

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**LAC QUI PARLE COUNTY**  
**MADISON, MINNESOTA**

**FOR THE YEAR ENDED DECEMBER 31, 2009**

## **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).

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**For the Year Ended December 31, 2009**



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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE  
LAC QUI PARLE COUNTY  
2009**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Todd Patzer	January 2013
2nd District	Albert Hoffman	January 2011
3rd District	Graylen Carlson	January 2013
4th District	Terrence Overlander*	January 2011
5th District	Harold Solem**	January 2013
<b>Officers</b>		
<b>Elected</b>		
Attorney	Richard Stulz	January 2011
Coroner	Ralph Gerbig, M.D.	January 2010
Sheriff	Graylen Carlson	January 2011
<b>Appointed</b>		
Auditor-Treasurer	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Dan Meyer	Indefinite
<b>Welfare Board</b>		
Commissioner	Todd Patzer	January 2013
Commissioner	Albert Hoffman	January 2011
Commissioner	Graylen Carlson	January 2013
Commissioner	Terrence Overlander	January 2011
Commissioner	Harold Solem	January 2013
Member	Ann Jenson	July 2011
Member	Mary Wodrich	July 2012
Director	Joel Churness	Indefinite

\*Chair 2009

\*\*Chair 2010

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE  
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
BOARD OF SUPERVISORS  
2009**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Supervisor		
Chair	Willis Beecher	April 2012
Vice Chair	Darrel Ellefson	December 2012
Treasurer	David Ludvigson	April 2011
Secretary	David Craigmile	April 2011
Publicity Chair	Daniel Christianson	April 2012
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite



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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  
Lac qui Parle County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2009, 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 did not audit the financial statements of the Lac qui Parle County Economic Development Authority, which is 2 percent, 2 percent, and 24 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed here, insofar as it relates to amounts included for the Economic Development Authority, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1.D.7. to the financial statements, Lac qui Parle County has not reported a liability for its other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not reported an expense for the current period change in the net OPEB obligation. Accounting principles generally accepted in the United States of America require that OPEB obligations, which arise from an exchange of salaries and benefits for employee service and are part of the compensation that employers offer for services received, and the annual OPEB cost be accrued as liabilities and expenses as the employees earn the right to the benefits. Accruing OPEB costs would increase liabilities, reduce net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not reporting a liability and related expense for OPEB as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Lac qui Parle County as of December 31, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2009, 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 1 through 4 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 Lac qui Parle County. The statement and schedules 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 Lac qui Parle County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of Lac qui Parle 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

December 21, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(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, 2009. 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. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

Governmental activities' total net assets are \$50,241,671, of which \$39,169,537 is invested in capital assets, and \$1,602,388 is restricted to specific purposes. The \$9,469,746 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$450,982 for the year ended December 31, 2009. A large part of the increase is attributable to the increase in highway infrastructure assets.

The net cost of governmental activities for the current fiscal year was \$4,196,211. The net cost was funded by general revenues and other items totaling \$4,647,193.

The fund balances of the governmental funds decreased by \$356,884. Most of the decrease was due to unallotment of state aids, unbudgeted capital expenditures, and spending of fund balance for road and bridge projects.

For the year ended December 31, 2009, the unreserved fund balance of the General Fund was \$2,992,176, or 88 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 required supplementary information.

## **Government-Wide Financial Statements**

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

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

The statement of activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human 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 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 in and out of these funds and the balances left at year-end 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, Road and Bridge 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 the combining statement of changes in assets and liabilities (Statement 1).

The County reports the Lac qui Parle-Yellow Bank Watershed District and the Lac qui Parle County Economic Development Authority as discretely presented component units. The Lac qui Parle County Economic Development Authority has separately issued financial statements.

## 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 \$50,241,671 at the close of 2009. The largest portion of the net assets (78.0 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as roads and bridges).

**Table 1**  
**Net Assets**

	<u>2009</u>	<u>2008</u>
Assets		
Current and other assets	\$ 11,949,140	\$ 12,493,944
Capital assets	<u>39,169,537</u>	<u>38,309,224</u>
Total Assets	<u>\$ 51,118,677</u>	<u>\$ 50,803,168</u>
Liabilities		
Long-term liabilities	\$ 336,816	\$ 350,346
Other liabilities	<u>540,190</u>	<u>662,133</u>
Total Liabilities	<u>\$ 877,006</u>	<u>\$ 1,012,479</u>
Net Assets		
Invested in capital assets	\$ 39,169,537	\$ 38,309,224
Restricted	1,602,388	1,574,489
Unrestricted	<u>9,469,746</u>	<u>9,906,976</u>
Total Net Assets	<u>\$ 50,241,671</u>	<u>\$ 49,790,689</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 18.8 percent of the net assets.

### Governmental Activities

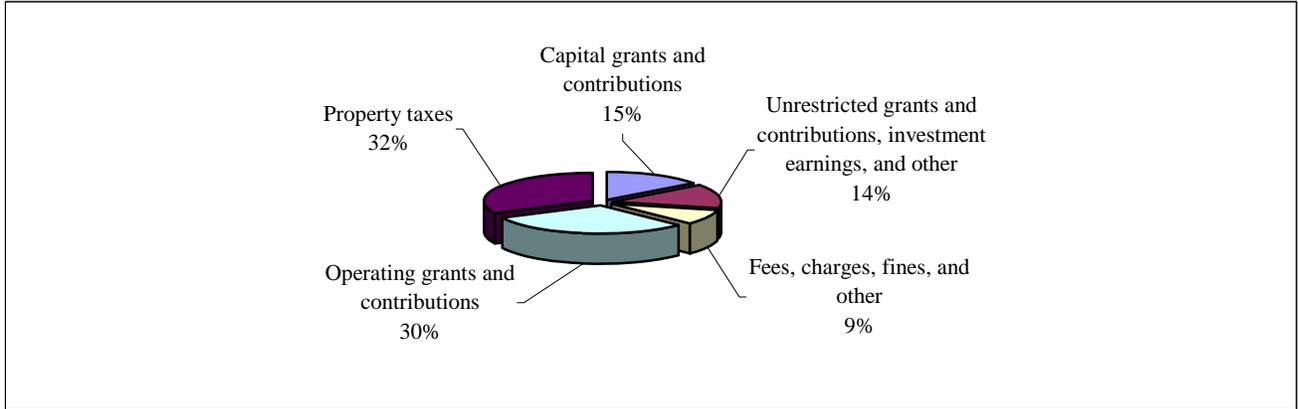
The County's activities increased net assets by 0.9 percent (\$50,241,671 for 2009 compared to \$49,790,689 for 2008). Key elements in this increase in net assets are as follows:

**Table 2**  
**Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	\$ 886,329	\$ 799,414
Operating grants and contributions	3,073,701	3,502,064
Capital grants and contributions	1,478,614	2,667,825
General revenues		
Property taxes	3,244,023	3,025,715
Other	<u>1,403,170</u>	<u>1,599,251</u>
Total Revenues	<u>\$ 10,085,837</u>	<u>\$ 11,594,269</u>
Expenses		
General government	\$ 1,671,972	\$ 1,048,488
Public safety	959,825	927,645
Highways and streets	4,133,861	3,888,978
Sanitation	128,760	124,978
Human services	2,024,175	1,897,836
Health	67,539	67,539
Culture and recreation	204,220	153,708
Conservation of natural resources	427,933	452,211
Economic development	<u>16,570</u>	<u>7,000</u>
Total Expenses	<u>\$ 9,634,855</u>	<u>\$ 8,568,383</u>
Increase in Net Assets	\$ 450,982	\$ 3,025,886
Net Assets - January 1	<u>49,790,689</u>	<u>46,764,803</u>
Net Assets - December 31	<u>\$ 50,241,671</u>	<u>\$ 49,790,689</u>

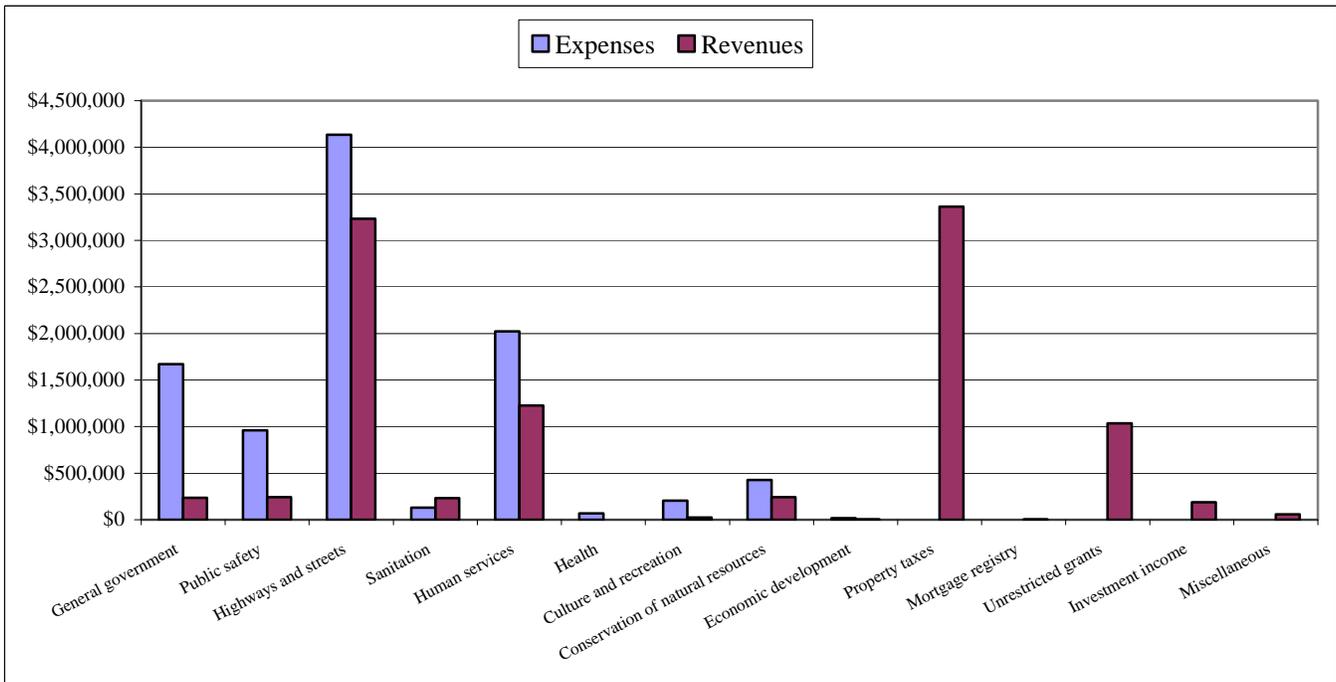
The County's total revenues were \$10,085,837. Table 3 presents the percent of total County revenues by source for the year ended December 31, 2009.

**Table 3  
County Revenues**



Total expenses were \$9,634,855, while total revenues were \$10,085,837. This reflects a \$450,982 increase in net assets for the year ended December 31, 2009. Table 4 presents the expenses and revenues of each program, as well as the County's general revenues.

**Table 4  
Revenues and Expenses**



The cost of all governmental activities this year was \$9,634,855. 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 \$3,244,023, because some of the cost was paid by those who directly benefited from the programs (\$886,329) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,552,315). The County paid for the remaining “public benefit” portion of governmental activities with \$1,403,170 in general revenues, such as grants and contributions not restricted to specific programs, and interest.

Table 5 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 5  
Governmental Activities  
(in Thousands)**

	Total Cost of Services	Net Cost of Services
Highways and streets	\$ 4,134	\$ 903
Human services	2,024	797
General government	1,672	1,435
Public safety	960	717
All others	845	344
Totals	\$ 9,635	\$ 4,196

## **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 \$9,969,493, a decrease of \$356,884 in comparison with the prior year. Of the combined ending fund balances, \$9,186,875 represents unreserved fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$2,992,176. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund's unreserved fund balance represents 88 percent of total General Fund expenditures. During 2009, the ending fund balance decreased by \$434,515. The primary reasons for this decrease were unbudgeted capital outlays, reductions in state aids received, and less than expected investment revenue.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,701,151 at fiscal year-end, representing 34.3 percent of its annual expenditures. The ending fund balance decreased \$199,446 during 2009, primarily due to budgeted spending of fund balances to fund construction and maintenance projects.

The Family Services Special Revenue Fund had an unreserved fund balance of \$3,740,862 at fiscal year-end, representing 186.3 percent of its annual expenditures. The ending fund balance increased \$192,237 during 2009, due to expenditures being far less than budgeted in several programs.

The Ditch Special Revenue Fund had an unreserved fund balance of \$752,686 at fiscal year-end. The ending fund balance increased \$84,840 during 2009, primarily due to the 107 ditches needing less maintenance than was anticipated.

### **General Fund Budgetary Highlights**

The actual charges to appropriations (expenditures) were \$414,222 higher than the final budget amounts. The most significant departmental variance occurred in the Sheriff's Department, due to the unbudgeted purchase of an emergency backup generator for the County Annex Building and also overtime wages incurred to cover a significant paid leave of absence for one full-time employee. A significant negative variance, \$66,146, occurred in the County Buildings and Plant (Custodian) Department, due to unbudgeted purchases of office furniture for the County Annex Building and unbudgeted special assessments placed on County buildings in the City of Madison. Reasons for other significant variances of actual expenditures from final budget included unbudgeted staffing increases in the Veterans Service Office, the shifting of costs from the state to provide public defenders for parents in CHIPs (child in need of protective services) cases, and a pass-through grant to the Appleton Ridge Runners Snowmobile Club.

Resources available for appropriation were \$73,621 above the final budgeted amount. This was primarily due to the receipt of funds for a pass-through grant to the Appleton Ridge Runners Snowmobile Club for the purchase of trail grooming equipment. This single large transaction was countered by less than expected investment revenue and reductions in general state aid.

## CAPITAL ASSETS

The County's capital assets at December 31, 2009, totaled \$39,169,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

**Table 6**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 165,103	\$ -	\$ 200	\$ 164,903
Right-of-way	470,198	-	-	470,198
Total capital assets not depreciated	\$ 635,301	\$ -	\$ 200	\$ 635,101
Capital assets depreciated				
Buildings	\$ 2,230,567	\$ -	\$ 48,469	\$ 2,182,098
Machinery, furniture, and equipment	3,919,583	422,070	89,671	4,251,982
Infrastructure	45,663,547	1,742,082	-	47,405,629
Total capital assets depreciated	\$ 51,813,697	\$ 2,164,152	\$ 138,140	\$ 53,839,709
Less: accumulated depreciation for				
Buildings	\$ 537,813	\$ 50,935	\$ 41,513	\$ 547,235
Machinery, furniture, and equipment	2,473,629	289,215	81,116	2,681,728
Infrastructure	11,128,332	947,978	-	12,076,310
Total accumulated depreciation	\$ 14,139,774	\$ 1,288,128	\$ 122,629	\$ 15,305,273
Total capital assets depreciated, net	\$ 37,673,923	\$ 876,024	\$ 15,511	\$ 38,534,436
Governmental Activities Capital Assets, Net	\$ 38,309,224	\$ 876,024	\$ 15,711	\$ 39,169,537

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2010 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2009 was 5.9 percent. This is comparable with the state unemployment rate of 6.9 percent and shows an increase of 1.0 percent from the County's 4.9 percent rate of one year ago. This could impact the level of services requested by County residents.

- Real estate values are increasing across the County, particularly tillable agricultural land. In addition, the state statutes relating to Limited Market Value expired in 2009, which will result in a second surge in values.
- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's significant reserve balances have in the past been used to generate investment revenues used to offset necessary property tax levy dollars.
- State County Program Aid (CPA) for 2010 is expected to be reduced significantly due to economic conditions affecting the State of Minnesota. A recession has created a loss of revenue for the state, and local government aid is expected to be one of the first cuts made by the state as a result. Furthermore, the CPA funding is based on a formula that takes into account, amongst other factors, land values (which are rising in Lac qui Parle County), incidence of major crime, and percentage of the population on food stamp assistance. These economic indicators are trending in a positive direction for Lac qui Parle County, which translates to reduced CPA in the future.
- Wage increases for the area are not keeping up with increased cost of living expenses, including energy costs, health care, and property taxes.
- The County General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund expenditures for 2010 are budgeted to decrease 10.4 percent (\$1,099,812) over the 2009 original budget. The 2010 anticipated revenues for the same funds are budgeted to decrease 7.5 percent (\$759,907) over the 2009 original budget.
- The 2010 property tax levy for the County increased zero percent from 2009. The County Board of Commissioners chose not to increase the property tax levy to provide a measure of short-term property tax relief to agricultural land owners who have realized significant increases in their taxable value due to both market conditions and the expiration of the Limited Market Value laws.

## LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

The Lac qui Parle-Yellow Bank Watershed District is a component unit of the County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

### FINANCIAL HIGHLIGHTS

Governmental activities' total net assets are \$5,951,159, of which \$5,149,544 is invested in capital assets, and \$801,615 is unrestricted.

The District's net assets decreased by \$152,522 for the year ended December 31, 2009. A large part of the increase is attributable to decreased intergovernmental revenues.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,951,159 at the close of 2009. The largest portion of the net assets (86.5 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

**Table 7  
Net Assets**

	2009	2008
Assets		
Current and other assets	\$ 1,294,580	\$ 1,233,181
Capital assets	5,149,544	5,216,505
Total Assets	\$ 6,444,124	\$ 6,449,686
Liabilities		
Long-term liabilities	\$ 312,656	\$ 260,737
Other liabilities	180,309	85,268
Total Liabilities	\$ 492,965	\$ 346,005
Net Assets		
Invested in capital assets	\$ 5,149,544	\$ 5,216,505
Unrestricted	801,615	887,176
Total Net Assets	\$ 5,951,159	\$ 6,103,681

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Lac qui Parle 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's Auditor-Treasurer, Jake Sieg, Lac qui Parle County Courthouse, 600 - 6th Street, Madison, Minnesota 56256.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>	
		<u>Lac qui Parle- Yellow Bank Watershed District</u>	<u>Lac qui Parle County Economic Development Authority</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 5,593,493	\$ 976,278	\$ 142,381
Investments	4,300,000	-	-
Receivables - net	1,960,176	317,851	3,996
Due from component unit	12,000	-	-
Due from primary government	-	-	8,533
Inventories	83,302	-	-
Prepaid items	169	451	-
Capital assets			
Non-depreciable capital assets	635,101	628,458	-
Depreciable capital assets - net of accumulated depreciation	<u>38,534,436</u>	<u>4,521,086</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 51,118,677</u></b>	<b><u>\$ 6,444,124</u></b>	<b><u>\$ 154,910</u></b>
<b><u>Liabilities</u></b>			
Accounts payable and other current liabilities	\$ 490,002	\$ 48,255	\$ 5,857
Unearned revenue	41,655	98,088	-
Due to component unit	8,533	-	-
Due to primary government			
Due within one year	-	6,000	-
Due in more than one year	-	6,000	-
Long-term liabilities			
Due within one year	52,021	27,966	-
Due in more than one year	<u>284,795</u>	<u>306,656</u>	<u>3,543</u>
<b>Total Liabilities</b>	<b><u>\$ 877,006</u></b>	<b><u>\$ 492,965</u></b>	<b><u>\$ 9,400</u></b>
<b><u>Net Assets</u></b>			
Invested in capital assets	\$ 39,169,537	\$ 5,149,544	\$ -
Restricted for			
Other purposes	75,203	-	-
Public safety	169,151	-	-
Highways and streets	1,348,630	-	-
Human services	9,404	-	-
Unrestricted	<u>9,469,746</u>	<u>801,615</u>	<u>145,510</u>
<b>Total Net Assets</b>	<b><u>\$ 50,241,671</u></b>	<b><u>\$ 5,951,159</u></b>	<b><u>\$ 145,510</u></b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 1,671,972	\$ 148,758
Public safety	959,825	48,935
Highways and streets	4,133,861	144,698
Sanitation	128,760	176,832
Human services	2,024,175	148,646
Health	67,539	-
Culture and recreation	204,220	100
Conservation of natural resources	427,933	218,360
Economic development	16,570	-
	<b>\$ 9,634,855</b>	<b>\$ 886,329</b>
<b>Total Primary Government</b>		
<b>Component units</b>		
Lac qui Parle-Yellow Bank Watershed District	\$ 704,241	\$ 173,462
Lac qui Parle County Economic Development Authority	160,686	-
	<b>\$ 864,927</b>	<b>\$ 173,462</b>
<b>Total Component Units</b>		
<b>General Revenues</b>		
Property taxes		
Mortgage registry and deed tax		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Investment income		
Miscellaneous		
<b>Total general revenues</b>		
<b>Change in net assets</b>		
<b>Net Assets - Beginning</b>		
<b>Net Assets - Ending</b>		

**EXHIBIT 2**

		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
		<b>Discretely Presented Component Units</b>		
<b>Program Revenues</b>		<b>Primary Governmental Activities</b>	<b>Lac qui Parle- Yellow Bank Watershed District</b>	<b>Lac qui Parle County Economic Development Authority</b>
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>			
\$ 88,319	\$ -	\$ (1,434,895)		
159,774	34,574	(716,542)		
1,642,233	1,444,040	(902,890)		
55,475	-	103,547		
1,078,332	-	(797,197)		
-	-	(67,539)		
23,751	-	(180,369)		
23,135	-	(186,438)		
2,682	-	(13,888)		
<b>\$ 3,073,701</b>	<b>\$ 1,478,614</b>	<b>\$ (4,196,211)</b>		
\$ 120,556	\$ 5,000		\$ (405,223)	\$ -
-	-		-	(160,686)
<b>\$ 120,556</b>	<b>\$ 5,000</b>		<b>\$ (405,223)</b>	<b>\$ (160,686)</b>
		\$ 3,244,023	\$ 191,455	\$ 77,358
		3,211	-	-
		118,267	1,532	-
		1,037,005	17,723	90,533
		186,675	20,598	2,776
		58,012	21,393	157
		<b>\$ 4,647,193</b>	<b>\$ 252,701</b>	<b>\$ 170,824</b>
		\$ 450,982	\$ (152,522)	\$ 10,138
		<b>49,790,689</b>	<b>6,103,681</b>	<b>135,372</b>
		<b>\$ 50,241,671</b>	<b>\$ 5,951,159</b>	<b>\$ 145,510</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 3,062,937	\$ 400,920	\$ 1,290,766	\$ 768,856	\$ 5,523,479
Undistributed cash in agency funds	30,539	20,063	12,540	2,622	65,764
Petty cash and change funds	4,150	-	100	-	4,250
Investments	325,000	1,550,000	2,425,000	-	4,300,000
Taxes receivable					
Prior	28,869	21,847	14,230	-	64,946
Special assessments receivable					
Prior	7,678	-	-	1,775	9,453
Noncurrent	-	-	-	109,549	109,549
Accounts receivable	8,087	3,380	18,668	-	30,135
Accrued interest receivable	15,558	3,596	3,256	-	22,410
Due from other governments	58,092	1,258,223	92,347	14,136	1,422,798
Due from component unit	12,000	-	-	-	12,000
Loans receivable	300,885	-	-	-	300,885
Inventories	-	83,302	-	-	83,302
Prepaid items	169	-	-	-	169
<b>Total Assets</b>	<b><u>\$ 3,853,964</u></b>	<b><u>\$ 3,341,331</u></b>	<b><u>\$ 3,856,907</u></b>	<b><u>\$ 896,938</u></b>	<b><u>\$ 11,949,140</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 103,081	\$ 108,651	\$ 48,633	\$ 32,928	\$ 293,293
Salaries payable	44,021	77,750	36,722	-	158,493
Due to other governments	31,160	-	7,056	-	38,216
Due to component unit	8,533	-	-	-	8,533
Deferred revenue - unavailable	36,547	1,277,356	14,230	111,324	1,439,457
Deferred revenue - unearned	41,655	-	-	-	41,655
<b>Total Liabilities</b>	<b>\$ 264,997</b>	<b>\$ 1,463,757</b>	<b>\$ 106,641</b>	<b>\$ 144,252</b>	<b>\$ 1,979,647</b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 83,302	\$ -	\$ -	\$ 83,302
Prepaid items	169	-	-	-	169
Missing heirs	5,589	-	-	-	5,589
Recorder's compliance fund	39,104	-	-	-	39,104
Recorder's technology fund	23,269	-	-	-	23,269
Enhanced 911	169,151	-	-	-	169,151
Attorney's forfeited property	7,241	-	-	-	7,241
Cemetery	1,000	-	-	-	1,000
Due from component unit	12,000	-	-	-	12,000
Highway allotments	-	93,121	-	-	93,121
Unspent grant monies	-	-	9,404	-	9,404
Loans receivable	300,885	-	-	-	300,885
EDA loans	38,383	-	-	-	38,383
Unreserved					
Designated for					
Future expenditures	-	821,400	-	-	821,400
Capital improvements	2,213,509	-	1,749,882	-	3,963,391
Capital equipment	-	323,900	-	-	323,900
Out-of-home placements	-	-	250,000	-	250,000
Administration	-	-	150,000	-	150,000
Poor relief	-	-	300,000	-	300,000
Solid waste assessments	274,076	-	-	-	274,076
Flex account	1,905	-	-	-	1,905
Recorder enhancement	3,813	-	-	-	3,813
Building and grounds	-	10,100	-	-	10,100
Undesignated	498,873	545,751	1,290,980	752,686	3,088,290
<b>Total Fund Balances</b>	<b>\$ 3,588,967</b>	<b>\$ 1,877,574</b>	<b>\$ 3,750,266</b>	<b>\$ 752,686</b>	<b>\$ 9,969,493</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,853,964</b>	<b>\$ 3,341,331</b>	<b>\$ 3,856,907</b>	<b>\$ 896,938</b>	<b>\$ 11,949,140</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balance - total governmental funds (Exhibit 3)</b>	<b>\$ 9,969,493</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.	39,169,537
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,439,457
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(336,816)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b><u>\$ 50,241,671</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 1,415,194	\$ 1,117,536	\$ 698,911	\$ -	\$ 3,231,641
Special assessments	100,315	-	-	202,958	303,273
Licenses and permits	14,032	-	-	-	14,032
Intergovernmental	913,696	3,473,924	1,300,788	-	5,688,408
Charges for services	215,189	42,600	87,559	-	345,348
Fines and forfeits	36,186	-	-	-	36,186
Gifts and contributions	100	-	-	-	100
Investment earnings	146,631	43,028	57,415	-	247,074
Miscellaneous	122,407	71,082	61,087	160	254,736
<b>Total Revenues</b>	<b>\$ 2,963,750</b>	<b>\$ 4,748,170</b>	<b>\$ 2,205,760</b>	<b>\$ 203,118</b>	<b>\$ 10,120,798</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,677,906	\$ -	\$ -	\$ -	\$ 1,677,906
Public safety	878,630	-	-	-	878,630
Highways and streets	-	4,634,313	-	-	4,634,313
Sanitation	126,624	-	-	-	126,624
Human services	-	-	2,013,523	-	2,013,523
Health	3,000	-	-	-	3,000
Culture and recreation	204,220	-	-	-	204,220
Conservation of natural resources	297,998	-	-	129,217	427,215
Economic development	16,570	-	-	-	16,570
<b>Intergovernmental</b>	<b>184,064</b>	<b>318,823</b>	<b>-</b>	<b>-</b>	<b>502,887</b>
<b>Total Expenditures</b>	<b>\$ 3,389,012</b>	<b>\$ 4,953,136</b>	<b>\$ 2,013,523</b>	<b>\$ 129,217</b>	<b>\$ 10,484,888</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (425,262)</b>	<b>\$ (204,966)</b>	<b>\$ 192,237</b>	<b>\$ 73,901</b>	<b>\$ (364,090)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ -	\$ -	\$ 10,939	\$ 10,939
Transfers out	(10,939)	-	-	-	(10,939)
Proceeds from sale of capital assets	1,686	29,330	-	-	31,016
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (9,253)</b>	<b>\$ 29,330</b>	<b>\$ -</b>	<b>\$ 10,939</b>	<b>\$ 31,016</b>
<b>Net Change in Fund Balance</b>	<b>\$ (434,515)</b>	<b>\$ (175,636)</b>	<b>\$ 192,237</b>	<b>\$ 84,840</b>	<b>\$ (333,074)</b>
<b>Fund Balance - January 1</b>	<b>4,023,482</b>	<b>2,077,020</b>	<b>3,558,029</b>	<b>667,846</b>	<b>10,326,377</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(23,810)</b>	<b>-</b>	<b>-</b>	<b>(23,810)</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,588,967</b>	<b>\$ 1,877,574</b>	<b>\$ 3,750,266</b>	<b>\$ 752,686</b>	<b>\$ 9,969,493</b>

**LAC QUI PARLE COUNTY  
MADISON, 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, 2009**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (333,074)**

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	\$ 1,439,457	
Deferred revenue - January 1	<u>(1,505,434)</u>	(65,977)

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. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 2,164,152	
Net book value of assets disposed of	(15,711)	
Current year depreciation	<u>(1,288,128)</u>	860,313

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 compensated absences	\$ 13,530	
Change in inventories	<u>(23,810)</u>	<u>(10,280)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 450,982**

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## **FIDUCIARY FUNDS**

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LAC QUI PARLE COUNTY  
MADISON, MINNESOTA

*EXHIBIT 7*

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u>290,525</u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ <u>290,525</u>

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2009. 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

Lac qui Parle County was established in 1871 and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presently component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Lac qui Parle County are discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Lac qui Parle-Yellow Bank Watershed District	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements are not prepared.
Lac qui Parle County Economic Development Authority	County appoints a majority of the Board, and it is a financial burden to the County.	Separate financial statements can be obtained at: 600 - 6th Street, Suite 10 Madison, Minnesota 56256

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

Significant accounting policies of the component units do not differ significantly from those of the County.

Joint Ventures

The County participates in several joint ventures which are described in Note 6.C. The County also participates in jointly-governed organizations described in Note 6.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenues.

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 County first utilizes restricted resources to finance qualifying activities.

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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. All governmental funds are reported 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.

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

The 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:

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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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. Lac qui Parle 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 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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$146,631.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activity between funds 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.

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 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. Capital Assets

The County and the Lac qui Parle-Yellow Bank Watershed District define capital assets as assets with an initial, individual cost of more than \$5,000 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 value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30 - 66
Land improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	5 - 25

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. 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 that are not considered to be available to liquidate liabilities of the current period.

7. 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. At December 31, 2009, Lac qui Parle County reported no bonded debt.

The County has not calculated its other postemployment benefits (OPEB) obligation in order to report the liability on the government-wide statement of net assets. Therefore, the change in the net OPEB obligation has not been reported in the government-wide statement of activities. These are departures from generally accepted accounting principles.

8. 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 subject to change.

9. Use of Estimates

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Fund	Expenditures	Final Budget	Excess
General	\$ 3,389,012	\$ 2,974,790	\$ 414,222

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments	\$ 5,593,493	
Investments	4,300,000	
Statement of fiduciary net assets		
Cash and pooled investments	290,525	
Total Cash and Investments	\$ 10,184,018	
Petty cash and change funds		\$ 4,250
Checking	25,215	
Money market savings	8,854,553	
Certificates of deposit	1,300,000	
Total Deposits and Investments	\$ 10,184,018	

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better and 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 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 of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2009, the County deposits were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (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;

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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 rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. At December 31, 2009, none of the County's investments were subject to custodial credit risk.

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. Lac qui Parle County mitigates the concentration of credit risk by purchasing certificates of deposit from multiple banks.

2. Receivables/Due From Component Unit

Receivables

Receivables as of December 31, 2009, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 64,946	\$ -
Special assessments	119,002	109,549
Due from other governments	1,422,798	-
Accounts receivable	30,135	-
Loan receivable	300,885	252,003
Interest	22,410	-
	\$ 1,960,176	\$ 361,552

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables/Due From Component Unit (Continued)

Due From Component Unit

The Lac qui Parle-Yellow Bank Watershed District has a balance due to the Lac qui Parle County General Fund at December 31, 2009, of \$12,000. The balance is being repaid in annual installments of \$6,000.

Loans Receivable

The County received funds from the Community Development Block Grant in 2008 for Noah's Ark Holding, LLC, of Dawson. The grant agreement states these funds are to be repaid to the County and used under specific conditions. At December 31, 2009, the County has a loan receivable from Noah's Ark Holding, LLC, with a balance remaining of \$300,885, which is to be repaid in monthly installments of \$4,770.

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 165,103	\$ -	\$ 200	\$ 164,903
Right-of-way	470,198	-	-	470,198
Total capital assets not depreciated	\$ 635,301	\$ -	\$ 200	\$ 635,101
Capital assets depreciated				
Buildings	\$ 2,230,567	\$ -	\$ 48,469	\$ 2,182,098
Machinery, furniture, and equipment	3,919,583	422,070	89,671	4,251,982
Infrastructure	45,663,547	1,742,082	-	47,405,629
Total capital assets depreciated	\$ 51,813,697	\$ 2,164,152	\$ 138,140	\$ 53,839,709

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 537,813	\$ 50,935	\$ 41,513	\$ 547,235
Machinery, furniture, and equipment	2,473,629	289,215	81,116	2,681,728
Infrastructure	11,128,332	947,978	-	12,076,310
	<u>\$ 14,139,774</u>	<u>\$ 1,288,128</u>	<u>\$ 122,629</u>	<u>\$ 15,305,273</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 37,673,923</u>	<u>\$ 876,024</u>	<u>\$ 15,511</u>	<u>\$ 38,534,436</u>
Capital Assets, Net	<u>\$ 38,309,224</u>	<u>\$ 876,024</u>	<u>\$ 15,711</u>	<u>\$ 39,169,537</u>

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

Governmental Activities	
General government	\$ 40,810
Public safety	32,217
Highways and streets, including infrastructure assets	1,208,018
Sanitation	2,136
Human services	3,887
Conservation	1,060
	<u>1,060</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,288,128</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

During 2009, the General Fund transferred \$10,939 to the Ditch Special Revenue Fund for its share of interest earnings.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 293,293
Salaries	158,493
Due to other governments	<u>38,216</u>
Total Payables	<u>\$ 490,002</u>

Due To Component Unit

Lac qui Parle County has \$8,533 due from the General Fund to the Lac qui Parle County Economic Development Authority at December 31, 2009. The balance is expected to be liquidated in the subsequent year.

2. Other Postemployment Benefits (OPEB)

Employees' Health Insurance Benefits

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2009.

Retired Officials' Health Insurance Benefits

The County pays the health insurance for qualified retired elected officials. The elected official will receive one year of paid insurance for every four years of service to Lac qui Parle County after they have served for eight years and one day. A maximum of four years of paid insurance is available to elected officials or until

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

2. Other Postemployment Benefits (OPEB)

Retired Officials' Health Insurance Benefits (Continued)

they become eligible for Medicare. As of year-end December 31, 2009, the County has four eligible participants. The County finances the plan on a pay-as-you-go basis and, during 2009, the County expended \$22,980 for these benefits.

3. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Compensated Absences
Payable - January 1	\$ 350,346
Net changes	(13,530)
Payable - December 31	\$ 336,816
Amount Due Within One Year	\$ 52,021

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional 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. Under 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. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional 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, the Public Employees Police and Fire Fund, and the Public Employees Correctional 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 investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County, the Lac qui Parle-Yellow Bank Watershed District, and the Lac qui Parle County Economic Development Authority make annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County and the Lac qui Parle-Yellow Bank Watershed District are required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

Lac qui Parle County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 161,487	\$ 148,671	\$ 138,542
Public Employees Police and Fire Fund	48,521	44,218	39,223
Public Employees Correctional Fund	7,571	7,988	7,272

Lac qui Parle-Yellow Bank Watershed District's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 7,948	\$ 7,462	\$ 6,108

The contribution amounts for the County and the Lac qui Parle-Yellow Bank Watershed District are equal to the contractually required contributions for each year as set by state statute.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

Three employees of Lac qui Parle County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the 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 Lac qui Parle County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,039	\$ 3,039
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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5. Risk Management

Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are 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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For employee group health insurance benefits, the County is a member of the Southwest/West Central Service Cooperative (Service Cooperative). For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

A. Subsequent Event

The County partnered with Farmer's Mutual Telephone Cooperative to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant and plans to begin the project in 2011.

B. Contingent Liabilities

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

Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District, in conjunction with the normal conduct of their affairs, are involved in various claims, judgments, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney and the Watershed District's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Lincoln-Pipestone Rural Water System

At December 31, 2009, the Lincoln-Pipestone Rural Water System had \$36,989,000 of general obligation bonds outstanding through 2034. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

In 2010, Nobles County issued a general obligation bond for \$800,000 on behalf of the Lincoln-Pipestone Rural Water System to finance the water expansion and internal improvements necessary for the delivery of water to its customers. Each of the participating counties adopted a board resolution to approve an updated joint powers agreement to guarantee the payment of the bond.

C. Joint Ventures

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, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Consortium Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The Consortium Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium 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.

**LAC QUI PARLE COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2009:

Total assets	\$ 2,304,308
Total liabilities	327,637
Total net assets	1,976,671
Total revenues	4,271,686
Total expenses	4,327,451
Net decrease in net assets	55,765

The Consortium Board reported no long-term obligations at December 31, 2009.

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.

Countryside Public Health Service

Lac qui Parle County participates with Big Stone, Chippewa, Swift, and Yellow Medicine Counties in a joint venture to provide community health services. The governing board consists of 11 members, 3 from Yellow Medicine County and 2 from each of the other participating counties. Lac qui Parle County's contribution to the Countryside Public Health Service for the year ended December 31, 2009, was \$64,539.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Lac qui Parle County participates with Chippewa, Swift, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

**LAC QUI PARLE COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 6W Community Corrections (Continued)

The County Boards of the participating counties have direct authority over and responsibility for the Community Corrections' activities. Lac qui Parle County's contribution for the year ended December 31, 2009, was \$119,525.

Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

The County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center--commonly referred to as the Prairie Lakes Youth Programs (PLYP)--pursuant to Minn. Stat. § 471.59.

The PLYP provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the PLYP is vested in a joint board composed of one Commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency and the directors of the family services or human services departments of the counties participating in the agreement. The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

Financing for the PLYP is provided by charges for services to member and nonmember counties. Kandiyohi County, under a separate agreement with the PLYP, provides accounting and payroll services and, in an agent capacity, reports the cash transactions of the PLYP as an agency fund on its financial statements.

Complete financial information can be obtained from the Kandiyohi County Auditor/Treasurer's Office or the PLYP's office, P. O. Box 894, Willmar, Minnesota 56201.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System

Lac qui Parle County, along with Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System, pursuant to Minn. Stat. ch. 116A. The Rural Water System is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Rural Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2009, were \$36,989,000.

The Lincoln-Pipestone Rural Water System's 2009 financial report shows total net assets of \$37,083,055, including unrestricted net assets of \$26,538,044. The decrease in net assets for the year ended December 31, 2009, was \$979,969.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Southwest Minnesota Regional Radio Board

The Southwest Minnesota Regional Radio Board Joint Powers Board was established April 22, 2008, between Lac qui Parle County, the City of Marshall, the City of Worthington, and 12 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).

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Minnesota Regional Radio Board (Continued)

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

During 2009, Lac qui Parle County did not make any contributions to the Joint Powers Board.

D. Jointly-Governed Organizations

Minnesota River Basin Joint Powers Board

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Lac qui Parle County and 38 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an Executive Board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

During 2009, the County contributed \$11,570 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Pioneer Land Regional Library System

Lac qui Parle County, along with several cities and other counties, participates in the Pioneer Land Regional Library System in order to provide efficient and improved regional public library service. During the year, the County contributed \$79,044 to the Library System.

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle-Yellow Bank Watershed District has the following significant accounting policies.

Reporting Entities

The Lac qui Parle-Yellow Bank Watershed District is governed by a five-member Board of Supervisors, three members appointed by the Lac qui Parle County Board, one member appointed by the Yellow Medicine County Board, and one member appointed by the Lincoln County Board.

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

Basis of Presentation

The Lac qui Parle-Yellow Bank Watershed District does not prepare separate financial statements. The District has the following major governmental funds:

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

The 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.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

A. Summary of Significant Accounting Policies (Continued)

Deposits and Investments

Deposits and investments are reported at their fair value at December 31, 2009, based on market price.

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

Reconciliation of the District's total deposits, cash on hand, and investments to the basic financial statements follows:

Cash and pooled investments	\$	<u>976,278</u>
Checking	\$	225,529
Money market savings		95,749
Certificates of deposit		<u>655,000</u>
Total Deposits and Investments	\$	<u><u>976,278</u></u>

Receivables

Receivables as of December 31, 2009, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 6,173	\$ -
Special assessments	278,628	221,024
Due from other governments	23,005	-
Interest	<u>10,045</u>	<u>-</u>
Total Receivables	<u><u>\$ 317,851</u></u>	<u><u>\$ 221,024</u></u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Capital assets depreciated				
Buildings	\$ 95,410	\$ -	\$ -	\$ 95,410
Machinery, furniture, and equipment	53,967	-	-	53,967
Land improvements	244,277	-	-	244,277
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,727,861	\$ -	\$ -	\$ 5,727,861
Less: accumulated depreciation for				
Buildings	\$ 37,207	\$ 2,007	\$ -	\$ 39,214
Machinery, furniture, and equipment	39,241	3,512	-	42,753
Land improvements	78,137	8,100	-	86,237
Infrastructure	985,229	53,342	-	1,038,571
Total accumulated depreciation	\$ 1,139,814	\$ 66,961	\$ -	\$ 1,206,775
Total capital assets depreciated, net	\$ 4,588,047	\$ (66,961)	\$ -	\$ 4,521,086
Capital Assets, Net	\$ 5,216,505	\$ (66,961)	\$ -	\$ 5,149,544

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

Conservation of natural resources	\$ 53,342
Culture and recreation	13,619
Total Depreciation Expense	<u>\$ 66,961</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

B. Detailed Notes on All Funds

1. Assets (Continued)

Interfund Receivables, Payables, and Transfers

Interfund balances for the Lac qui Parle-Yellow Bank Watershed District as of December 31, 2009, were as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Ditch Special Revenue Fund	General Fund	\$ 2,879

The outstanding balance between funds results from interest for a Ditch Special Revenue Fund certificate of deposit that was deposited into the General Fund. The balance is expected to be liquidated in the subsequent year.

2. Liabilities

Payables

Payables at December 31, 2009, were as follows:

Accounts	\$ 40,877
Salaries	7,378
Total Payables	\$ 48,255

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District did not have any active construction projects as of December 31, 2009.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Loans Payable

The Lac qui Parle-Yellow Bank Watershed District entered into a loan agreement with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Long-term debt outstanding at December 31, 2009, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 293,540
Lac qui Parle River Water Mainstem Quality Enhancement Project	Not finalized	Not finalized	Not finalized	<u>35,480</u>	<u>35,480</u>
Total Loans Payable				<u>\$ 329,020</u>	<u>\$ 329,020</u>

Other Long-Term Liabilities

Due to Primary Government

The Lac qui Parle-Yellow Bank Watershed District has a balance due to the Lac qui Parle County General Fund at December 31, 2009, of \$12,000. The balance is being repaid in annual installments of \$6,000.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

7. Component Unit Disclosures - Lac qui Parle-Yellow Bank Watershed District

B. Detailed Notes on All Funds

2. Liabilities

Other Long-Term Liabilities (Continued)

Debt Service Requirements

Debt service requirements at December 21, 2009, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 26,796	\$ 5,737
2011	27,334	5,199
2012	27,884	4,649
2013	28,444	4,089
2014	29,016	3,517
2015 - 2019	<u>154,066</u>	<u>8,600</u>
Total	<u>\$ 293,540</u>	<u>\$ 31,791</u>

Clean water loans of \$35,480 for the Water Quality Enhancement Project were not included in the debt service requirements because fixed repayment schedules are not available.

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2009, were:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>	<u>Amount Due Within One Year</u>
Due to primary government	\$ 18,000	\$ -	\$ 6,000	\$ 12,000	\$ 6,000
Loan payable	\$ 263,710	\$ 65,310	\$ -	\$ 329,020	\$ 26,796
Compensated absences	4,707	895	-	5,602	1,170
Total	<u>\$ 268,417</u>	<u>\$ 66,205</u>	<u>\$ -</u>	<u>\$ 334,622</u>	<u>\$ 27,966</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the Lac qui Parle County Economic Development Authority has the following significant accounting policies.

Reporting Entity

The Lac qui Parle County Economic Development Authority is a public body politic and corporate and a political subdivision of the State of Minnesota. The primary purpose of the Authority is to serve as an Economic Development Authority pursuant to Minn. Stat. ch. 469. The Authority is governed by a Board of Commissioners consisting of seven members. Two members are from the County Board of Commissioners, three members are “at large” from within the County, and two members are appointed--one from the City of Dawson and one from the City of Madison.

Because of the significance of the financial relationship, Lac qui Parle County considers this entity a major component unit.

Basis of Presentation

The Lac qui Parle County Economic Development Authority prepares separate financial statements. The District presents the following major governmental fund:

The General Fund includes all transactions relating to the Authority.

Deposits and Investments

Cash and temporary investments include balances invested to the extent available in various securities as authorized by state law. Short-term, highly liquid debt instruments (including commercial paper, bankers’ acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority  
(Continued)

B. Detailed Notes

1. Assets

Receivables

Receivables as of December 31, 2009, for the Lac qui Parle County Economic Development Authority follow:

Governmental Activities	
Taxes	\$ 3,587
Interest	<u>409</u>
Total Governmental Activities	<u>\$ 3,996</u>

Due From Primary Government

Lac qui Parle County has a balance due to the Lac qui Parle County Economic Development Authority at December 31, 2009, of \$8,533. The balance is expected to be liquidated in the subsequent year.

Capital Assets

The Authority had no capital assets at December 31, 2009.

2. Liabilities

Payables

Payables at December 31, 2009, were as follows:

Accounts	\$ 3,108
Salaries	2,087
Due to other governments	<u>662</u>
Total Payables	<u>\$ 5,857</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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8. Component Unit Disclosures - Lac qui Parle County Economic Development Authority

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Compensated Absences</u>
Payable - January 1	\$ 2,811
Net changes	<u>732</u>
Payable - December 31	<u>\$ 3,543</u>
Amount due within one year	<u><u>\$ -</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,606,764	\$ 1,606,764	\$ 1,415,194	\$ (191,570)
Special assessments	100,750	100,750	100,315	(435)
Licenses and permits	9,000	9,000	14,032	5,032
Intergovernmental	667,772	667,772	913,696	245,924
Charges for services	211,275	211,275	215,189	3,914
Fines and forfeits	5,000	5,000	36,186	31,186
Gifts and contributions	-	-	100	100
Investment earnings	191,000	191,000	146,631	(44,369)
Miscellaneous	98,568	98,568	122,407	23,839
<b>Total Revenues</b>	<b>\$ 2,890,129</b>	<b>\$ 2,890,129</b>	<b>\$ 2,963,750</b>	<b>\$ 73,621</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 178,318	\$ 178,318	\$ 190,289	\$ (11,971)
Courts	2,500	2,500	5,715	(3,215)
Auditor-Treasurer	328,643	328,643	338,506	(9,863)
Assessor	146,181	146,181	137,409	8,772
Elections	150	150	1,970	(1,820)
Data processing	130,522	130,522	139,989	(9,467)
Attorney	169,567	169,567	184,711	(15,144)
Recorder	160,656	160,656	178,978	(18,322)
Planning and zoning	34,249	34,249	23,114	11,135
Buildings and plant	124,914	124,914	191,060	(66,146)
Veterans service officer	53,498	53,498	85,056	(31,558)
County car	2,530	2,530	1,125	1,405
Other general government	106,449	106,449	199,984	(93,535)
<b>Total general government</b>	<b>\$ 1,438,177</b>	<b>\$ 1,438,177</b>	<b>\$ 1,677,906</b>	<b>\$ (239,729)</b>
<b>Public safety</b>				
Sheriff	\$ 649,074	\$ 649,074	\$ 730,138	\$ (81,064)
Boat and water safety	2,400	2,400	7,849	(5,449)
Snowmobile safety	1,550	1,550	524	1,026
Coroner	8,100	8,100	11,380	(3,280)
E-911 system	38,000	38,000	45,674	(7,674)
County jail	25,800	25,800	45,115	(19,315)
Civil defense	53,342	53,342	32,616	20,726
Other	2,200	2,200	5,334	(3,134)
<b>Total public safety</b>	<b>\$ 780,466</b>	<b>\$ 780,466</b>	<b>\$ 878,630</b>	<b>\$ (98,164)</b>

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

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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>Sanitation</b>				
Solid waste	\$ 29,149	\$ 29,149	\$ 42,155	\$ (13,006)
Recycling	96,249	96,249	84,469	11,780
<b>Total sanitation</b>	<b>\$ 125,398</b>	<b>\$ 125,398</b>	<b>\$ 126,624</b>	<b>\$ (1,226)</b>
<b>Health</b>				
Ambulance	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ -</b>
<b>Culture and recreation</b>				
Historical society	\$ 10,300	\$ 10,300	\$ 10,300	\$ -
Minnesota trails	20,000	20,000	98,751	(78,751)
Parks	1,100	1,100	2,961	(1,861)
Senior citizens	500	500	500	-
County/regional library	79,044	79,044	79,044	-
Other	10,755	10,755	12,664	(1,909)
<b>Total culture and recreation</b>	<b>\$ 121,699</b>	<b>\$ 121,699</b>	<b>\$ 204,220</b>	<b>\$ (82,521)</b>
<b>Conservation of natural resources</b>				
Extension	\$ 89,833	\$ 89,833	\$ 88,132	\$ 1,701
Soil and water conservation	101,288	101,288	101,288	-
Agricultural society/County fair	9,550	9,550	9,550	-
River basin	1,088	1,088	1,088	-
Water planning	43,329	43,329	31,160	12,169
Environmental officer	27,004	27,004	41,783	(14,779)
Feedlot administration	27,324	27,324	23,079	4,245
Other	4,000	4,000	1,918	2,082
<b>Total conservation of natural resources</b>	<b>\$ 303,416</b>	<b>\$ 303,416</b>	<b>\$ 297,998</b>	<b>\$ 5,418</b>
<b>Economic development</b>				
Airport	\$ 7,000	\$ 7,000	\$ 5,000	\$ 2,000
Area II	11,570	11,570	11,570	-
<b>Total economic development</b>	<b>\$ 18,570</b>	<b>\$ 18,570</b>	<b>\$ 16,570</b>	<b>\$ 2,000</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Intergovernmental</b>				
Public safety	\$ 119,525	\$ 119,525	\$ 119,525	\$ -
Health	64,539	64,539	64,539	-
<b>Total intergovernmental</b>	<b>\$ 184,064</b>	<b>\$ 184,064</b>	<b>\$ 184,064</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 2,974,790</b>	<b>\$ 2,974,790</b>	<b>\$ 3,389,012</b>	<b>\$ (414,222)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (84,661)</b>	<b>\$ (84,661)</b>	<b>\$ (425,262)</b>	<b>\$ (340,601)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Transfers out	-	-	(10,939)	(10,939)
Proceeds from sale of capital assets	-	-	1,686	1,686
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ (9,253)</b>	<b>\$ (14,253)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (79,661)</b>	<b>\$ (79,661)</b>	<b>\$ (434,515)</b>	<b>\$ (354,854)</b>
<b>Fund Balance - January 1</b>	<b>4,023,482</b>	<b>4,023,482</b>	<b>4,023,482</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,943,821</b>	<b>\$ 3,943,821</b>	<b>\$ 3,588,967</b>	<b>\$ (354,854)</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,496,800	\$ 1,496,800	\$ 1,117,536	\$ (379,264)
Intergovernmental	3,356,950	3,356,950	3,473,924	116,974
Charges for services	135,000	135,000	42,600	(92,400)
Investment earnings	80,000	80,000	43,028	(36,972)
Miscellaneous	-	-	71,082	71,082
<b>Total Revenues</b>	<b>\$ 5,068,750</b>	<b>\$ 5,068,750</b>	<b>\$ 4,748,170</b>	<b>\$ (320,580)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 178,400	\$ 178,400	\$ 190,215	\$ (11,815)
Maintenance	1,887,200	1,887,200	1,823,662	63,538
Construction	2,804,300	2,804,300	2,425,058	379,242
Equipment and maintenance shops	218,500	218,500	195,378	23,122
<b>Total highways and streets</b>	<b>\$ 5,088,400</b>	<b>\$ 5,088,400</b>	<b>\$ 4,634,313</b>	<b>\$ 454,087</b>
<b>Intergovernmental</b>				
Highways and streets	299,650	299,650	318,823	(19,173)
<b>Total Expenditures</b>	<b>\$ 5,388,050</b>	<b>\$ 5,388,050</b>	<b>\$ 4,953,136</b>	<b>\$ 434,914</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (319,300)</b>	<b>\$ (319,300)</b>	<b>\$ (204,966)</b>	<b>\$ 114,334</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	29,330	29,330
<b>Net Change in Fund Balance</b>	<b>\$ (319,300)</b>	<b>\$ (319,300)</b>	<b>\$ (175,636)</b>	<b>\$ 143,664</b>
<b>Fund Balance - January 1</b>	<b>2,077,020</b>	<b>2,077,020</b>	<b>2,077,020</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(23,810)</b>	<b>(23,810)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,757,720</b>	<b>\$ 1,757,720</b>	<b>\$ 1,877,574</b>	<b>\$ 119,854</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 935,449	\$ 935,449	\$ 698,911	\$ (236,538)
Intergovernmental	1,036,959	1,036,959	1,300,788	263,829
Charges for services	80,500	80,500	87,559	7,059
Investment earnings	50,000	50,000	57,415	7,415
Miscellaneous	49,338	49,338	61,087	11,749
<b>Total Revenues</b>	<b><u>\$ 2,152,246</u></b>	<b><u>\$ 2,152,246</u></b>	<b><u>\$ 2,205,760</u></b>	<b><u>\$ 53,514</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 616,741	\$ 616,741	\$ 595,922	\$ 20,819
Social services	1,535,505	1,535,505	1,417,601	117,904
<b>Total Expenditures</b>	<b><u>\$ 2,152,246</u></b>	<b><u>\$ 2,152,246</u></b>	<b><u>\$ 2,013,523</u></b>	<b><u>\$ 138,723</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 192,237</b>	<b>\$ 192,237</b>
<b>Fund Balance - January 1</b>	<b><u>3,558,029</u></b>	<b><u>3,558,029</u></b>	<b><u>3,558,029</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 3,558,029</u></u></b>	<b><u><u>\$ 3,558,029</u></u></b>	<b><u><u>\$ 3,750,266</u></u></b>	<b><u><u>\$ 192,237</u></u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 226,903	\$ 226,903	\$ 202,958	\$ (23,945)
Investment earnings	10,000	10,000	-	(10,000)
Miscellaneous	-	-	160	160
<b>Total Revenues</b>	<b>\$ 236,903</b>	<b>\$ 236,903</b>	<b>\$ 203,118</b>	<b>\$ (33,785)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	236,903	236,903	129,217	107,686
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 73,901</b>	<b>\$ 73,901</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	10,939	10,939
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,840</b>	<b>\$ 84,840</b>
<b>Fund Balance - January 1</b>	<b>667,846</b>	<b>667,846</b>	<b>667,846</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 667,846</b>	<b>\$ 667,846</b>	<b>\$ 752,686</b>	<b>\$ 84,840</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. General Budget Policies

The Lac qui Parle 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 required supplementary information for the General Fund and the special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

The County did not amend any of its expenditure budgets during the year.

4. Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 3,389,012	\$ 2,974,790	\$ 414,222

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**SUPPLEMENTARY INFORMATION**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**AGENCY FUNDS**

Children's Mental Health Collaborative - to account for the collection and disbursement of funds for the local collaborative.

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.

Forfeited Tax - to account for all funds received from the sale of lands forfeited for unpaid taxes and the subsequent disbursement to the various agencies.

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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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Statement 1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>CHILDREN'S MENTAL HEALTH COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 41,376	\$ 111,967	\$ 22,621	\$ 130,722
<b><u>Liabilities</u></b>				
Due to other governments	\$ 41,376	\$ 111,967	\$ 22,621	\$ 130,722
 <b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 31,634	\$ 925,676	\$ 942,895	\$ 14,415
<b><u>Liabilities</u></b>				
Due to other governments	\$ 31,634	\$ 925,676	\$ 942,895	\$ 14,415
 <b><u>FORFEITED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 6,133	\$ 11,000	\$ 11,651	\$ 5,482
<b><u>Liabilities</u></b>				
Due to other governments	\$ 6,133	\$ 11,000	\$ 11,651	\$ 5,482

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Statement 1*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	<u>\$ 127,555</u>	<u>\$ 10,155,499</u>	<u>\$ 10,143,148</u>	<u>\$ 139,906</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 127,555</u>	<u>\$ 10,155,499</u>	<u>\$ 10,143,148</u>	<u>\$ 139,906</u>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 206,698</u>	<u>\$ 11,204,142</u>	<u>\$ 11,120,315</u>	<u>\$ 290,525</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 206,698</u>	<u>\$ 11,204,142</u>	<u>\$ 11,120,315</u>	<u>\$ 290,525</u>

## **OTHER SCHEDULES**

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 5**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Primary Government</b>	<b>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</b>
	<u>                    </u>	<u>                    </u>
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 3,042,113	\$ -
Market value credit	361,177	17,591
PERA rate reimbursement	12,441	132
Disparity reduction aid	51,132	-
County program aid	612,255	-
Police aid	43,883	-
E-911	79,523	-
	<u>                    </u>	<u>                    </u>
<b>Total shared revenue</b>	<b>\$ 4,202,524</b>	<b>\$ 17,723</b>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 186,712	\$ -
	<u>                    </u>	<u>                    </u>
<b>Payments</b>		
<b>Local</b>		
Local contributions	\$ -	\$ 14,500
Payments in lieu of taxes	118,267	1,532
Contributions from participants	-	-
	<u>                    </u>	<u>                    </u>
<b>Total payments</b>	<b>\$ 118,267</b>	<b>\$ 16,032</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department/Board of		
Human Services	\$ 414,356	\$ -
Natural Resources	25,609	-
Public Safety	7,552	-
Veterans Affairs	13,319	-
Water and Soil Resources	23,135	-
Peace Officer Standards and Training Board	1,982	-
Pollution Control Agency	55,475	111,056
	<u>                    </u>	<u>                    </u>
<b>Total state</b>	<b>\$ 541,428</b>	<b>\$ 111,056</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 5*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
<b>Grants (Continued)</b>		
<b>Federal</b>		
Department of		
Agriculture	\$ 56,570	\$ -
Commerce	34,574	-
Housing and Urban Development	2,682	-
Transportation	80,639	-
Health and Human Services	412,203	-
Homeland Security	52,809	-
Environmental Protection Agency	-	29,800
	<u>639,477</u>	<u>29,800</u>
<b>Total federal</b>	<b>\$ 639,477</b>	<b>\$ 29,800</b>
<b>Total state and federal grants</b>	<b>\$ 1,180,905</b>	<b>\$ 140,856</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 5,688,408</b>	<b>\$ 174,611</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 6**

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b><u>Governmental Activities</u></b>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 976,278
Taxes receivable	
Prior	6,173
Special assessments receivable	
Noncurrent	278,628
Accrued interest receivable	10,045
Due from other governments	23,005
Prepaid items	451
Capital assets	
Non-depreciable	628,458
Depreciable - net of accumulated depreciation	<u>4,521,086</u>
<b>Total Assets</b>	<b><u>\$ 6,444,124</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 40,877
Salaries payable	7,378
Unearned revenue	98,088
Due to primary government	
Due within one year	6,000
Due in more than one year	6,000
ISTS loans	
Due in one year	26,796
Due in more than one year	302,224
Compensated absences	
Due within one year	1,170
Due in more than one year	<u>4,432</u>
<b>Total Liabilities</b>	<b><u>\$ 492,965</u></b>
<b><u>Net Assets</u></b>	
Invested in capital assets	\$ 5,149,544
Unrestricted	<u>801,615</u>
<b>Total Net Assets</b>	<b><u>\$ 5,951,159</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 7*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
Culture and recreation	\$ 86,812	\$ 57,979	\$ -	\$ 5,000	\$ (23,833)
Conservation of natural resources	616,169	115,483	120,556	-	(380,130)
Interest	1,260	-	-	-	(1,260)
<b>Total Governmental Activities</b>	<b><u>\$ 704,241</u></b>	<b><u>\$ 173,462</u></b>	<b><u>\$ 120,556</u></b>	<b><u>\$ 5,000</u></b>	<b><u>\$ (405,223)</u></b>
<b>General Revenues</b>					
Property taxes					\$ 191,455
Payments in lieu of tax					1,532
Grants and contributions not restricted to specific programs					17,723
Unrestricted investment earnings					20,598
Miscellaneous					21,393
<b>Total general revenues</b>					<b><u>\$ 252,701</u></b>
<b>Change in net assets</b>					<b>\$ (152,522)</b>
<b>Net Assets - Beginning</b>					<b><u>6,103,681</u></b>
<b>Net Assets - Ending</b>					<b><u>\$ 5,951,159</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 8*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2009**

	<b>General</b>	<b>Ditch Special Revenue</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 898,457	\$ 77,821	\$ 976,278
Taxes receivable			
Prior	6,173	-	6,173
Special assessments receivable			
Noncurrent	246,953	31,675	278,628
Accrued interest receivable	9,677	368	10,045
Due from other governments	23,005	-	23,005
Due from other funds	-	2,879	2,879
Prepaid items	451	-	451
	<b>\$ 1,184,716</b>	<b>\$ 112,743</b>	<b>\$ 1,297,459</b>
<b><u>Liabilities and Fund Balance</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 40,877	\$ -	\$ 40,877
Salaries payable	7,378	-	7,378
Due to other funds	2,879	-	2,879
Deferred revenue - unavailable	249,416	31,675	281,091
Deferred revenue - unearned	98,088	-	98,088
	<b>\$ 398,638</b>	<b>\$ 31,675</b>	<b>\$ 430,313</b>
<b>Fund Balance</b>			
Reserved for prepaid items	\$ 451	\$ -	\$ 451
Reserved for sewer/septic loans	82,066	-	82,066
Unreserved			
Designated for ditch repairs and maintenance	-	55,000	55,000
Designated for flood control	460,420	-	460,420
Undesignated	243,141	26,068	269,209
	<b>\$ 786,078</b>	<b>\$ 81,068</b>	<b>\$ 867,146</b>
	<b>\$ 1,184,716</b>	<b>\$ 112,743</b>	<b>\$ 1,297,459</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 9*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balance - total governmental funds</b>	<b>\$</b>	<b>867,146</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		5,149,544
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		281,091
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Advance from primary government		(12,000)
Loans payable		(329,020)
Compensated absences		(5,602)
		(346,622)
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>5,951,159</u></b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 10*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Ditch Special Revenue	Total
<b>Revenues</b>			
Taxes	\$ 190,950	\$ -	\$ 190,950
Special assessments	37,703	10,506	48,209
Intergovernmental	174,611	-	174,611
Charges for services	77,078	3,300	80,378
Interest earnings	19,282	1,316	20,598
Miscellaneous	22,500	-	22,500
	<b>\$ 522,124</b>	<b>\$ 15,122</b>	<b>\$ 537,246</b>
<b>Expenditures</b>			
<b>Current</b>			
Culture and recreation	\$ 73,193	\$ -	\$ 73,193
Conservation of natural resources	548,436	2,477	550,913
<b>Debt service</b>			
Principal	-	6,000	6,000
Interest	-	1,260	1,260
	<b>\$ 621,629</b>	<b>\$ 9,737</b>	<b>\$ 631,366</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ (99,505)</b>	<b>\$ 5,385</b>	<b>\$ (94,120)</b>
<b>Other Financing Sources (Uses)</b>			
Loans issued	54,291	-	54,291
	<b>\$ (45,214)</b>	<b>\$ 5,385</b>	<b>\$ (39,829)</b>
<b>Fund Balance - January 1</b>	<b>831,292</b>	<b>75,683</b>	<b>906,975</b>
<b>Fund Balance - December 31</b>	<b>\$ 786,078</b>	<b>\$ 81,068</b>	<b>\$ 867,146</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 11**

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN GOVERNMENTAL FUND BALANCE TO  
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Net change in fund balance - total governmental funds (Schedule 10) \$ (39,829)**

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	\$ 281,091	
Deferred revenue - January 1	<u>(266,618)</u>	14,473

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. (66,961)

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability. (65,310)

Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level. 6,000

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 compensated absences		<u>(895)</u>
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**Change in Net Assets of Governmental Activities (Schedule 7) \$ (152,522)**

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 12*

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 190,950	\$ 190,950
Special assessments	-	-	37,703	37,703
Intergovernmental	-	-	174,611	174,611
Charges for services	84,000	84,000	77,078	(6,922)
Investment earnings	-	-	19,282	19,282
Miscellaneous	-	-	22,500	22,500
<b>Total Revenues</b>	<b>\$ 84,000</b>	<b>\$ 84,000</b>	<b>\$ 522,124</b>	<b>\$ 438,124</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	\$ 82,200	\$ 82,200	\$ 73,193	\$ 9,007
<b>Conservation of natural resources</b>				
Watershed	175,000	175,000	548,436	(373,436)
<b>Total Expenditures</b>	<b>\$ 257,200</b>	<b>\$ 257,200</b>	<b>\$ 621,629</b>	<b>\$ (364,429)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (173,200)</b>	<b>\$ (173,200)</b>	<b>\$ (99,505)</b>	<b>\$ 73,695</b>
<b>Other Financing Sources (Uses)</b>				
Loans issued	-	-	54,291	54,291
<b>Net Change in Fund Balance</b>	<b>\$ (173,200)</b>	<b>\$ (173,200)</b>	<b>\$ (45,214)</b>	<b>\$ 127,986</b>
<b>Fund Balance - January 1</b>	<b>831,292</b>	<b>831,292</b>	<b>831,292</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 658,092</b>	<b>\$ 658,092</b>	<b>\$ 786,078</b>	<b>\$ 127,986</b>

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

*Schedule 13*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

- A. Our report expresses a qualified opinion on the governmental activities of Lac qui Parle County. The opinions on the financial statements of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information are unqualified.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Lac qui Parle 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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Lac qui Parle 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 are material weaknesses.
- E. The Auditor's Report on Compliance for the major federal award programs for Lac qui Parle County expresses an unqualified opinion.
- F. Findings relative to major federal award programs for Lac qui Parle County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
  - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster
  - State Administrative Matching Grants for SNAP CFDA #10.561
  - State Administrative Matching Grants for SNAP - ARRA CFDA #10.561
  - Recreational Trails Program CFDA #20.219

Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Medical Assistance Program	CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Lac qui Parle County was not determined 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**

99-1 **Segregation of Duties**

Due to the limited number of office personnel within the various County offices and departments, segregation of accounting functions necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Lac qui Parle 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, as the situation increases the risk that errors or irregularities may occur and not be detected in a timely manner.

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

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

Client's Response:

*The County Board has been advised and is well aware of the lack of segregation of the accounting functions. Lac qui Parle County will create or modify policies to ensure that duties are segregated wherever possible and reasonable.*

06-7 Audit Adjustments

A deficiency in internal control over financial reporting 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 and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we proposed numerous adjustments that resulted in significant changes to the County's financial statements. The adjustments resulted from: County staff needing continued guidance on accounting principles and oversight to provide accurate and reliable information; errors made in recording transactions and mapping of various account codes; controls over calculating the proper amounts of assets and liabilities did not detect a number of 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 could 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. In addition, we recommend the County include a final review process to trace items on the financial statements back to the supporting detail to detect errors, including mapping issues and other necessary adjustments that can be made by the County prior to the audit.

Client's Response:

*The County believes that increased management oversight of accounting transactions would significantly reduce the quantity and magnitude of necessary audit adjustments. The County Auditor-Treasurer will request that the County Board of Commissioners review responsibilities of current management staff and adjust those responsibilities as it feels necessary to address this finding.*

ITEMS ARISING THIS YEAR

09-1 Payroll Encryption

As part of the payroll process, a disk is brought to United Prairie Bank without having the information on the disk encrypted. The disk contains private data information taken off the payroll system which needs to be communicated to the bank for the direct deposit for the County employees.

We recommend the County have all private data information encrypted or password protected in case of loss or theft. Alternatively, the County could use a bank that has a secure website for communication of private data information.

Client's Response:

*The County will pursue options of either purchasing a password-protected portable USB memory device or electronic transfer via secure internet connection for the purpose of transmitting payroll data to United Prairie Bank.*

09-2 Time Sheet Approval

During our audit, we noted that certain time sheets of Family Service employees were approved by the Fiscal Officer instead of the employees' direct supervisor. The Fiscal Officer is not responsible for supervising employees; however, the Fiscal Officer indicated she signed time sheets in order to process payroll when time sheets were not submitted timely. Approval of time sheets is an important internal control which helps to ensure that the time worked is reported accurately and reliably. The signatures of the employee and supervisor attest to their agreement in hours being claimed as worked. Without attesting signatures, there is the potential for both error and manipulation of hours claimed as worked to occur.

We recommend that each time sheet contain two attestations of the hours worked. One attestation should be by the employee, and the other should be by the employee's supervisor or other appropriate person. In addition, we recommend County policy address the time sheet approval process for Family Services and the repercussions of not submitting time sheets when due.

Client's Response:

*Time sheet approval policy will be created to designate the Family Services Fiscal Officer as the responsible authority for approving Family Services staff time sheets.*

09-3 Preparation of Financial Statements

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal control over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

The County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the County's internal control. As a result of this condition, the County lacks internal controls over the preparation of financial statements in accordance with GAAP.

We recommend Lac qui Parle County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Lac qui Parle County still intends to have staff from the Office of the State Auditor (OSA) assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

*The County intends to have staff from the Office of the State Auditor assist in preparation of the County's annual financial statements for the foreseeable future. Staff has been identified to review, understand, and approve the County's financial statements and the notes to the financial statements.*

09-4 Monitoring Internal Controls

County management is responsible for monitoring its internal controls. Monitoring involves assessing the quality of performance over time. Monitoring should occur during normal operations and includes reviews, comparisons, reconciliations, and other actions employees take in performing their duties.

An essential element of monitoring controls also includes performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, staffing vacancies, updates to information systems, or changes to services being provided.

Our audit procedures detected areas and responsibilities performed by County staff with little or no documentation of the monitoring taking place by management or other staff members. Some areas with minimal or no monitoring include:

- processing journal entries;
- calculating inventory balances;
- reviewing departmental budget to actual results; and
- reviewing identified receivables and payables.

We recommend that a formal plan be developed that calls for assessing and monitoring the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

**Client's Response:**

*Lac qui Parle County recognizes the need for internal monitoring of controls and the lacking management oversight in the internal control processes. The County Auditor-Treasurer will request that the County Board of Commissioners review responsibilities of current management staff and adjust those responsibilities as it feels necessary to address this finding.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Internal Controls/Segregation of Duties - Component Units (06-8)**

The size of the Lac qui Parle-Yellow Bank Watershed District and the Lac qui Parle County Economic Development Authority and their staffing limits the internal control that management can design and implement into the organizations. Management requested that we prepare the annual financial statements and related notes for the component units. During our audit, we proposed numerous adjustments to convert each organization's financial records to the financial statements as reported.

**Resolution**

Each organization has a separate management letter for 2009.

**Budgeting Procedures (08-1)**

The Board-approved budget did not agree with the revenue and expenditure budgets on the County's accounting system in the General Fund, the Road and Bridge Special Revenue Fund, and the Ditch Special Revenue Fund.

**Resolution**

Significant improvements were made by the County in the budgeting process, including reviewing budgetary information in the accounting system for accuracy and agreement with the approved budget.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-3 Community Development Block Grant (CFDA No. 14.228)

Lac qui Parle County applied for and received federal funding through the State of Minnesota under the Community Development Block Grant. The County used the grant to make a loan to Noah's Ark Processors Corporation for the purchase of machinery and equipment.

The loan agreement with Noah's Ark included a number of special conditions, which were to have been met before releasing funds to the developer. Several terms and conditions specified in the loan agreement were not met at the time of the prior audit, May 2009, even though funds were loaned to the developer in March 2008. For the term of the loan, the developer was to submit financial statements within 120 days after the end of the developer's fiscal year. This requirement has not been met as of October 2010.

The agreement also required Ilan Parente maintain key-person life insurance in the amount of \$250,000 and assign the insurance to the County for the term of the loan. The County obtained evidence that both of these requirements have been met since the previous audit.

In addition, the loan agreement stated repayment of principal and interest from the developer to the County should commence on the first day of the third month immediately following the initial loan and should continue on the first day of each and every month thereafter until paid in full. The County now collects loan payments by automatic direct-withdrawal on the first of each month.

We recommend the County request financial statements from the developer as required by the agreement. We also recommend the County establish a monitoring system that demonstrates and provides necessary evidence that the basic grant and loan provisions have been adequately monitored.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

*Jacob Sieg, County Auditor-Treasurer*

Action Planned:

*Mr. Sieg will work with the County EDA to submit additional requests for information as required by the grant agreement from Noah's Ark, Inc., including ongoing annual financial statements and key-person life insurance. Furthermore, a monitoring system will be established that provides evidence that the basic grant and loan provisions are being adequately monitored.*

Completion Date:

*A monitoring system is expected to be in place by January 2011.*

ITEM ARISING THIS YEAR

09-5 Identification and Classification of Federal Financial Assistance

Office of Management and Budget (OMB) Circular A-133, Subpart C, \*.300, lists auditee responsibilities which include: (1) identifying all federal awards received and expended and the federal programs under which they were received; and (2) preparing appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA).

Lac qui Parle County did not adequately identify all its federal financial assistance either as to amount, source, or correct CFDA number in the general ledger as required under OMB Circular A-133 and the American Recovery and Reinvestment Act of 2009 (ARRA). Of particular concern are grants received from other organizations and amounts passed through from the State of Minnesota and other local governments that are not properly coded. The County has some established procedures for identifying federal financial assistance for preparing financial reports and the SEFA. The County should develop additional procedures to ensure all federal programs are correctly identified and classified.

We recommend that Lac qui Parle County management develop written procedures that will allow staff to correctly identify and classify all federal financial assistance received. Procedures should include determination of the correct program CFDA number, revenue source, program name, and whether ARRA funding is involved. The federal CFDA website is available to assist in this process. These procedures should allow for proper classification of federal programs in the SEFA.

**Corrective Action Plan:**

**Contact Person Responsible for Corrective Action:**

*Jacob Sieg, County Auditor-Treasurer*

**Action Planned:**

*Additional procedures will be developed to insure all federal programs are correctly identified and classified.*

**Completion Date:**

*Procedures will be developed by January 2011.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Family Services Reporting (CFDA Nos. 93.563 and 93.778) (08-2)**

The instructions for the 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 third quarter reports tested during the prior audit were not approved by the Director, and it was noted that the County included unallowable costs of certain break room items and supplies, including a coffee maker, on the reports.

**Resolution**

The OSA tested the 2009 third and fourth quarter DHS-2550 and DHS-2556 reports. All reports were on file and approved by the Director. In addition, the OSA noted no unallowable costs during testing.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Fund Cash and Fund Deficits

Three of the 102 individual ditch systems had deficit cash balances totaling \$24,821 at December 31, 2009. This amount is down from the prior year when we reported that 9 of the 102 individual ditch systems had deficit cash balances totaling \$25,968. As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer.

Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

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

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

Client’s Response:

*The County continues to levy ditch assessments in an effort to bring all ditch accounts to a positive balance.*

ITEMS ARISING THIS YEAR

09-6 Tax Levy and Budget Approval

The tax levy and budget for 2009 were approved by the County Board on January 6, 2009. According to Minn. Stat. § 275.07, subd. 1, the tax levy approved by the County “shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year.” The adopted budget should be approved and documented in the Board minutes in December of the preceding year. Minn. Stat. § 275.07.

We recommend the County Board approve the budget and tax levy as specified by Minn. Stat. § 275.07.

Client’s Response:

*The County recognizes that the 2009 final budget and levy were not approved in a timely manner. The 2011 budget and levy will be approved on December 21, 2010, and in a timely manner in the future.*

09-7 Commissioner Per Diems

At the January 6, 2009, Commissioner meeting, the County Board set per diem payments for 2009. As provided in Minn. Stat. § 375.055, subd. 1, County Commissioners shall receive compensation “as set by resolution of the county board. The salary and schedule of per diem payments shall not be effective until January 1 of the next year.”

We recommend the County Board set per diem payments before January 1 of the year in which the salary becomes effective in order to comply with Minn. Stat. § 375.055.

Client’s Response:

*The County was not aware it was in violation of this statute. In the future, per diem amounts will be approved for each coming year by January 1 of that year.*

09-8      Publishing Board Minutes and Claims Paid

According to Minn. Stat. § 375.12, County Board minutes are to be published within 30 days of the meeting, and this publication is to include an individualized, itemized list of County Board-approved payments over \$2,000. A statement showing the total number of claims that do not exceed the threshold amount and their dollar amounts must be stated. The County can publish summaries as allowed by Minn. Stat. § 331A.01. This section does not change the requirement that payments be published monthly as discussed in Minn. Stat. § 375.12. Also, this section requires that the full data be available at a specified County location or by standard or electronic mail.

The County Board minutes are not always published within 30 days. Published minutes contain only a summary of payments by fund.

The County Board should comply with the above-noted statutes and publish the County Board minutes with vendor payments.

Client's Response:

*The County Auditor-Treasurer's Office will make every effort to ensure that Board minutes are published in a timely manner in the future. That publication will also include a listing of claims as specified by statute.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Administrative Offense Procedures (08-4)**

Deputies had discretion whether to give motorists a warning, issue a state ticket, or issue a County administrative ticket for violations considered traffic offenses for both state law and County ordinance purposes. If a County administrative ticket was issued, the amount to be paid did not include the surcharges for court costs that would have been included with a state ticket, and Lac qui Parle County kept all the revenue without forwarding any portion to the state.

**Resolution**

The use of administrative ticket penalties was discontinued in 2009.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners  
Lac qui Parle County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2010. The report on governmental activities was qualified because Lac qui Parle County has not reported its other postemployment benefits (OPEB) obligation in the Statement of Net Assets and has not reported the related net OPEB obligation change in the Statement of Activities, as required by generally accepted accounting principles. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Lac qui Parle County Economic Development Authority, as described in our report on Lac qui Parle County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lac qui Parle 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 06-7 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 09-1 through 09-4 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lac qui Parle 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County does not have any tax increment financing districts of its own.

The results of our tests indicate that, for the items tested, Lac qui Parle County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1 and 09-6 through 09-8.

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 the County, and it is reported for that purpose.

Lac qui Parle County's written responses to the significant deficiencies, material weakness, 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, management, others within the 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

December 21, 2010

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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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  
Lac qui Parle County

#### Compliance

We have audited the compliance of Lac qui Parle 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, 2009. Lac qui Parle 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.

Lac qui Parle County's basic financial statements include the operations of the Lac qui Parle County Economic Development Authority component unit, whose federal awards, if any, are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Lac qui Parle County Economic Development Authority, because the Authority was audited by other auditors.

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 Lac qui Parle 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, Lac qui Parle 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, 2009.

### Internal Control Over Compliance

Management of Lac qui Parle 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 08-3 and 09-5. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2010. The report on governmental activities was qualified because Lac qui Parle County has not reported its other postemployment benefits (OPEB) obligation in the Statement of Net Assets and has not reported the net OPEB obligation change in the Statement of Activities, as required by generally accepted accounting principles. We did not audit the financial statements of the Lac qui Parle County Economic Development Authority, which represents a portion of the amounts shown for the discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed here, insofar as it relates to amounts included for the Lac qui Parle County Economic Development Authority component unit, is based solely on the report of the other auditors. Our audit was performed for the purpose of forming opinions on 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.

Lac qui Parle County's written 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, management, others within the 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

December 21, 2010

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**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<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 Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	\$ 55,714
State Administrative Matching Grants for SNAP - ARRA	10.561	856
<b>Total U.S. Department of Agriculture</b>		<b>\$ 56,570</b>
<b>U.S. Department of Commerce</b>		
Passed Through Southwest Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<b>\$ 34,574</b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<b>\$ 2,682</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Recreational Trails Program	20.219	\$ 75,000
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	3,970
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	1,669
<b>Total U.S. Department of Transportation</b>		<b>\$ 80,639</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 4,219
Temporary Assistance for Needy Families (TANF) Child Support Enforcement Cluster	93.558	40,316
Child Support Enforcement	93.563	62,180
Child Support Enforcement - ARRA	93.563	12,124
Refugee and Entrant Assistance State-Administered Programs	93.566	144
Child Care Mandatory Matching Funds for the Child Care and Development Fund	93.596	1,601
Foster Care Title IV-E	93.658	13,973

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**Schedule 14**  
***(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services (Continued)		
Social Services Block Grant	93.667	73,873
Chafee Foster Care Independence Program	93.674	1,434
Children's Insurance Program	93.767	37
Medical Assistance Program	93.778	201,303
Block Grants for Community Mental Health Services	93.958	999
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 412,203</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 4,700
Passed Through United Way		
Emergency Food and Shelter National Board Program Cluster		
Emergency Food and Shelter National Board Program	97.024	4,558
Emergency Food and Shelter National Board Program - ARRA	97.024	3,933
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	24,981
Emergency Management Performance Grants	97.042	11,637
Homeland Security Grant Program	97.067	3,000
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 52,809</b>
<b>Total Federal Awards</b>		<b>\$ 639,477</b>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Lac qui Parle County and its discretely presented component unit, the Lac qui Parle-Yellow Bank Watershed District, but not the discretely presented component unit, the Lac qui Parle County Economic Development Authority. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lac qui Parle County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lac qui Parle County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lac qui Parle County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	
Primary government - Lac qui Parle County	\$ 639,477
Component unit - Lac qui Parle-Yellow Bank Watershed District	29,800
Grants deferred in 2008, recognized as revenue in 2009	
Nonpoint Source Implementation (CFDA #66.460)	<u>(29,800)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 639,477</u>

**LAC QUI PARLE COUNTY  
MADISON, MINNESOTA**

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5. Passed Through to Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.