

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

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

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

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

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

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

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

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

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**For the Year Ended December 31, 2008**



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

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2008

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Douglas Tomschin	January 2009
2nd District	Wade Athey	January 2011
3rd District	Brent Olson**	January 2009
4th District	Roger Sandberg	January 2011
5th District	Howard Janssen*	January 2009
<b>Officers</b>		
<b>Elected</b>		
Attorney	William Watson	January 2011
Auditor	Michelle Knutson	January 2011
Recorder	Elaine Martig	January 2011
Sheriff	John Haukos	January 2011
Treasurer	Cindy Nelson	January 2011
<b>Appointed</b>		
Assessor	Sandra Vold	December 2012
Coroner	Robert Ross, M.D.	January 2011
Environmental Officer	Darren Wilke	Indefinite
Emergency Management Director	James Hasslen	Indefinite
Highway Engineer	Nicholas Anderson	May 2009
Human Resources Director	Susan Schultz	Indefinite
Veterans Service Officer	Richard Johnson	Indefinite
<b>Family Services</b>		
<b>Board</b>		
Chair	Brent Olson	January 2009
Vice Chair	Howard Janssen	January 2009
Secretary	Kathy Morrill	July 2009
Member	Douglas Tomschin	January 2009
Member	Wade Athey	January 2011
Member	Roger Sandberg	January 2011
Member	Alice Stielow	July 2010
Director	Gayle Robinson	Indefinite

\*Chair 2008

\*\*Chair 2009

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Big Stone County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2009, on our consideration of Big Stone County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 16, 2009

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

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008  
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$29,609,249, of which \$22,647,000 is invested in capital assets, and \$1,319,355 is restricted to specific purposes. The \$5,642,894 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net assets increased by \$868,478 for the year ended December 31, 2008.
- The net cost of governmental activities for the current fiscal year was \$3,346,772. The net cost was funded by general revenues and other items totaling \$4,215,250.
- The fund balances of the governmental funds decreased by \$687,559.

For the year ended December 31, 2008, the unreserved fund balance of the General Fund was \$1,577,013, or 41.1 percent, of the total General Fund expenditures for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$29,609,249 at the close of 2008. The largest portion of the net assets (76.5 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as roads and bridges). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	Net Assets (in thousands)	
	Governmental Activities	
	2008	2007
Assets		
Current and other assets	\$ 7,922	\$ 8,534
Capital assets	22,647	21,195
Total Assets	<u>\$ 30,569</u>	<u>\$ 29,729</u>
Liabilities		
Long-term liabilities	\$ 532	\$ 535
Other liabilities	428	453
Total Liabilities	<u>\$ 960</u>	<u>\$ 988</u>
Net Assets		
Invested in capital assets	\$ 22,647	\$ 21,195
Restricted	1,320	1,965
Unrestricted	5,642	5,581
Total Net Assets	<u><u>\$ 29,609</u></u>	<u><u>\$ 28,741</u></u>

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--are 19.1 percent of the net assets.

## Governmental Activities

The County's activities increased net assets by 3.0 percent (\$29,609,249 for 2008 compared to \$28,740,771 for 2007). Key elements of this increase in net assets are as follows:

	Governmental Activities	
	2008	2007
<b>Changes in Net Assets (in thousands)</b>		
Revenues		
Program revenues		
Charges for services	\$ 965	\$ 901
Operating grants and contributions	4,227	3,740
Capital grants and contributions	598	1,154
General revenues		
Property taxes	2,953	2,702
Other	1,262	1,417
Total Revenues	<u>\$ 10,005</u>	<u>\$ 9,914</u>
Expenses		
General government	\$ 1,607	\$ 1,412
Public safety	1,042	963
Highways and streets	3,299	3,359
Sanitation	220	222
Human services	2,417	2,560
Health	76	74
Culture and recreation	155	150
Conservation of natural resources	266	266
Economic development	51	65
Interest	4	5
Total Expenses	<u>\$ 9,137</u>	<u>\$ 9,076</u>
Change in Net Assets	\$ 868	\$ 838
Net Assets - January 1	<u>28,741</u>	<u>27,903</u>
Net Assets - December 31	<u>\$ 29,609</u>	<u>\$ 28,741</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

### Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,979,508, a decrease of \$687,559 in comparison with the prior year. Of the combined ending fund balances, \$4,971,830 represents unreserved fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$1,577,013. As a measure of the General Fund’s liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 41.1 percent of total General Fund expenditures. During 2008, the ending fund balance decreased by \$653,742.

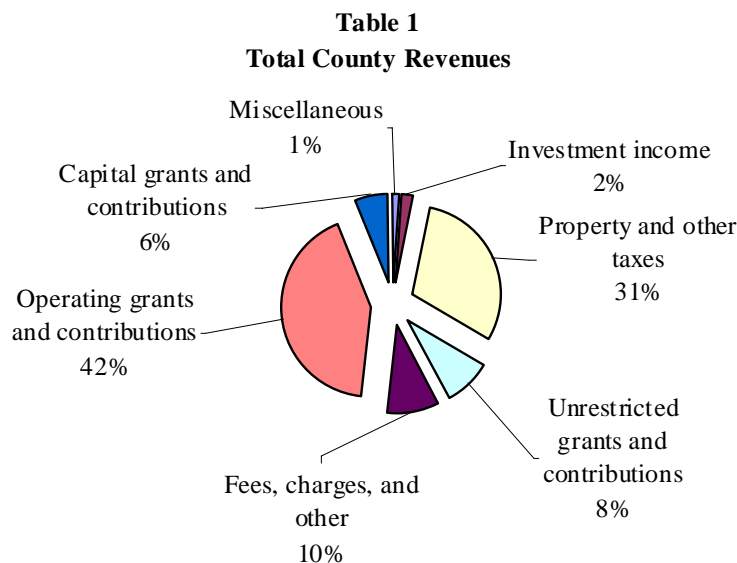
The Highway Special Revenue Fund had an unreserved fund balance of \$1,017,351 at fiscal year-end, representing 23.1 percent of its annual expenditures. The ending fund balance decreased \$89,758 during 2008.

The Family Services Special Revenue Fund had an unreserved fund balance of \$2,272,302 at fiscal year-end, representing 92.7 percent of its annual expenditures. The ending fund balance increased \$28,749 during 2008.

The Ditch Special Revenue Fund had an unreserved fund balance of \$105,164 at fiscal year-end. The ending fund balance increased \$27,192 during 2008.

**Governmental Activities**

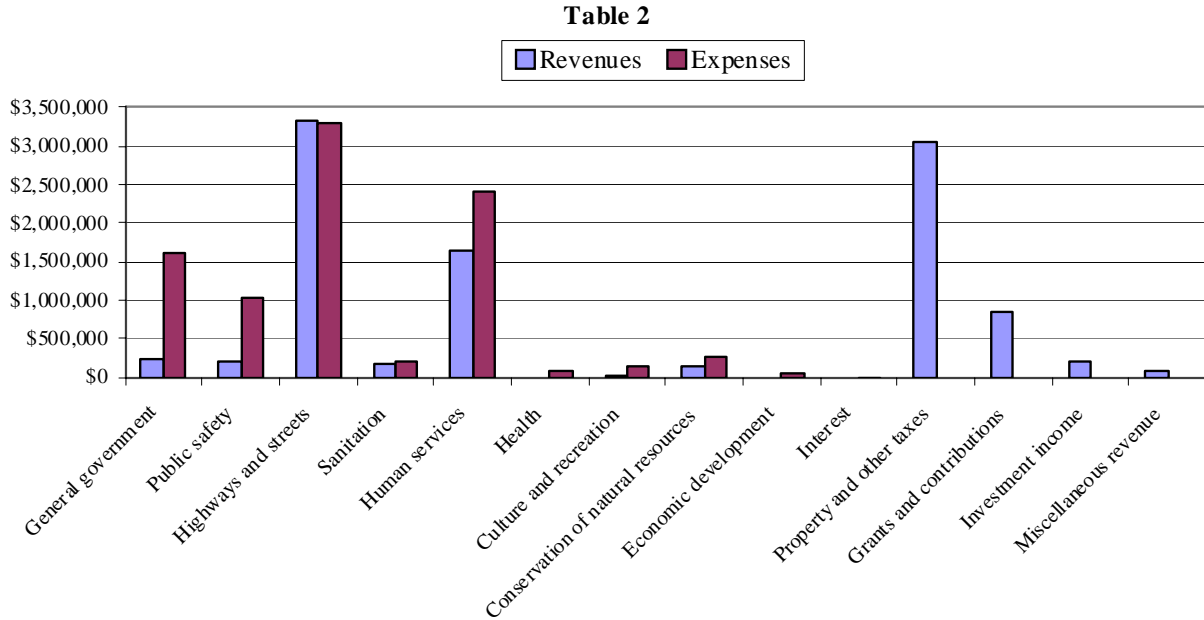
The County’s total revenues were \$10,005,510. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2008.



(Unaudited)

Table 2 presents the cost and revenue of each program, as well as the County’s general revenues.

Total revenues for the County were \$10,005,510, while total expenses were \$9,137,032. This reflects an \$868,478 increase in net assets for the year ended December 31, 2008.



The cost of all governmental activities this year was \$9,137,032. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$3,346,772 because some of the cost was paid by those who directly benefited from the programs (\$965,379) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,824,881). The County paid for the remaining “public benefit” portion of governmental activities with \$4,215,250 in general revenues, primarily taxes (some of which could only be used for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and interest.

Table 3 presents the cost of each of the County’s four largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008
Highways and streets	\$ 3,299,190	\$ (30,463)
Human services	2,417,100	766,769
General government	1,607,230	1,360,266
Public safety	1,042,204	833,724
All others	771,308	416,476
Totals	\$ 9,137,032	\$ 3,346,772

**General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the General Fund budget by increasing budgeted expenditures by \$748,850. The actual charges to appropriations (expenditures) were \$229,106 under the final budget amounts. The most significant positive variance (\$142,609) occurred in the County’s general government area, where the remodeling costs to the County Office Building were not completed by the end of the year, but had been budgeted for in 2008.

On the other hand, resources available for appropriation were also \$269,671 above the final budgeted amount. An insurance dividend, settlement proceeds (Easy Heat for MSI building), and additional state and federal grants were received and not budgeted for.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The County’s capital assets for its governmental activities at December 31, 2008, totaled \$22,647,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,452,291, or 6.9 percent, from the previous year.

**Capital Assets at Year-End  
Net of Depreciation  
(in thousands)**

	2008	2007
Land	\$ 700	\$ 709
Construction in progress	458	1,576
Infrastructure	18,747	16,293
Buildings	1,063	938
Improvements other than buildings	163	173
Machinery and equipment	1,516	1,506
Total	\$ 22,647	\$ 21,195

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

**Long-Term Debt**

At the end of the current fiscal year, the County had total outstanding debt of \$60,000, which was backed by the full faith and credit of the government.

**Outstanding Debt**

	2008	2007
General obligation bonds	\$ 60,000	\$ 75,000

The County's debt related to general obligation bonds decreased by \$15,000 (20.0 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2008, the County's outstanding debt was .009 percent of its total estimated market value.

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



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The County's elected and appointed officials considered many factors when setting the 2009 budget, tax rates, and fees that will be charged for the year.

- The average unemployment rate for Big Stone County for 2008 was 5.717 percent. This compares unfavorably with the state unemployment rate of 5.517 percent and shows an increase from the County's 4.883 percent rate of one year ago. This could impact the level of services requested by County residents.
- Mortgage interest rates have been extremely low, causing many to refinance their mortgages and/or finance new construction.
- The County's General Fund expenditures for 2009 are budgeted to increase 3.6 percent (\$120,949) over the 2008 original budget. The 2009 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to increase 5.8 percent (\$43,602) over the 2008 original budget.
- The property tax levy for the County increased 7.7 percent (\$293,386) from 2008 and the net tax levy (the amount spread to taxpayers) increased 8.3 percent from 2008. In addition, the state unallotted \$64,100 of the County's 2008 county program aid at the end of the year.

## **REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008**

**Assets**

Cash and pooled investments	\$ 4,948,707
Investments	701,497
Receivables - net	1,988,920
Inventories	283,125
Capital assets	
Non-depreciable	1,157,450
Depreciable - net of accumulated depreciation	<u>21,489,550</u>
<b>Total Assets</b>	<b><u>\$ 30,569,249</u></b>

**Liabilities**

Accounts payable and other current liabilities	\$ 426,734
Accrued interest payable	1,363
Long-term liabilities	
Due within one year	91,870
Due in more than one year	<u>440,033</u>
<b>Total Liabilities</b>	<b><u>\$ 960,000</u></b>

**Net Assets**

Invested in capital assets	\$ 22,647,000
Restricted for	
Public safety	176,140
Highways and streets	922,480
Human services	10,683
Conservation of natural resources	121,891
Other purposes	88,161
Unrestricted	<u>5,642,894</u>
<b>Total Net Assets</b>	<b><u>\$ 29,609,249</u></b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b><u>Functions/Programs</u></b>				
<b>Governmental activities</b>				
General government	\$ 1,607,230	\$ 218,030	\$ 28,934	\$ -
Public safety	1,042,204	61,338	147,142	-
Highways and streets	3,299,190	176,943	2,554,489	598,221
Sanitation	219,530	119,701	57,400	-
Human services	2,417,100	319,034	1,331,297	-
Health	76,039	1,145	-	-
Culture and recreation	155,267	6,564	30,030	-
Conservation of natural resources	266,288	62,624	77,368	-
Economic development	50,402	-	-	-
Interest	3,782	-	-	-
	<b>\$ 9,137,032</b>	<b>\$ 965,379</b>	<b>\$ 4,226,660</b>	<b>\$ 598,221</b>
<b>Total Governmental Activities</b>	<b>\$ 9,137,032</b>	<b>\$ 965,379</b>	<b>\$ 4,226,660</b>	<b>\$ 598,221</b>
 <b>General Revenues</b>				
Property taxes				\$ 2,953,101
Gravel taxes				37,831
Mortgage registry and deed tax				3,488
Payments in lieu of tax				57,802
Grants and contributions not restricted to specific programs				842,202
Unrestricted investment income				220,185
Miscellaneous				100,641
				<b>\$ 4,215,250</b>
<b>Total general revenues</b>				<b>\$ 4,215,250</b>
<b>Change in net assets</b>				<b>\$ 868,478</b>
<b>Net Assets - Beginning</b>				<b>28,740,771</b>
<b>Net Assets - Ending</b>				<b>\$ 29,609,249</b>



## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 2,223,450	\$ 187,618	\$ 2,269,407	\$ 183,114	\$ 4,863,589
Undistributed cash in agency funds	25,385	46,056	8,304	1,178	80,923
Petty cash and change funds	1,820	75	2,300	-	4,195
Investments	9,783	660,000	-	31,714	701,497
Taxes receivable					
Prior	44,898	17,889	18,068	-	80,855
Special assessments receivable					
Prior	15,076	-	-	1,048	16,124
Noncurrent	-	-	-	158,305	158,305
Accounts receivable	2,237	55	2,648	-	4,940
Accrued interest receivable	78,416	4,021	-	-	82,437
Loans receivable	-	21,864	-	-	21,864
Due from other governments	34,308	1,451,288	138,031	8	1,623,635
Advance to other funds	110,560	-	-	-	110,560
Inventories	-	283,125	-	-	283,125
<b>Total Assets</b>	<b><u>\$ 2,545,933</u></b>	<b><u>\$ 2,671,991</u></b>	<b><u>\$ 2,438,758</u></b>	<b><u>\$ 375,367</u></b>	<b><u>\$ 8,032,049</u></b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 189,504	\$ 7,336	\$ 72,253	\$ 1,050	\$ 270,143
Salaries payable	21,372	12,777	14,477	-	48,626
Contracts payable	-	21,026	-	-	21,026
Due to other governments	34,045	1,919	50,975	-	86,939
Advance from other funds	-	-	-	109,800	109,800
Deferred revenue - unavailable	102,249	1,236,337	18,068	159,353	1,516,007
<b>Total Liabilities</b>	<b>\$ 347,170</b>	<b>\$ 1,279,395</b>	<b>\$ 155,773</b>	<b>\$ 270,203</b>	<b>\$ 2,052,541</b>
<b>Fund Balances</b>					
Reserved for					
Advance to other funds	\$ 110,560	\$ -	\$ -	\$ -	\$ 110,560
Inventories	-	283,125	-	-	283,125
Loans receivable	-	21,864	-	-	21,864
Missing heirs	1,186	-	-	-	1,186
Law library	8,287	-	-	-	8,287
Recorder's technology fund	23,928	-	-	-	23,928
Recorder's compliance fund	38,412	-	-	-	38,412
Enhanced 911	168,129	-	-	-	168,129
Sheriff's contingency	4,727	-	-	-	4,727
Gravel pit restoration	-	70,256	-	-	70,256
Gun permit fees	3,283	-	-	-	3,283
Encumbrances	186,968	-	-	-	186,968
Election equipment grant	24,635	-	-	-	24,635
Unspent grant monies	51,635	-	10,683	-	62,318
Unreserved					
Designated for					
Future expenditures	1,394,284	356,809	1,233,858	-	2,984,951
Compensated absences	182,729	189,267	99,907	-	471,903
Undesignated	-	471,275	938,537	105,164	1,514,976
<b>Total Fund Balances</b>	<b>\$ 2,198,763</b>	<b>\$ 1,392,596</b>	<b>\$ 2,282,985</b>	<b>\$ 105,164</b>	<b>\$ 5,979,508</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,545,933</b>	<b>\$ 2,671,991</b>	<b>\$ 2,438,758</b>	<b>\$ 375,367</b>	<b>\$ 8,032,049</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008**

<b>Fund balance - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>5,979,508</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		22,647,000
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,516,007
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (60,000)	
Compensated absences	(471,903)	
Accrued interest payable	(1,363)	(533,266)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 29,609,249</u></u></b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 1,644,086	\$ 688,063	\$ 656,313	\$ -	\$ 2,988,462
Special assessments	115,552	-	-	75,641	191,193
Licenses and permits	13,454	-	-	-	13,454
Intergovernmental	879,234	3,198,526	1,505,106	-	5,582,866
Charges for services	182,518	140,292	170,399	-	493,209
Gifts and contributions	100	-	-	-	100
Investment earnings	223,047	34,334	-	370	257,751
Miscellaneous	190,851	36,182	148,635	-	375,668
<b>Total Revenues</b>	<b>\$ 3,248,842</b>	<b>\$ 4,097,397</b>	<b>\$ 2,480,453</b>	<b>\$ 76,011</b>	<b>\$ 9,902,703</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,959,613	\$ -	\$ -	\$ -	\$ 1,959,613
Public safety	1,163,760	-	-	-	1,163,760
Highways and streets	-	4,270,195	-	-	4,270,195
Sanitation	214,435	-	-	-	214,435
Human services	-	-	2,451,704	-	2,451,704
Health	34,734	-	-	-	34,734
Culture and recreation	138,920	-	-	-	138,920
Conservation of natural resources	235,915	-	-	29,712	265,627
Economic development	50,402	-	-	-	50,402
<b>Intergovernmental</b>	41,305	127,308	-	-	168,613
<b>Debt service</b>					
Principal	-	-	-	15,000	15,000
Interest	-	-	-	3,660	3,660
Administrative (fiscal) fees	-	-	-	447	447
<b>Total Expenditures</b>	<b>\$ 3,839,084</b>	<b>\$ 4,397,503</b>	<b>\$ 2,451,704</b>	<b>\$ 48,819</b>	<b>\$ 10,737,110</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>\$ (590,242)</b>	<b>\$ (300,106)</b>	<b>\$ 28,749</b>	<b>\$ 27,192</b>	<b>\$ (834,407)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ 66,000	\$ -	\$ -	\$ 66,000
Transfers out	(66,000)	-	-	-	(66,000)
Proceeds from the sale of assets	2,500	469	-	-	2,969
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (63,500)</b>	<b>\$ 66,469</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,969</b>

The notes to the financial statements are an integral part of this statement.

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

***EXHIBIT 5  
(Continued)***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Highway</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Net Change in Fund Balance	\$ (653,742)	\$ (233,637)	\$ 28,749	\$ 27,192	\$ (831,438)
Fund Balance - January 1	2,852,505	1,482,354	2,254,236	77,972	6,667,067
Increase (decrease) in reserved for inventories	-	143,879	-	-	143,879
Fund Balance - December 31	<u>\$ 2,198,763</u>	<u>\$ 1,392,596</u>	<u>\$ 2,282,985</u>	<u>\$ 105,164</u>	<u>\$ 5,979,508</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (831,438)**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,516,007	
Deferred revenue - January 1	<u>(1,416,169)</u>	99,838

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,116,064	
Net book value of assets disposed of	(89,209)	
Current year depreciation and depletion	<u>(1,574,564)</u>	1,452,291

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

Principal repayments		
General obligation bonds		15,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 325	
Change in compensated absences	(11,417)	
Change in inventories	<u>143,879</u>	<u>132,787</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 868,478**

**FIDUCIARY FUNDS**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2008**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 192,399</u>
<u>Liabilities</u>	
Due to other governments	\$ 191,639
Advance from other funds	<u>760</u>
<b>Total Liabilities</b>	<b><u>\$ 192,399</u></b>

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

The County participates in several joint ventures, which are described in Note 5.D. The County also participates in jointly-governed organizations described in Note 5.E and a related organization, which is described in Note 5.F.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Big Stone County. These statements include the financial activities of the overall County government,

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenue.

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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



**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Big Stone County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

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

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

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

6. Compensated Absences

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Expenditures exceeded budgets in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Funds			
Family Services	\$ 2,451,704	\$ 2,414,035	\$ 37,669
Ditch	48,819	40,000	8,819

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments		\$ 4,948,707
Investments		701,497
Statement of fiduciary net assets		
Cash and pooled investments		<u>192,399</u>
Total Cash and Investments		<u>\$ 5,842,603</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk by obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2008, the County's deposits in banks were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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



**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. On December 31, 2008, the County's investments were not exposed to custodial credit risk.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

The following table presents the County's cash and deposit balances at December 31, 2008. The County has no investments subject to investment risks.

Checking	\$	670,254
Savings		1,073,326
Certificates of deposit		4,094,828
Petty cash		4,195
Total Cash and Investments	\$	5,842,603

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 80,855	\$ -
Special assessments	174,429	158,305
Accounts	4,940	-
Interest	82,437	-
Loans	21,864	-
Advances to other governments	760	760
Due from other governments	1,623,635	-
Total Governmental Activities	\$ 1,988,920	\$ 159,065

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 297,590	\$ -	\$ -	\$ 297,590
Gravel pits	363,335	-	8,836	354,499
Right-of-way	47,695	-	-	47,695
Construction in progress	1,575,828	457,666	1,575,828	457,666
Total capital assets not depreciated	\$ 2,284,448	\$ 457,666	\$ 1,584,664	\$ 1,157,450
Capital assets depreciated				
Buildings	\$ 2,674,061	\$ 171,907	\$ -	\$ 2,845,968
Land improvements	217,967	-	-	217,967
Machinery and equipment	4,154,218	326,100	143,203	4,337,115
Infrastructure	30,925,749	3,736,219	-	34,661,968
Total capital assets depreciated	\$ 37,971,995	\$ 4,234,226	\$ 143,203	\$ 42,063,018
Less: accumulated depreciation for				
Buildings	\$ 1,736,343	\$ 46,878	\$ -	\$ 1,783,221
Land improvements	44,569	10,032	-	54,601
Machinery and equipment	2,648,493	226,702	53,994	2,821,201
Infrastructure	14,632,329	1,282,116	-	15,914,445
Total accumulated depreciation	\$ 19,061,734	\$ 1,565,728	\$ 53,994	\$ 20,573,468
Total capital assets depreciated, net	\$ 18,910,261	\$ 2,668,498	\$ 89,209	\$ 21,489,550
Governmental Activities Capital Assets, Net	\$ 21,194,709	\$ 3,126,164	\$ 1,673,873	\$ 22,647,000

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	53,047
Public safety		27,483
Highways and streets, including depreciation of infrastructure assets		1,468,423
Sanitation		428
Culture and recreation		16,347
		16,347
Total Depreciation Expense - Governmental Activities	\$	1,565,728

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

Governmental Activities		
Highways and streets	\$	8,836
		8,836

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 109,800
	Taxes and Penalties	760
		760
Total Advances To/From Other Funds		\$ 110,560

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Interfund Transfers

In 2008, the General Fund transferred \$66,000 to the Highway Special Revenue Fund for a bike trail project.

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

Accounts	\$	270,143
Salaries		48,626
Contracts		21,026
Due to other governments		86,939
Total Payables	\$	426,734

2. Construction Commitments

The government has active construction projects as of December 31, 2008. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities Family Service Building	\$ 213,032	\$ 186,968

3. Retired Officials' and Employees' Health Insurance Benefits

The County pays the health insurance for qualified retired employees and elected officials. Employees or elected officials hired on a full-time basis or elected to office prior to January 1, 1991, and retiring while in active service shall be entitled to the cost of their individual health insurance coverage up to a maximum monthly figure not to exceed the monthly premium for a Minnesota Comprehensive Health Association's (MCHA) medical coverage for their age group. To be eligible,

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

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

employees and elected officials must have worked for Big Stone County for a minimum of ten years and be at least 55 years old. All current eligible retirees shall be required to apply for Medicare coverage at their earliest eligibility. Medicare shall be the primary provider, and any remaining employer contributions shall be applied to the cost of a Medicare supplement.

Any employee hired after January 1, 1991, shall be eligible for one year of employer retiree insurance contributions for each five years of service with the County to a maximum of three years of contributions. To be eligible, employees and elected officials must have worked for Big Stone County for a minimum of ten years and be at least 55 years old. Such retirees shall be required to apply for Medicare coverage at their earliest eligibility. Medicare shall be the primary provider, and any remaining employer contributions shall be applied to the cost of a Medicare supplement. The County finances the plan on a pay-as-you-go basis.

The County's contributions for the year ended December 31, 2008, were:

	Number of Participants	Contribution
Governmental Activities		
Elected officials	11	\$ 46,081
Employees	22	114,637
Totals	33	\$ 160,718

4. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amount	Average Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
1996 G.O. Drainage Bonds	2012	\$15,000	5.29523	\$ 235,000	\$ 60,000

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Bonded Debt (Continued)

Debt payments on the drainage bonds are made from the Ditch Special Revenue Fund. Debt service requirements at December 31, 2008, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 15,000	\$ 2,872
2010	15,000	2,070
2011	15,000	1,253
2012	15,000	420
Total	<u>\$ 60,000</u>	<u>\$ 6,615</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds					
Drainage bonds	\$ 75,000	\$ -	\$ 15,000	\$ 60,000	\$ 15,000
Compensated absences	460,486	11,417	-	471,903	76,870
Governmental Activity					
Long-Term Liabilities	<u>\$ 535,486</u>	<u>\$ 11,417</u>	<u>\$ 15,000</u>	<u>\$ 531,903</u>	<u>\$ 91,870</u>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

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

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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.



**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2008	2007	2006
Public Employees Retirement Fund	\$ 167,660	\$ 152,572	\$ 146,935
Public Employees Police and Fire Fund	34,404	25,652	25,108

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Big Stone County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,809	\$ 3,809
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.0 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

B. Subsequent Events

On July 7, 2009, Big Stone County passed a resolution calling for the approval of a capital improvement plan and the issuance of General Obligation Capital Improvement Bonds, Series 2009A, in an amount not to exceed \$1,000,000, to finance capital improvements to County roads.

C. Contingent Liabilities

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

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

The County's developmental disability waiver program was audited by the Minnesota Department of Human Services, and a report was issued on October 8, 2008. The Minnesota Department of Human Services found a large number of services from one year paid with the next year's allocation. In total, the report recommends the Minnesota Department of Human Services request the County repay over \$160,000 for services paid with funding from the following year. Payments in regards to this have not been made as the final amount due is still pending. The County's insurance company is expected to cover a portion of the amount due back. The effects of the impairment have not been reflected in the December 31, 2008, financial statements as the County is unable to estimate the amount due.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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

D. Joint Ventures

Countryside Public Health Service

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

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

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Big Stone County's contribution for 2008 was \$41,305.

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

Southwestern Minnesota Adult Mental Health Consortium Board

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

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

The following is a summary of the Board's annual financial report (the latest available) for the year ended December 31, 2007:

Total assets	\$ 1,683,591
Total liabilities	323,335
Total equity	1,360,256
Total revenues	3,359,694
Total expenditures	2,947,615
Net increase to net assets	412,079

The Board reported no long-term obligations at December 31, 2007.

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

Prime West Central County-Based Purchasing Initiative

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

Control of the Purchasing Initiative is vested in a Joint Powers Board, composed of one Commissioner from each member county. Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

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

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services.

Complete financial information can be obtained from its administrative office at Prime West Health, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Pomme de Terre River Association

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

Control is vested in a Joint Powers Board, comprised of one representative of each of the County Boards of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement.

During 2008, Big Stone County contributed \$551 to the Joint Powers Board for a water study.

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Central Minnesota Regional Radio Board

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

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

During 2008, Big Stone County contributed \$857 to the Joint Powers Board. Complete financial information for the Central Minnesota Regional Radio Board Joint Powers Board can be obtained from the City of St. Cloud at 400 - 2nd Street S., St. Cloud, Minnesota 56301.

Supporting Hands Nurse Family Partnership

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2008, Big Stone County did not make a contribution to the Partnership, as a contribution was made by Countryside Public Health.



**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

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

E. Jointly-Governed Organizations

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

Minnesota River Basin Joint Powers Board

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Big Stone County and 37 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an executive board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in the agreement. During 2008, Big Stone County contributed \$625 to the Joint Powers Board.

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Pioneer Land Regional Library System

Big Stone County, along with several cities and other counties, participates in the Library System in order to provide efficient and improved regional public library service. During the year, the County contributed \$61,822 to the System.

West Central S.W.A.T. Team

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

F. Related Organization - Upper Minnesota River Watershed District

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

G. Agricultural Best Management Loan Program

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,626,999	\$ 1,626,999	\$ 1,644,086	\$ 17,087
Special assessments	116,000	116,000	115,552	(448)
Licenses and permits	18,120	18,120	13,454	(4,666)
Intergovernmental	769,951	769,951	879,234	109,283
Charges for services	180,850	180,850	182,518	1,668
Gifts and contributions	-	-	100	100
Investment earnings	206,800	206,800	223,047	16,247
Miscellaneous	60,451	60,451	190,851	130,400
<b>Total Revenues</b>	<b>\$ 2,979,171</b>	<b>\$ 2,979,171</b>	<b>\$ 3,248,842</b>	<b>\$ 269,671</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 162,454	\$ 162,454	\$ 158,308	\$ 4,146
Human resources	75,281	85,610	85,090	520
Law library	6,400	6,400	4,811	1,589
Auditor	177,153	192,323	184,270	8,053
Treasurer	99,190	105,333	104,286	1,047
Assessor	211,506	223,961	207,520	16,441
Elections	46,723	46,723	38,409	8,314
Accounting and auditing	30,000	30,000	37,560	(7,560)
Data processing	130,710	130,710	78,858	51,852
Attorney	73,669	77,549	80,375	(2,826)
Recorder	175,305	177,779	165,901	11,878
Planning and zoning	53,958	55,240	48,442	6,798
Buildings and plant	163,129	724,175	581,566	142,609
Veterans service officer	29,581	29,581	26,096	3,485
Other general government	144,000	159,256	158,121	1,135
<b>Total general government</b>	<b>\$ 1,579,059</b>	<b>\$ 2,207,094</b>	<b>\$ 1,959,613</b>	<b>\$ 247,481</b>
<b>Public safety</b>				
Sheriff	\$ 880,658	\$ 967,716	\$ 1,009,175	\$ (41,459)
Boat and water safety	2,100	2,100	6,496	(4,396)
Coroner	2,500	2,500	2,835	(335)
E-911 system	90,600	90,600	87,704	2,896
Emergency management	29,200	58,117	57,550	567
<b>Total public safety</b>	<b>\$ 1,005,058</b>	<b>\$ 1,121,033</b>	<b>\$ 1,163,760</b>	<b>\$ (42,727)</b>
<b>Sanitation</b>				
Solid waste	<b>\$ 225,258</b>	<b>\$ 227,402</b>	<b>\$ 214,435</b>	<b>\$ 12,967</b>

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

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Public health	\$ 30,480	\$ 30,480	\$ 34,734	\$ (4,254)
<b>Culture and recreation</b>				
Historical society	\$ 18,500	\$ 18,500	\$ 21,065	\$ (2,565)
Parks	18,113	18,113	19,053	(940)
Other	104,672	104,672	98,802	5,870
<b>Total culture and recreation</b>	<b>\$ 141,285</b>	<b>\$ 141,285</b>	<b>\$ 138,920</b>	<b>\$ 2,365</b>
<b>Conservation of natural resources</b>				
Extension	\$ 101,222	\$ 103,022	\$ 100,451	\$ 2,571
Water planning	34,090	34,516	41,173	(6,657)
Feedlot management	16,269	16,739	15,915	824
Other	78,408	78,408	78,376	32
<b>Total conservation of natural resources</b>	<b>\$ 229,989</b>	<b>\$ 232,685</b>	<b>\$ 235,915</b>	<b>\$ (3,230)</b>
<b>Economic development</b>				
Other	\$ 66,906	\$ 66,906	\$ 50,402	\$ 16,504
<b>Intergovernmental</b>				
Health	\$ 41,305	\$ 41,305	\$ 41,305	\$ -
<b>Total Expenditures</b>	<b>\$ 3,319,340</b>	<b>\$ 4,068,190</b>	<b>\$ 3,839,084</b>	<b>\$ 229,106</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (340,169)</b>	<b>\$ (1,089,019)</b>	<b>\$ (590,242)</b>	<b>\$ 498,777</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of assets	\$ -	\$ -	\$ 2,500	\$ 2,500
Transfers out	-	-	(66,000)	(66,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (63,500)</b>	<b>\$ (63,500)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (340,169)</b>	<b>\$ (1,089,019)</b>	<b>\$ (653,742)</b>	<b>\$ 435,277</b>
<b>Fund Balance - January 1</b>	<b>2,852,505</b>	<b>2,852,505</b>	<b>2,852,505</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,512,336</b>	<b>\$ 1,763,486</b>	<b>\$ 2,198,763</b>	<b>\$ 435,277</b>

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
HIGHWAY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 687,006	\$ 687,006	\$ 688,063	\$ 1,057
Intergovernmental	3,486,994	3,486,994	3,198,526	(288,468)
Charges for services	118,000	118,000	140,292	22,292
Investment earnings	25,000	25,000	34,334	9,334
Miscellaneous	21,000	21,000	36,182	15,182
<b>Total Revenues</b>	<b>\$ 4,338,000</b>	<b>\$ 4,338,000</b>	<b>\$ 4,097,397</b>	<b>\$ (240,603)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 372,312	\$ 372,312	\$ 392,096	\$ (19,784)
Maintenance	684,640	684,640	662,890	21,750
Construction	3,049,860	3,049,860	2,717,294	332,566
Equipment and maintenance shops	573,710	573,710	469,571	104,139
Material and services for resale	25,330	25,330	18,561	6,769
Other - highways and streets	28,700	28,700	9,783	18,917
<b>Total highways and streets</b>	<b>\$ 4,734,552</b>	<b>\$ 4,734,552</b>	<b>\$ 4,270,195</b>	<b>\$ 464,357</b>
<b>Intergovernmental</b>				
Highways and streets	125,000	125,000	127,308	(2,308)
<b>Total Expenditures</b>	<b>\$ 4,859,552</b>	<b>\$ 4,859,552</b>	<b>\$ 4,397,503</b>	<b>\$ 462,049</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (521,552)</b>	<b>\$ (521,552)</b>	<b>\$ (300,106)</b>	<b>\$ (702,652)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 66,000	\$ 66,000
Proceeds from sale of assets	4,000	4,000	469	(3,531)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,000</b>	<b>\$ 4,000</b>	<b>\$ 66,469</b>	<b>\$ 62,469</b>
<b>Net Change in Fund Balance</b>	<b>\$ (517,552)</b>	<b>\$ (517,552)</b>	<b>\$ (233,637)</b>	<b>\$ 283,915</b>
<b>Fund Balance - January 1</b>	<b>1,482,354</b>	<b>1,482,354</b>	<b>1,482,354</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>143,879</b>	<b>143,879</b>
<b>Fund Balance - December 31</b>	<b>\$ 964,802</b>	<b>\$ 964,802</b>	<b>\$ 1,392,596</b>	<b>\$ 427,794</b>

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

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 658,526	\$ 658,526	\$ 656,313	\$ (2,213)
Intergovernmental	1,345,357	1,345,357	1,505,106	159,749
Charges for services	172,500	172,500	170,399	(2,101)
Miscellaneous	142,050	142,050	148,635	6,585
<b>Total Revenues</b>	<b>\$ 2,318,433</b>	<b>\$ 2,318,433</b>	<b>\$ 2,480,453</b>	<b>\$ 162,020</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 569,604	\$ 569,604	\$ 585,047	\$ (15,443)
Social services	1,805,607	1,805,607	1,751,072	54,535
RSVP	38,824	38,824	115,585	(76,761)
<b>Total Expenditures</b>	<b>\$ 2,414,035</b>	<b>\$ 2,414,035</b>	<b>\$ 2,451,704</b>	<b>\$ (37,669)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (95,602)</b>	<b>\$ (95,602)</b>	<b>\$ 28,749</b>	<b>\$ 124,351</b>
<b>Fund Balance - January 1</b>	<b>2,254,236</b>	<b>2,254,236</b>	<b>2,254,236</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,158,634</b>	<b>\$ 2,158,634</b>	<b>\$ 2,282,985</b>	<b>\$ 124,351</b>



**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 62,980	\$ 62,980	\$ 75,641	\$ 12,661
Investment earnings	-	-	370	370
<b>Total Revenues</b>	<b><u>\$ 62,980</u></b>	<b><u>\$ 62,980</u></b>	<b><u>\$ 76,011</u></b>	<b><u>\$ 13,031</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ 20,000	\$ 20,000	\$ 29,712	\$ (9,712)
<b>Debt service</b>				
Principal	15,000	15,000	15,000	-
Interest	4,500	4,500	3,660	840
Administrative (fiscal) fees	500	500	447	53
<b>Total Expenditures</b>	<b><u>\$ 40,000</u></b>	<b><u>\$ 40,000</u></b>	<b><u>\$ 48,819</u></b>	<b><u>\$ (8,819)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 22,980</u></b>	<b><u>\$ 22,980</u></b>	<b><u>\$ 27,192</u></b>	<b><u>\$ 4,212</u></b>
<b>Fund Balance - January 1</b>	<b><u>77,972</u></b>	<b><u>77,972</u></b>	<b><u>77,972</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 100,952</u></u></b>	<b><u><u>\$ 100,952</u></u></b>	<b><u><u>\$ 105,164</u></u></b>	<b><u><u>\$ 4,212</u></u></b>

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

The expenditures budget in the General Fund was amended as follows:

Original Budget	Increase (Decrease)	Final Budget
\$ 3,319,340	\$ 748,850	\$ 4,068,190

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
Special Revenue Funds			
Family Services	\$ 2,451,704	\$ 2,414,035	\$ 37,669
Ditch	48,819	40,000	8,819

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**SUPPLEMENTARY INFORMATION**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

AGENCY FUNDS

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

Big Stone Area Growth - to account for the collection and disbursement of funds for a non-profit organization established for community development and improvement.

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

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

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 108,361	\$ 83,723	\$ 65,660	\$ 126,424
<b><u>Liabilities</u></b>				
Due to other governments	\$ 108,361	\$ 83,723	\$ 65,660	\$ 126,424
 <b><u>BIG STONE AREA GROWTH</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 45,684	\$ 51,105	\$ 96,789	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 45,684	\$ 51,105	\$ 96,789	\$ -
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 10,171	\$ 351,320	\$ 349,516	\$ 11,975
<b><u>Liabilities</u></b>				
Due to other governments	\$ 10,171	\$ 351,320	\$ 349,516	\$ 11,975

**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Statement 1*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 69,826	\$ 9,682,855	\$ 9,698,681	\$ 54,000
<b><u>Liabilities</u></b>				
Due to other governments	\$ 66,864	\$ 9,682,095	\$ 9,695,719	\$ 53,240
Advance from other funds	2,962	760	2,962	760
<b>Total Liabilities</b>	<b>\$ 69,826</b>	<b>\$ 9,682,855</b>	<b>\$ 9,698,681</b>	<b>\$ 54,000</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 234,042	\$ 10,169,003	\$ 10,210,646	\$ 192,399
<b><u>Liabilities</u></b>				
Due to other governments	\$ 231,080	\$ 10,168,243	\$ 10,207,684	\$ 191,639
Advance from other funds	2,962	760	2,962	760
<b>Total Liabilities</b>	<b>\$ 234,042</b>	<b>\$ 10,169,003</b>	<b>\$ 10,210,646</b>	<b>\$ 192,399</b>

**OTHER SCHEDULE**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

Schedule 5

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Shared Revenue**

**State**

Highway users tax	\$ 2,866,253
County program aid	480,602
PERA rate reimbursement	11,447
Disparity reduction aid	89,315
Police aid	25,652
Enhanced 911	76,403
Market value credit	260,838
	260,838

**Total Shared Revenue** **\$ 3,810,510**

**Reimbursement for Services**

Minnesota Department of Human Services	\$ 227,889
	227,889

**Payments**

**Local**

Payments in lieu of taxes	\$ 57,802
Local contributions	39,617
	39,617

**Total Payments** **\$ 97,419**

**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 10,686
Human Services	495,756
Natural Resources	175,164
Water and Soil Resources	103,498
Pollution Control Agency	55,000
University of Minnesota	1,683
	1,683

**Total State** **\$ 841,787**

**Federal**

Department of	
Agriculture	\$ 61,513
Health and Human Services	463,319
Homeland Security	34,548
Corporation for National and Community Service	45,881
	45,881

**Total Federal** **\$ 605,261**

**Total State and Federal Grants** **\$ 1,447,048**

**Total Intergovernmental Revenue** **\$ 5,582,866**

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

*Schedule 6*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Big Stone County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Big Stone County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Big Stone County were disclosed during the audit.
- D. Significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." None were material weaknesses.
- E. The Auditor's Report on Compliance for the major federal award programs for Big Stone County expresses an unqualified opinion.
- F. Findings relative to major federal award programs for Big Stone County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |                                   |              |
|-----------------------------------|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Child Support Enforcement         | CFDA #93.563 |
| Medical Assistance Program        | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Big Stone County was determined not to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

97-1 Segregation of Duties

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

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

Client's Response:

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

06-1 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. A control deficiency that typically is considered significant is the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls.

During our audit, we proposed material adjustments that resulted in significant changes to the County's financial statements. The adjustments resulted from: errors made in recording transactions and with mapping of various account codes; controls over calculating the proper amounts of due from other governments and contracts payable on the modified accrual basis did not detect errors, which resulted in the client's records understating assets, liabilities, and expenditures and overstating fund balance and revenues; and the County did not consider the need for controls over the recording of certain accounting transactions. The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements may not be fairly presented.

We recommend that the County review internal controls currently in place, then design and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

Client's Response:

*The County will continue to review, design, and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements. The County's audit committee will be involved in the review process to identify potential misstatements.*

ITEMS ARISING THIS YEAR

08-1 Adding New Vendors to the Accounting System

Big Stone County does not have any procedures for reviewing new vendors added to the accounts payable system or determining if the new vendors added are legitimate vendors.

Periodically, a report called "Vendors Added List by Number" should be printed and reviewed by someone independent of the accounts payable system. That person should document the review by signing off on the report.

Also, when invoices are submitted for vendors that have not previously done business with the County, some procedures should be required to verify whether the vendor is legitimate. Procedures could include looking up the vendor in the phone book or on the internet or requiring the company to send information about its business. Periodically, the vendor listing should be reviewed for old, unused vendors, and those vendors should be removed from the system.

Client's Response:

*The County has implemented the procedures for reviewing new vendors using the "Vendors Added List" in IFS to verify vendors are legitimate. In addition, changes made to existing vendors are also reviewed for legitimacy.*

08-2 Information System Risk Management

County management is responsible for internal controls related to its information system. This responsibility extends to monitoring ongoing activities provided by service organizations. Big Stone County contracts with Computer Professionals Unlimited, Inc. (CPUI), a service organization, to provide:

- computer hardware for hosting the County's applications;
- processing of accounting transactions and other data;
- daily, weekly, and full system backups of applications and processed data; and
- disaster recovery planning for continued operations.

The County has not developed a formal plan to identify and manage risks associated with this information system arrangement. The County could partially manage these risks if CPUI obtained an audit of its control objectives and control activities. These audits are performed in accordance with Statement on Auditing Standards (SAS) No. 70, *Service Organizations, as amended*. At the present time, a SAS 70 Service Auditor's Report for CPUI was not available.

During our site visit to CPUI, we noted that computers were not located in a restricted area away from public view. The computers are in an unlocked cage. Daily backup tapes for information processed Monday through Thursday are kept on site in a locked metal cabinet; however, the cabinet is not designed to protect the tapes from the heat that would be generated in the event of a fire. One fire extinguisher was observed in the office. Weekly and full system backup information is kept at an offsite location.

We recommend that Big Stone County management establish a formal plan to meet its responsibilities for monitoring internal controls related to its information system. This should include documented consideration of services provided by CPUI. To specifically address hardware and backup physical control weaknesses associated with CPUI, we recommend County management work with CPUI to manage and minimize those risks. Also, the County should consider the possibility of requesting that CPUI obtain a SAS 70 audit.

**Client's Response:**

*Big Stone County has contacted Computer Professionals Unlimited, Inc. (CPUI), and they are already in the process of rectifying the noted weaknesses. In addition, Big Stone County will continue to work with CPUI to manage and minimize the internal control risks associated with our information system arrangement.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Computer Risk Management (06-4)**

We recommended the County take steps to improve the control over its computer systems by reviewing and maintaining error logs, segregating the duties of the information technology staff, requiring passwords that are longer and include more randomized characters, and testing its disaster recovery plan.

**Resolution**

The County made progress in strengthening controls over the computer systems and has started drafting an update to the disaster recovery plan.

**Payroll (07-1)**

No controls existed to verify the correct pay rates were in the payroll system for all employees, that pay rates were updated for authorized reasons, or that any payroll information changes were reviewed by other County personnel.

**Resolution**

Payroll journals are now being reviewed to verify accuracy. Another individual performs this review if the first person is absent. The County is currently in the process of updating personnel files to reflect current pay rates. No deviations were noted during the current year audit testing.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

08-3 Charges to Family Services (CFDA Nos. 93.563 and 93.778)

Big Stone County has determined that Family Services pay half of the quarterly County Attorney expenditures without any documentation for the charge. They also have set the Family Services rent without any basis, such as square footage, for the amount. These amounts are then reported to the Department of Human Services on quarterly Income Maintenance and Social Services administration reports for reimbursement.

A-87 cost principles state that rental charges should be based on comparable rates within the community. Other overhead administrative expenditures should be supported with documentation for the charges. Without such documentation, it is not possible to tell if the County is over or under reporting its overhead administrative expenditures.

We recommend that the County document both its rental and attorney charges to Family Services.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

*Family Services Director*

Action Planned:

- a. *The County will have the Attorney document his time related to Family Services to support the expenditure.*
- b. *The County is in the process of adjusting the rent paid by Family Services. It will be based on occupied square footage and comparable rental rates.*

Completion Date:

*June 2009 going forward*

08-4 Family Services Reporting (CFDA Nos. 93.563 and 93.778)

The instructions for Income Maintenance Administrative Expense Report, DHS-2550, and the Social Services Fund Report, DHS-2556, require that a hard copy, signed by the Director, be kept on file. The second quarter reports tested during our audit were not approved by the Director, and it was noted that the Income Maintenance Report was in error. This resulted in an overcharge to the Department of Human Services for administrative expenditures.

We recommend that the Director review and sign all quarterly reports to comply with the Department of Human Services' instructions and to ensure correct reporting.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

*Family Services Director*

Action Planned:

*The Family Services Director will review and sign all quarterly reports to comply with the Department of Human Services' instructions and to ensure correct reporting. An amended report has already been filed to correct the error noted during the audit.*

Completion Date:

*June 2009 going forward*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-5 Administrative Offense Procedures

The Big Stone County Board created Administrative Offense Procedures through the adoption of two ordinances. Pursuant to these ordinances, the Sheriff's Office may issue administrative civil penalty tickets (hereinafter "administrative tickets") for various state traffic offenses including speeding, failure to obey traffic signals, and improper turns. Eleven of the County ordinance violations define the offense by referring to the appropriate section of Minn. Stat. ch. 169.

Through 2008, Minn. Stat. ch. 169 provided, and a Minnesota Attorney General's opinion concluded, that local public entities do not have authority to issue administrative tickets for state traffic offenses.

In December 2003, the Minnesota Attorney General addressed the issue of cities using similar "administrative fines" for state traffic offenses. The Minnesota Attorney General quoted Minn. Stat. § 169.022:

The provisions of this chapter shall be applicable and uniform throughout this State and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

The Minnesota Attorney General concluded that, by enacting Minn. Stat. ch. 169, the State has pre-empted the field with respect to these traffic offenses.



At Big Stone County, however, deputies decide whether to give motorists a warning, issue a state ticket, or issue a County administrative ticket for violations that are traffic offenses for both state law and County ordinance purposes. If a County administrative ticket is issued, the amount to be paid does not include the surcharges for court costs that would have been included with a state ticket, and Big Stone County keeps all the revenue without forwarding any portion to the state. In addition, state traffic violations committed in Big Stone County are kept off the state's driving records, leaving them unknown to insurance companies, law enforcement officers in other agencies, and the Minnesota Department of Public Safety. For the year ended December 31, 2008, Big Stone County has deposited \$12,077 into its General Fund from these County administrative civil penalties.

Since administrative civil penalties were not provided for in Minn. Stat. ch. 169 through 2008, they violate Minn. Stat. § 169.022.

Further, Minn. Stat. § 169.99 prescribes a uniform ticket to be used for "violations of this chapter and ordinances in conformity thereto." The administrative ticket designed and used in Big Stone County does not comply with this statute. Therefore, the use of the County's administrative ticket for Minn. Stat. ch. 169 offenses violates the express requirements of Minn. Stat. § 169.99.

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999 and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Minnesota Commissioner of Minnesota Management and Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend Big Stone County comply with Minn. Stat. ch. 169. The County should conform to the new authority provided by state law in its practice of providing administrative tickets for traffic violations. Tickets used by the County for traffic violations must be in the form prescribed by law. Administrative citations and ordinances adopted by the County must be consistent with statutory provisions.

Client's Response:

*Big Stone County originally established their administrative offense procedures under a different interpretation of Minn. Stat. ch. 169. However, Big Stone County will be adjusting their administrative offense procedures to comply with the new 2009 statute, Minn. Stat. § 169.999.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Depository Pledge Agreement (07-2)**

The County did not have a depository pledge agreement for collateral pledged by CenBank, Clinton State Bank, or Buffalo Ridge Bank.

**Resolution**

The County has a pledge agreement that complies with statutes on file for each bank with collateral.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

**Travel Policies (07-3)**

During our review of Big Stone County's disbursements, we noted meal reimbursements did not go through the payroll system, and income tax was not withheld on non-overnight meals.

**Resolution**

All non-overnight meals are now included in the payroll system.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

In 2008, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows local governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits local governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

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

GASB Statement 45 is applicable to Big Stone County for the year ended December 31, 2009.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Big Stone County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of and for the year ended December 31, 2008, and have issued our report thereon dated September 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Stone County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 97-1, 06-1, 08-1, and 08-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Big Stone County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Big Stone County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 08-5.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to Big Stone County, and it is reported for that purpose.

Big Stone County's written responses to the significant deficiencies and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 16, 2009

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

Board of County Commissioners  
Big Stone County

### Compliance

We have audited the compliance of Big Stone County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Big Stone County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Big Stone County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-3 and 08-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Big Stone County's internal control. We did not consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Stone County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 16, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Big Stone County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 16, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

Schedule 7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	\$ <u>61,513</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ <u>147,491</u>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	\$ <u>17,139</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 4,148
Temporary Assistance for Needy Families (TANF)	93.558	67,142
Child Support Enforcement Title IV-D	93.563	87,782
Refugee and Entrant Assistance	93.566	159
Child Care Cluster		
Child Care and Development Block Grant	93.575	15,365
Child Care Mandatory and Matching Funds	93.596	6,949
Foster Care - Title IV-E	93.658	42,344
Social Services Block Grant Title XX	93.667	57,744
Chafee Foster Care Independent Living	93.674	1,586
State Children's Insurance Program	93.767	174
Medical Assistance Program	93.778	176,862
Block Grants for Community Mental Health Services	93.958	<u>3,064</u>
<b>Total U.S. Department of Human Services</b>		<b>\$ <u>463,319</u></b>
<b>Corporation for National and Community Service</b>		
Direct		
Retired Senior Volunteer Program	94.002	\$ <u>45,881</u>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 4,385
Homeland Security Grant Program	97.067	27,637
Passed Through United Way		
Emergency Food and Shelter National Board Program	97.024	<u>2,526</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>34,548</u></b>
<b>Total Federal Awards</b>		<b>\$ <u>769,891</u></b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**BIG STONE COUNTY  
ORTONVILLE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. Reporting Entity

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

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual--when 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. Big Stone County considers all revenues to be available if collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

The information in the schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 605,261
Highway Planning and Construction grant monies expended in 2008 but not recognized as revenues in 2008 as the monies were not available (CFDA #20.205)	147,491
Help America Vote Act Requirements Payments grant monies unspent in 2006 and 2007 and expended in 2008 (CFDA #90.401)	<u>17,139</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 769,891</u>

4. Passed Through to Subrecipients

During 2008, the County did not pass any federal money to subrecipients.

5. Pass-Through Grant Numbers

Pass-through grant numbers were not assigned by the pass-through agencies.