid waste generated within the county and hauled to the Winneshiek County Sanitary Landfill. The Winneshiek County Area Solid Waste Agency has established closure and post closure accounts to demonstrate financial assurance for these costs. The terms of the agreement specify that in the event of a surplus in the post closure fund, the surplus would be returned to the participants. If there is a deficit in the post closure fund at any time during the post closure maintenance period, the deficit shall be borne by the participants. As of June 30, 2011, the Winneshiek County Area Solid Waste Agency had dedicated funds in excess of estimated closure and post closure costs. No liability has been recognized by the county for such costs.

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 2011.

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 \$122,729 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 \$72,315 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 2011.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,140,335	\$ 4,752,060	\$ 4,712,189	\$ (39,871)
Intergovernmental	1,630,637	1,630,637	2,444,516	813,879
Licenses and permits	50,040	50,040	78,996	28,956
Fines, forfeitures and penalties	5,000	5,000	15,298	10,298
Public charges for services	1,461,506	1,461,506	1,384,362	(77,144)
Intergovernmental charges for services	490,782	490,782	569,907	79,125
Interest income	25,000	25,000	26,688	1,688
Miscellaneous	129,876	129,876	192,604	62,728
Total Revenues	<u>8,933,176</u>	<u>8,544,901</u>	<u>9,424,560</u>	<u>879,659</u>
EXPENDITURES				
Current				
General government	3,497,892	3,497,892	3,335,819	162,073
Public safety	3,080,880	3,079,180	3,159,152	(79,972)
Health	1,639,213	1,639,213	1,676,428	(37,215)
Culture, recreation, and education	251,953	251,953	312,940	(60,987)
Conservation and development	557,507	557,507	557,370	137
Total Expenditures	<u>9,027,445</u>	<u>9,025,745</u>	<u>9,041,709</u>	<u>(15,964)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(94,269)</u>	<u>(480,844)</u>	<u>382,851</u>	<u>863,695</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	150,000	150,000
Transfers out	-	-	(50,000)	(50,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balances	(94,269)	(480,844)	482,851	963,695
FUND BALANCE - Beginning of Year	<u>2,600,695</u>	<u>2,600,695</u>	<u>2,600,695</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,506,426</u>	<u>\$ 2,119,851</u>	<u>\$ 3,083,546</u>	<u>\$ 963,695</u>

FILLMORE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - HUMAN SERVICES For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,053,363	\$ 973,064	951,479	\$ (21,585)
Intergovernmental	1,970,667	1,970,667	2,053,106	82,439
Public charges for services	65,150	65,150	42,451	(22,699)
Miscellaneous	367,450	367,450	536,519	169,069
Total Revenues	<u>3,456,630</u>	<u>3,376,331</u>	<u>3,583,555</u>	<u>207,224</u>
EXPENDITURES				
Current				
Human services	3,456,630	3,455,630	3,746,352	(290,722)
Total Expenditures	<u>3,456,630</u>	<u>3,455,630</u>	<u>3,746,352</u>	<u>(290,722)</u>
Net change in fund balances	-	(79,299)	(162,797)	(83,498)
FUND BALANCE - Beginning of Year	<u>1,625,589</u>	<u>1,625,589</u>	<u>1,625,589</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 1,625,589</u>	<u>\$ 1,546,290</u>	<u>\$ 1,462,792</u>	<u>\$ (83,498)</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,453,104	\$ 1,341,778	\$ 1,315,747	\$ (26,031)
Intergovernmental	7,242,786	7,242,786	4,706,680	(2,536,106)
Public charges for services	123,000	123,000	83,091	(39,909)
Investment income	12,000	12,000	11,099	(901)
Miscellaneous	26,000	26,000	52,194	26,194
Total Revenues	8,856,890	8,745,564	6,168,811	(2,576,753)
EXPENDITURES				
Current				
Public works	8,790,890	8,790,890	6,953,627	1,837,263
Capital Outlay	66,000	66,000	151,638	(85,638)
Total Expenditures	8,856,890	8,856,890	7,105,265	1,751,625
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(111,326)	(936,454)	(825,128)
OTHER FINANCING SOURCES				
Transfer in	-	-	50,000	(50,000)
Total Other Financing Sources	-	-	50,000	(50,000)
Net change in fund balances	-	(111,326)	(886,454)	(775,128)
FUND BALANCE - Beginning of Year	2,404,443	2,404,443	2,404,443	-
Increase in reserve for inventory	-	-	35,282	35,282
FUND BALANCE - END OF YEAR	\$ 2,404,443	\$ 2,293,117	\$ 1,553,271	\$ (739,846)

FILLMORE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - INFRASTRUCTURE For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 31,595	\$ 29,175	\$ 28,698	\$ (477)
Intergovernmental	3,405	3,405	173,369	169,964
Miscellaneous	-	-	273,703	273,703
Total Revenues	<u>35,000</u>	<u>32,580</u>	<u>475,770</u>	<u>443,190</u>
EXPENDITURES				
Current				
General government	35,000	35,000	91,262	(56,262)
Public Safety	-	-	80,771	(80,771)
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>172,033</u>	<u>(137,033)</u>
Net change in fund balances	-	(2,420)	303,737	306,157
FUND BALANCE - Beginning of Year	<u>1,424,851</u>	<u>1,424,851</u>	<u>1,424,851</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 1,424,851</u>	<u>\$ 1,422,431</u>	<u>\$ 1,728,588</u>	<u>\$ 306,157</u>

FILLMORE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2011

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 infrastructure fund as disclosed in Note II.B.

SUPPLEMENTARY INFORMATION

FILLMORE COUNTY

**OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

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.

Debt Service Fund

2010 Refunding Bonds – Used to account for the accumulation of resources for the refunding of the county's 2003 capital improvement general obligation bonds. The 2003 bonds were refunded in 2011.

2010 General Obligation CIP Bonds – Used to account for the accumulation of resources for the payment of principal and interest on the county's 2010 capital improvement general obligation bonds.

FILLMORE COUNTY

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
As of December 31, 2011

	Special Revenue Funds			Debt Service Funds		Total Other Governmental Funds
	Sanitation	Airport	MPCA Septic Loan Program	2010 Refunding Bonds	2010 GO CIP Debt Service	
ASSETS						
Cash	\$ 751,838	\$ 123,186	\$ 26,984	\$ -	\$ 259,648	\$ 1,161,656
Taxes receivable	5,407	653	-	-	6,324	12,384
Accounts receivable	23,854	1,621	-	-	-	25,475
Notes receivable	-	-	49,686	-	-	49,686
TOTAL ASSETS	<u>\$ 781,099</u>	<u>\$ 125,460</u>	<u>\$ 76,670</u>	<u>\$ -</u>	<u>\$ 265,972</u>	<u>\$ 1,249,201</u>
LIABILITIES AND FUND BALANCES						
Liabilities	\$ 23,051	\$ 2,225	\$ -	\$ -	\$ -	\$ 25,276
Accounts payable	2,442	67	-	-	-	2,509
Accrued liabilities	382	-	-	-	-	382
Due to other funds	3,556	433	49,686	-	4,184	57,859
Deferred revenues	29,431	2,725	49,686	-	4,184	86,026
Total Liabilities	<u>29,431</u>	<u>2,725</u>	<u>49,686</u>	<u>-</u>	<u>4,184</u>	<u>86,026</u>
Fund Balances						
Restricted	-	-	26,984	-	261,788	288,772
Committed	-	122,735	-	-	-	122,735
Assigned	751,668	-	-	-	-	751,668
Total Fund Balances	<u>751,668</u>	<u>122,735</u>	<u>26,984</u>	<u>-</u>	<u>261,788</u>	<u>1,163,175</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 781,099</u>	<u>\$ 125,460</u>	<u>\$ 76,670</u>	<u>\$ -</u>	<u>\$ 265,972</u>	<u>\$ 1,249,201</u>

FILLMORE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS For the Year Ended December 31, 2011

	Special Revenue Funds			Debt Service Fund		Total Other Governmental Funds
	Sanitation	Airport	MPCA Septic Loan Program	2010 Refunding Bond	2010 GO CIP Debt Service	
REVENUES						
Taxes	\$ 183,134	\$ 21,662	\$ -	\$ -	\$ 96,943	\$ 301,739
Intergovernmental	104,020	43,294	-	-	44,853	192,167
Public charges for services	321,923	-	-	-	-	321,923
Investment income	-	-	-	600	-	600
Miscellaneous	2,190	5,019	12,104	-	-	19,313
Total Revenues	611,267	69,975	12,104	600	141,796	835,742
EXPENDITURES						
Current						
Public works	555,957	49,157	-	-	-	605,114
Debt Service						
Interest and fiscal charges	-	-	2,422	-	54,186	56,608
Principal	-	-	65,158	-	-	65,158
Total Expenditures	555,957	49,157	67,580	-	54,186	726,880
Excess (deficiency) of revenues over expenditures	55,310	20,818	(55,476)	600	87,610	108,862
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	15,000	174,178	189,178
Transfers out	(150,000)	-	-	(2,790,973)	-	(2,940,973)
Total Other Financing Sources (Uses)	(150,000)	-	-	(2,775,973)	174,178	(2,751,795)
Net change in fund balances	(94,690)	20,818	(55,476)	(2,775,373)	261,788	(2,642,933)
FUND BALANCES - Beginning of Year	846,358	101,917	82,460	2,775,373	-	3,806,108
FUND BALANCES - END OF YEAR	\$ 751,668	\$ 122,735	\$ 26,984	\$ -	\$ 261,788	\$ 1,163,175

FILLMORE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - SANITATION For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 202,306	\$ 186,854	\$ 183,134	\$ (3,720)
Intergovernmental	86,290	86,290	104,020	17,730
Public charges for services	268,514	268,514	321,923	53,409
Miscellaneous	4,703	4,703	2,190	(2,513)
Total Revenues	<u>561,813</u>	<u>546,361</u>	<u>611,267</u>	<u>64,906</u>
EXPENDITURES				
Current				
Public works	561,813	561,813	555,957	5,856
Total Expenditures	<u>561,813</u>	<u>561,813</u>	<u>555,957</u>	<u>5,856</u>
Excess (deficiency) of revenues over expenditures	-	(15,452)	55,310	59,050
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(150,000)	150,000
Total Other Financing Sources (Uses)	-	-	<u>(150,000)</u>	<u>150,000</u>
Net change in fund balances	-	(15,452)	(94,690)	(79,238)
FUND BALANCE - Beginning of Year	846,358	846,358	846,358	-
FUND BALANCE - END OF YEAR	<u>\$ 846,358</u>	<u>\$ 830,906</u>	<u>\$ 751,668</u>	<u>\$ (79,238)</u>

FILLMORE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - AIRPORT For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 23,456	\$ 21,656	\$ 21,662	\$ 6
Intergovernmental	231,569	231,569	43,294	(188,275)
Miscellaneous	2,100	2,100	5,019	2,919
Total Revenues	<u>257,125</u>	<u>255,325</u>	<u>69,975</u>	<u>(185,350)</u>
EXPENDITURES				
Current				
Public works	34,125	34,125	49,157	(15,032)
Capital Outlay	223,000	223,000	-	223,000
Total Expenditures	<u>257,125</u>	<u>257,125</u>	<u>49,157</u>	<u>207,968</u>
Net change in fund balances	-	(1,800)	20,818	22,618
FUND BALANCE - Beginning of Year	<u>101,917</u>	<u>101,917</u>	<u>101,917</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 101,917</u>	<u>\$ 100,117</u>	<u>\$ 122,735</u>	<u>\$ 22,618</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 234,741	\$ -	\$ 115,194	\$ 115,194
Intergovernmental	25,259	-	-	-
Total Revenues	<u>260,000</u>	<u>-</u>	<u>115,194</u>	<u>115,194</u>
EXPENDITURES				
Debt Service				
Interest and fiscal charges	100,000	100,000	50,589	49,411
Principal	160,000	160,000	2,935,000	(2,775,000)
Total Expenditures	<u>260,000</u>	<u>260,000</u>	<u>2,985,589</u>	<u>(2,725,589)</u>
Excess (deficiency) of revenues over expenditures	<u>(260,000)</u>	<u>(260,000)</u>	<u>(2,870,395)</u>	<u>2,840,783</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,790,973	(2,790,973)
Transfers out	-	-	(189,178)	189,178
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,601,795</u>	<u>(2,601,795)</u>
Net change in fund balances	-	(260,000)	(268,600)	(8,600)
FUND BALANCE - Beginning of Year	<u>268,600</u>	<u>268,600</u>	<u>268,600</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 268,600</u>	<u>\$ 8,600</u>	<u>\$ -</u>	<u>\$ (8,600)</u>

FILLMORE COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET - 2010 GO CIP BOND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ -	\$ 234,741	\$ 96,943	\$ (137,798)
Intergovernmental	-	25,259	44,853	19,594
Total Revenues	-	260,000	141,796	(118,204)
EXPENDITURES				
Debt Service				
Interest and fiscal charges	-	-	54,186	(54,186)
Total Expenditures	-	-	54,186	(54,186)
Excess (deficiency) of revenues over expenditures	-	260,000	87,610	(64,018)
OTHER FINANCING SOURCES				
Transfers in	-	-	174,178	(174,178)
Total Other Financing Sources	-	-	174,178	(174,178)
Net change in fund balances	-	260,000	261,788	1,788
FUND BALANCE - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 260,000	\$ 261,788	\$ 1,788

FILLMORE COUNTY

AGENCY FUNDS

For the Year Ended December 31, 2011

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, 2011

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and investments	\$ 381,364	\$ 23,560,779	\$ 23,477,740	\$ 464,403
LIABILITIES				
Due to other governments	\$ 381,364	\$ 23,560,779	\$ 23,477,740	\$ 464,403
<u>OTHER TAXES</u>				
ASSETS				
Cash and investments	\$ 1,275	\$ 407,515	\$ 408,488	\$ 302
LIABILITIES				
Due to other governments	\$ 1,275	\$ 407,515	\$ 408,488	\$ 302
<u>PREPAID TAXES</u>				
ASSETS				
Cash and investments	\$ 37,517	\$ 149,536	\$ 113,573	\$ 73,480
LIABILITIES				
Due to other governments	\$ 37,517	\$ 149,536	\$ 113,573	\$ 73,480
<u>STATE REVENUE</u>				
ASSETS				
Cash and investments	\$ 15,620	\$ 1,735,239	\$ 1,724,865	\$ 25,994
LIABILITIES				
Due to other governments	\$ 15,620	\$ 1,735,239	\$ 1,724,865	\$ 25,994
<u>SHERIFF CANTEEN</u>				
ASSETS				
Cash and investments	\$ 6,668	\$ 78,249	\$ 76,042	\$ 8,875
LIABILITIES				
Due to other governments	\$ 6,668	\$ 78,249	\$ 76,042	\$ 8,875

FILLMORE COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS For the Year Ended December 31, 2011

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SHERIFF</u>				
ASSETS				
Cash and investments	\$ 15,511	\$ 729,189	\$ 732,380	\$ 12,320
LIABILITIES				
Accounts payable	\$ 15,511	\$ 729,189	\$ 732,380	\$ 12,320
<u>LICENSES</u>				
ASSETS				
Cash and investments	\$ 2,215	\$ 50,782	\$ 50,142	\$ 2,855
LIABILITIES				
Due to other governments	\$ 2,215	\$ 50,782	\$ 50,142	\$ 2,855
<u>INSURANCE</u>				
ASSETS				
Cash and investments	\$ 120,051	\$ 1,619,439	\$ 1,460,927	\$ 278,563
LIABILITIES				
Accounts payable	\$ 120,051	\$ 1,619,439	\$ 1,460,927	\$ 278,563
<u>SOCIAL SERVICES</u>				
ASSETS				
Cash and investments	\$ 28,231	\$ 132,547	\$ 143,716	\$ 17,062
LIABILITIES				
Due to clients	\$ 28,231	\$ 132,547	\$ 143,716	\$ 17,062
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 608,452	\$ 28,463,275	\$ 28,187,873	\$ 883,854
LIABILITIES				
Accounts payable	\$ 135,562	\$ 2,348,628	\$ 2,193,307	\$ 290,883
Due to clients	28,231	132,547	143,716	17,062
Due to other governments	444,659	25,982,100	25,850,850	575,909
	<u>\$ 608,452</u>	<u>\$ 28,463,275</u>	<u>\$ 28,187,873</u>	<u>\$ 883,854</u>

FILLMORE COUNTY

SCHEDULE OF INTERGOVERNMENTAL REVENUES For the Year Ended December 31, 2011

	Total Primary Government	EDA Component Unit
SHARED REVENUE		
State	\$ 4,032,751	\$ -
Highway Users Tax	813,952	4,008
County Program Aid	617,506	3,041
Market Value Aid	26,020	-
PERA Aid	112,935	556
Disparity Aid	119,737	-
Police Aids	<u>5,722,901</u>	<u>7,605</u>
Total Shared Revenue		
REIMBURSEMENT FOR SERVICES		
Minnesota Department of Human Services	<u>132,501</u>	-
	<u>132,501</u>	-
GRANTS		
Minnesota Department of		
Health	218,542	-
Natural Resources	60,912	-
Human Services	683,056	-
Transportation	17,088	-
Public Safety	95,595	-
Pollution Control	155,218	-
Veterans Affairs	26,000	-
Miscellaneous boards	12,630	-
Pollution Control - R32	55,950	-
Total State	<u>1,324,991</u>	<u>-</u>
United States Department of		
Agriculture	246,573	-
Commerce	53,476	-
Justice	1,938	-
Transportation	420,976	-
U.S. Elections Commission	15,275	-
Health and Human Services	1,103,862	-
Homeland Security	162,395	-
Total Federal	<u>2,004,495</u>	<u>-</u>
	<u>10,582</u>	<u>-</u>
Local		
	3,340,068	-
TOTAL GRANTS		
	<u>374,368</u>	<u>-</u>
PAYMENTS IN LIEU OF TAXES		
	<u>\$ 9,569,838</u>	<u>\$ 7,605</u>

FILLMORE COUNTY

BALANCE SHEET - EDA COMPONENT UNIT As of December 31, 2011

ASSETS	
Cash	\$ 57,684
Taxes receivable	1,108
Loans receivable	<u>30,084</u>
TOTAL ASSETS	<u>\$ 88,876</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Deferred revenues	\$ <u>30,829</u>
Total Liabilities	<u>30,829</u>
Fund Balance	
Committed	<u>58,047</u>
Total Fund Balance	<u>58,047</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 88,876</u>
RECONCILIATION TO THE STATEMENT OF NET ASSETS	
Fund balance from above	\$ 58,047
Deferred revenue related to outstanding loans eliminated	30,084
Tax revenue deferred on fund statements because it was not available	<u>745</u>
Net Assets per page 1	<u>\$ 88,876</u>

FILLMORE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - EDA COMPONENT UNIT For the Year Ended December 31, 2011

REVENUES	
Taxes	\$ 36,144
Intergovernmental	7,605
Other	<u>1,400</u>
Total Revenues	45,149
EXPENDITURES	
Current	
General government	105,000
Economic development	<u>36,902</u>
Net change in fund balance	(96,753)
FUND BALANCES - Beginning of Year	<u>154,800</u>
FUND BALANCES - END OF YEAR	<u>\$ 58,047</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES	
Net change in fund balance, per above	\$ (96,753)
Repayment of loan	(1,400)
Net change in deferred tax revenue	<u>(371)</u>
Change in Net Assets per page 2	<u>\$ (98,524)</u>