

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

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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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Year Ended December 31, 2007



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

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2007**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Jerry Johnson ⁽¹⁾	January 2009
2nd District	Norm Salto	January 2011
3rd District	Bev Bales	January 2009
4th District	Paul Anderson	January 2011
5th District	Dan Olson	January 2011
Officers		
Elected		
Attorney	Christopher Karpan	January 2011
Auditor/Treasurer	Thomas Reddick	January 2011
County Recorder	Dawn Crouse	January 2011
Registrar of Titles	Dawn Crouse	January 2011
Sheriff	Troy Wolbersen	January 2011
Appointed		
Assessor	A. Keith Albertsen	December 2008
Coordinator	William Schalow	Indefinite
Highway Engineer	David Robley	May 2008
Surveyor	Gary Stevenson	Indefinite
Veterans Service	Ray Kallstrom	September 2011
Medical Examiner	Mark Spanbauer, M.D.	Indefinite
Director - Social Services	Michael Woods	Indefinite
Director - Public Health	Sandy Tubbs	Indefinite

⁽¹⁾Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Douglas County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Douglas 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 Douglas County Hospital Operating Enterprise Fund, which is both a major fund and 96 percent, 97 percent, and 100 percent, respectively, of the assets, net assets, and revenues of the business-type activities. We also did not audit the financial statements of the Housing and Redevelopment Authority of Douglas County, which is 16 percent, 7 percent, and 36 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Douglas County Hospital and the Housing and Redevelopment Authority of Douglas County, are based solely on the reports 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Douglas County Hospital were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, 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 required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Douglas County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated 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 January 5, 2009, on our consideration of Douglas 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

January 5, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(Unaudited)**

INTRODUCTION

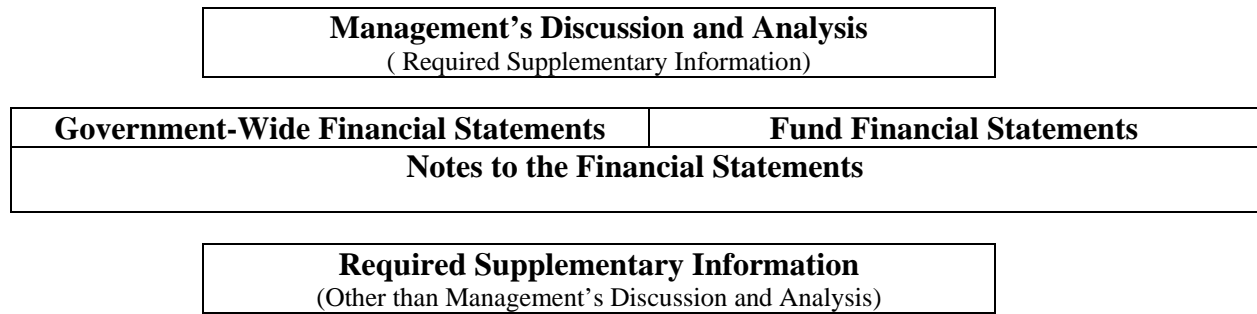
Douglas County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$74,235,454, of which \$57,735,963 is invested in capital assets, net of related debt, and \$3,298,835 is restricted to specific purposes/uses by the County.
- Business-type activities have total net assets of \$49,611,111. Invested in capital assets, net of related debt, represents \$18,431,137 of the total; \$745,679 of the total business-type net assets is restricted for specific uses.
- Douglas County's net assets (governmental activities and business-type activities) total \$123,846,565 for the year ended December 31, 2007. Invested in capital assets, net of related debt, represents \$76,167,100 of the total; \$4,044,514 of the total net assets is restricted for specific uses, and \$43,634,951 is unrestricted.
- The net cost of Douglas County's governmental activities for the year ended December 31, 2007, was \$18,753,895. General property tax revenues and other revenue sources totaling \$22,117,391 funded the County's governmental net cost of \$18,753,895.
- Douglas County's governmental funds' combined fund balances totaled \$20,634,340 at December 31, 2007. This was an increase of \$3,823,317 over December 31, 2006.
- Douglas County's long-term debt increased by \$716,101, or 5.3 percent, to \$14,193,354 as of December 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

Douglas County's MD&A report serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



Douglas County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Douglas County's finances. The County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Douglas County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Douglas County Hospital's operations and facilities. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about Douglas County as a whole and about its activities in a way that helps the reader determine whether Douglas County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Douglas County's current year revenues and expenses regardless of when the County receives the revenue or pays the expense. These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure Douglas County's financial health or financial position. Over time, increases or decreases in the County's net assets are one

indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the general economic conditions of the state and County to assess the overall health of Douglas County.

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

- Governmental activities--Douglas County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by the County include general government, public safety, highways and streets, human services, health, culture and recreation, conservation of natural resources, and economic development. Douglas County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Business-type activities--The Douglas County Hospital charges a fee for services rendered to patients. Revenue is received from patients and third-party payors to help cover most of the costs to operate these facilities and pay for the services provided. The activities of the Hospital are reported here.
- Component units--Douglas County includes two separate legal entities in its report, Pope/Douglas Solid Waste Management and the Douglas County Housing and Redevelopment Authority. These entities are presented in a separate column. Although legally separate, these "component units" are important because the County is financially accountable for them.

Fund Financial Statements

Douglas County's fund financial statements provide detailed information about the significant funds--not the County as a whole. Significant governmental and proprietary funds may be established by the County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose. Douglas County's two kinds of funds--governmental and proprietary--use different accounting methods.

- Governmental funds--Most of Douglas County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported in the financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available that can be spent in the near

future to finance various programs within Douglas County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Proprietary funds--When the County charges customers for the services it provides--whether to outside customers or to other units of the County--these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities, such as the County's Self-Insurance Fund.

REPORTING THE COUNTY'S FIDUCIARY RESPONSIBILITIES

Douglas County is the trustee, or fiduciary, over assets, which can be used only for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Assets. These assets have been excluded from the County's other financial statements because the County cannot use these assets to finance its operations. Douglas County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 26,452,409	\$ 22,160,028	\$ 39,548,005	\$ 34,522,338	\$ 66,000,414	\$ 56,682,366
Capital assets	67,148,048	66,452,472	18,431,137	17,332,971	85,579,185	83,785,443
Total Assets	\$ 93,600,457	\$ 88,612,500	\$ 57,979,142	\$ 51,855,309	\$ 151,579,599	\$ 140,467,809
Liabilities						
Long-term liabilities	\$ 14,109,964	\$ 15,721,878	\$ 3,178,752	\$ 2,993,227	\$ 17,288,716	\$ 18,715,105
Other liabilities	5,255,039	2,018,664	5,189,279	4,708,929	10,444,318	6,727,593
Total Liabilities	\$ 19,365,003	\$ 17,740,542	\$ 8,368,031	\$ 7,702,156	\$ 27,733,034	\$ 25,442,698
Net Assets						
Invested in capital assets, net of debt	\$ 57,735,963	\$ 56,815,727	\$ 18,431,137	\$ 17,332,971	\$ 76,167,100	\$ 74,148,698
Restricted	3,298,835	1,805,836	745,679	749,952	4,044,514	2,555,788
Unrestricted	13,200,656	12,250,395	30,434,295	26,070,230	43,634,951	38,320,625
Total Net Assets	\$ 74,235,454	\$ 70,871,958	\$ 49,611,111	\$ 44,153,153	\$ 123,846,565	\$ 115,025,111

(Unaudited)

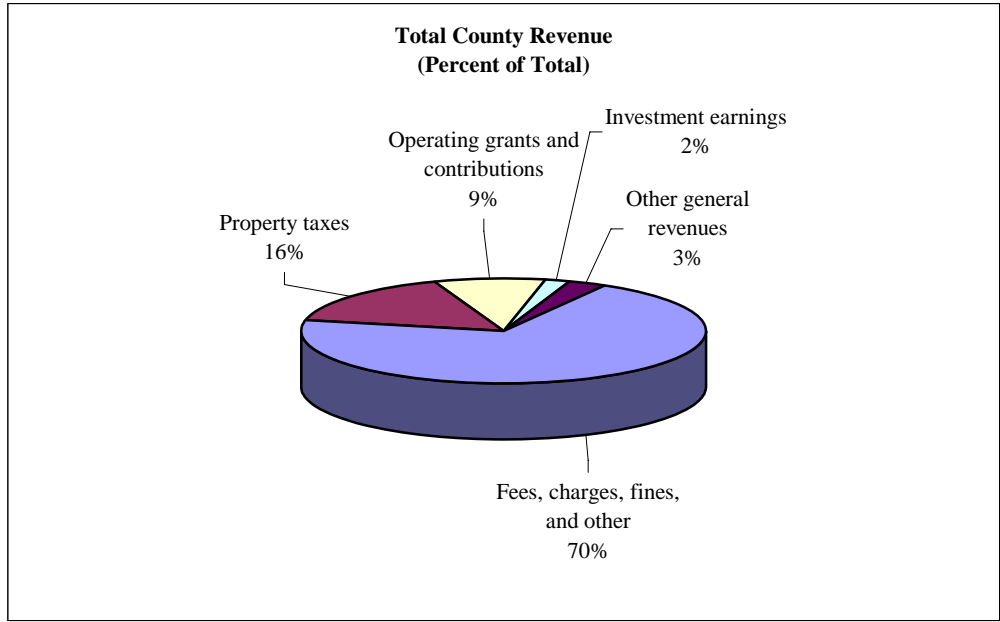
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Douglas County's total net assets as of December 31, 2007, total \$123,846,565. The governmental activities' unrestricted net assets totaling \$13,200,656 are available to finance the day-to-day operations of the governmental activities of Douglas County. The remaining unrestricted net assets totaling \$30,434,295 are available to finance the day-to-day operations of the business-type activities of the County.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 6,123,892	\$ 6,648,029	\$ 67,729,007	\$ 59,909,939	\$ 73,852,899	\$ 66,557,968
Operating grants and contributions	9,708,412	9,776,581	87,190	148,304	9,795,602	9,924,885
Capital grants and contributions	-	29,637	21,249	50,711	21,249	80,348
General revenues						
Property taxes	17,435,003	16,233,387	-	-	17,435,003	16,233,387
Other taxes	325,779	331,417	-	-	325,779	331,417
Grants and contributions	2,811,872	3,254,276	-	-	2,811,872	3,254,276
Investment earnings	1,177,656	897,291	1,220,624	969,050	2,398,280	1,866,341
Other general revenues	367,081	270,447	63,228	-	430,309	270,447
Total Revenues	\$ 37,949,695	\$ 37,441,065	\$ 69,121,298	\$ 61,078,004	\$ 107,070,993	\$ 98,519,069
Expenses						
General government	\$ 6,723,177	\$ 6,372,728	\$ -	\$ -	\$ 6,723,177	\$ 6,372,728
Public safety	6,771,972	6,548,176	-	-	6,771,972	6,548,176
Highways and streets	6,928,816	8,029,124	-	-	6,928,816	8,029,124
Human services	8,453,087	7,491,770	-	-	8,453,087	7,491,770
Health	3,194,464	2,817,832	-	-	3,194,464	2,817,832
Culture and recreation	1,382,728	1,396,025	-	-	1,382,728	1,396,025
Conservation of natural resources	628,174	579,769	-	-	628,174	579,769
Economic development	41,157	41,277	-	-	41,157	41,277
Interest	462,624	508,431	-	-	462,624	508,431
Hospital	-	-	63,663,340	59,581,925	63,663,340	59,581,925
Total Expenses	\$ 34,586,199	\$ 33,785,132	\$ 63,663,340	\$ 59,581,925	\$ 98,249,539	\$ 93,367,057
Increase in Net Assets	\$ 3,363,496	\$ 3,655,933	\$ 5,457,958	\$ 1,496,079	\$ 8,821,454	\$ 5,152,012
Net Assets - January 1	70,871,958	67,216,025	44,153,153	42,657,074	115,025,111	109,873,099
Net Assets - December 31	\$ 74,235,454	\$ 70,871,958	\$ 49,611,111	\$ 44,153,153	\$ 123,846,565	\$ 115,025,111

Douglas County's total revenues for the year ended December 31, 2007, were \$107,070,993. The total cost of the County's programs and services for the year ended December 31, 2007, was \$98,249,539. The net assets for the County's governmental activities increased by \$3,363,496, mainly due to grant-financed construction of additional infrastructure and the purchase of additional equipment.



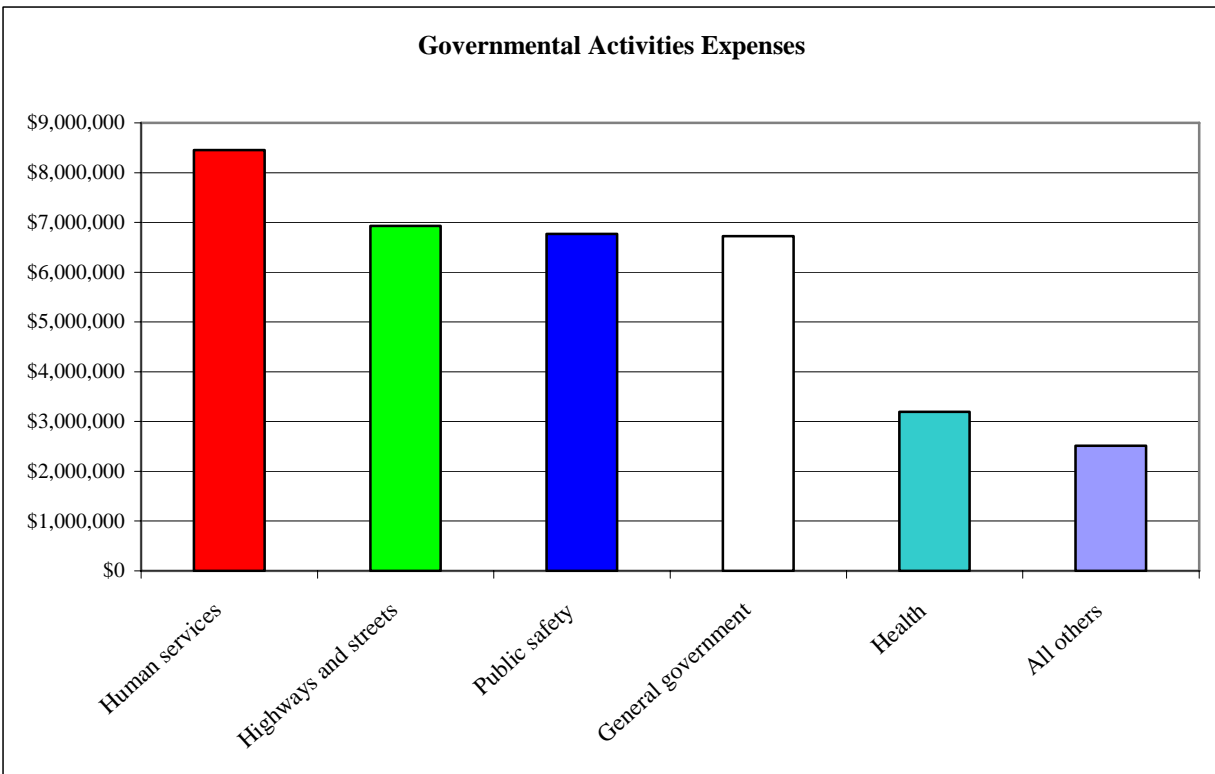
Governmental Activities

Revenues for Douglas County’s governmental activities for the year ended December 31, 2007, were \$37,949,695. The County’s cost for all governmental activities for the year ended December 31, 2007, was \$34,586,199. As shown in the Statement of Activities, the amount that Douglas County taxpayers ultimately financed for these governmental activities through local property taxation was \$17,435,003, because \$6,123,892 of the cost was paid by those who directly benefited from the programs, and \$9,708,412 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Douglas County paid for the remaining “public benefit” portion of governmental activities with \$4,682,388 in general revenues, primarily grants and contributions, which were not restricted to specific programs or services, and with other revenues, such as interest income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Douglas County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Douglas County’s taxpayers by each of these functions. The net cost of services increased 8.2 percent in part due to the rising cost of energy and an increase in road construction costs.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Program Expenses				
Human services	\$ 8,453,087	\$ 7,491,770	\$ 4,025,309	\$ 3,346,359
Highways and streets	6,928,816	8,029,124	2,558,725	3,536,658
Public safety	6,771,972	6,548,176	5,414,915	5,207,440
General government	6,723,177	6,372,728	5,055,183	4,243,202
Health	3,194,464	2,817,832	(126,244)	(343,092)
All others	2,514,683	2,525,502	1,826,007	1,340,318
Total Program Expenses	\$ 34,586,199	\$ 33,785,132	\$ 18,753,895	\$ 17,330,885



Business-Type Activities

Revenues of Douglas County's business-type activities (see Table 2) for the year ended December 31, 2007, were \$69,121,298; expenses were \$63,663,640, resulting in an increase in net assets of \$5,457,958. The primary components of this increase were increased revenues due to a new medical oncologist and an additional orthopaedic surgeon being added, which increased usage in oncology and surgical. The Hospitalist program matured, producing an increase in inpatient days (by reducing the number of out transfers) as well as increases in utilization of ancillary services.

The County's Funds

As Douglas County completed the year, its governmental funds as presented in the balance sheet, reported a combined fund balance of \$20,634,340, which is above last year's total of \$16,811,023. Included in this year's total fund balance is a surplus of \$8,704,013 in the County's General Fund. The majority of this amount, \$6,811,845, will be used to cash flow the first few months of 2008 until the current year tax collections begin. The General Fund's fund balance increased by \$1,108,672. The Public Health Nurse Special Revenue Fund's fund balance increased \$660,586 due to an increase in case management and hospice services. The Capital Projects Fund's fund balance increased by \$1,129,668 as a result of the 2007 sale of road reconstruction bonds that will be used to pay for future years' construction of infrastructure.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Douglas County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget; in 2007, the County Board of Commissioners made minor budgetary amendments/revisions. The minor changes made to the budget as originally adopted on December 19, 2006, by the County Board of Commissioners fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the County's General Fund, the actual revenues were above the expected revenues by \$1,595,541, mostly due to receiving more shared revenue than anticipated, more fees for services rendered, and a greater than anticipated return on our investments. Total actual expenditures in the County's General Fund exceeded the budgeted expenditures by \$230,994. The capital outlay expenditure category exceeded the budgeted amount due to jail expansion expenditures which were not included in Douglas County's 2007 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, Douglas County had \$85,579,185 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$1,793,742, or 2.1 percent, over last year. The increase in capital assets was mostly due to continued infrastructure construction.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,871,093	\$ 2,719,031	\$ 56,930	\$ 56,930	\$ 2,928,023	\$ 2,775,961
Construction in progress	1,242,077	1,703,555	138,697	-	1,380,774	1,703,555
Buildings	13,864,170	14,362,193	11,996,645	11,342,256	25,860,815	25,704,449
Land and building improvements	947,740	156,345	363,504	423,566	1,311,244	579,911
Machinery, furniture, and equipment	3,246,142	3,150,645	5,875,361	5,510,219	9,121,503	8,660,864
Infrastructure	44,976,826	44,360,703	-	-	44,976,826	44,360,703
Totals	<u>\$ 67,148,048</u>	<u>\$ 66,452,472</u>	<u>\$ 18,431,137</u>	<u>\$ 17,332,971</u>	<u>\$ 85,579,185</u>	<u>\$ 83,785,443</u>

This year's major additions include continued infrastructure construction on various highways (both completed and construction in progress).

The County's Capital Projects Fund has \$2,666,138 of available fund balance to be used to finance future capital expenditures. Planned projects for 2008 include road reconstruction. More detailed information about Douglas County's capital assets can be found in Note 3.A.3. to the Douglas County financial statements.

Debt

As of December 31, 2007, Douglas County had \$14,193,354 in long-term obligations, compared with \$13,477,253 as of December 31, 2006--an increase of 5.3 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

Bonds Payable	Governmental Activities		Business-Type Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 13,805,000	\$ 12,960,000	\$ -	\$ -	\$ 13,805,000	\$ 12,960,000
General obligation notes	245,000	420,000	-	-	245,000	420,000
Loans	143,354	97,253	-	-	143,354	97,253
Totals	<u>\$ 14,193,354</u>	<u>\$ 13,477,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,193,354</u>	<u>\$ 13,477,253</u>

(Unaudited)

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New debt resulted from the sale of General Obligation Road Reconstruction Bonds in the amount of \$2,040,000, the sale of General Obligation Temporary Bonds in the amount of \$1,035,000 (which will be paid for by Pope/Douglas Solid Waste Management), and new loans from a sewer clean water partnership with the State of Minnesota Pollution Control Agency in the amount of \$51,759.

Douglas County's rating from Moody's Investor Services is an "A1." The state limits the amount of net debt that a county can issue to two percent of the market value of all taxable property in the county. The County's outstanding net debt is significantly below this \$92,593,208 state-imposed limit.

Other obligations include capital leases and compensated absences. Douglas County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for the business-type activities.

- Douglas County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. This is due in great part to Douglas County's strong tax base. It has a strong seasonal, residential, commercial/industrial, and agricultural base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- Douglas County's average unemployment rate for 2007 and 2006 is 4.48 percent and 3.8 percent, respectively. The average unemployment rate for the first nine months of 2008 is 5.07 percent. If the unemployment rate should continue to rise, there could be an impact on the level of services requested by Douglas County residents. This information was taken from the Minnesota Department of Employment and Economic Development website for Douglas County unemployment statistics.
- The 2008 net property tax levies are planned to increase 9.53 percent from 2007.
- Other factors the County took into consideration include:
 - planning for facility needs and the possibility of a jail expansion project;
 - land development and regulation issues; and
 - a greater demand for services, which has resulted from the growth that Douglas County has been experiencing.

- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Douglas County programs and services will influence the development of future budgets.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Douglas County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Douglas County's finances and shows the County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Tom Reddick, Douglas County Auditor/Treasurer (320-762-3077), or Char Rosenow, Assistant Auditor/Treasurer (320-762-2924), Douglas County Courthouse, 305 - 8th Avenue West, Alexandria, Minnesota 56308.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current assets				
Cash and pooled investments	\$ 21,218,633	\$ 5,109,306	\$ 26,327,939	\$ 2,546,514
Petty cash and change funds	7,520	485	8,005	300
Departmental cash	194	40,000	40,194	-
Investments	723,166	6,439,360	7,162,526	4,083,464
Taxes receivable				
Current - net	413,653	-	413,653	-
Prior - net	90,836	-	90,836	-
Special assessments receivable				
Current - net	5,880	-	5,880	64,422
Prior - net	1,097	-	1,097	17,825
Noncurrent - net	565,384	-	565,384	-
Interest - net	444	-	444	-
Accounts receivable - net	204,309	11,734,469	11,938,778	363,185
Accrued interest receivable	53,599	-	53,599	29,672
Internal balances	(109,445)	109,445	-	-
Due from other governments	3,007,563	-	3,007,563	21,302
Loans receivable	-	-	-	59,338
Inventories	137,195	1,305,276	1,442,471	-
Prepaid items	23,970	166,274	190,244	5,552
Restricted assets				
Cash and pooled investments	-	-	-	1,038,891
Investments	-	-	-	1,628,470
Accrued interest receivable	-	-	-	236
Noncurrent assets				
Advance to other agencies	12,000	-	12,000	-
Deferred charges	96,411	-	96,411	25,130
Loans receivable - long-term	-	-	-	164,755
Funds designated for capital improvements	-	13,926,480	13,926,480	-
Other assets	-	716,910	716,910	-
Capital assets				
Non-depreciable	4,113,170	195,627	4,308,797	349,118
Depreciable - net of accumulated depreciation	63,034,878	18,235,510	81,270,388	15,210,408
Total Assets	\$ 93,600,457	\$ 57,979,142	\$ 151,579,599	\$ 25,608,582

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

	<u>Primary Government</u>			Discretely Presented Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 811,898	\$ 2,765,456	\$ 3,577,354	\$ 155,973
Salaries payable	728,695	2,423,823	3,152,518	73,769
Accrued payroll taxes	-	-	-	6,382
Contracts payable	226,036	-	226,036	-
Due to other governments	334,209	-	334,209	7,286
Accrued interest payable	171,332	-	171,332	52,853
Deposits held for others	-	-	-	10,138
Unearned revenue	1,062	-	1,062	-
Compensated absences payable - current	1,145,583	-	1,145,583	81,821
Bonds payable - current	1,585,000	-	1,585,000	40,000
Notes payable - current	245,000	-	245,000	73,619
Loans payable - current	6,224	-	6,224	-
Deferred credits	-	-	-	115,014
Noncurrent liabilities				
Compensated absences payable	1,715,888	3,178,752	4,894,640	187,181
Landfill closure costs - long-term	-	-	-	430,189
Bonds payable	12,256,946	-	12,256,946	3,058,891
Notes payable	-	-	-	107,635
Loans payable	137,130	-	137,130	-
Total Liabilities	<u>\$ 19,365,003</u>	<u>\$ 8,368,031</u>	<u>\$ 27,733,034</u>	<u>\$ 4,400,751</u>
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 57,735,963	\$ 18,431,137	\$ 76,167,100	\$ 13,803,078
Restricted for				
General government	714,530	-	714,530	-
Public safety	238,222	-	238,222	-
Highways and streets	1,924,772	-	1,924,772	-
Culture and recreation	376,674	-	376,674	-
Conservation of natural resources	44,637	-	44,637	-
Postclosure	-	-	-	819,127
Housing and redevelopment	-	-	-	674,926
Cancer services	-	621,784	621,784	-
Capital acquisitions	-	123,895	123,895	-
Unrestricted	13,200,656	30,434,295	43,634,951	5,910,700
Total Net Assets	<u>\$ 74,235,454</u>	<u>\$ 49,611,111</u>	<u>\$ 123,846,565</u>	<u>\$ 21,207,831</u>

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

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 6,723,177	\$ 1,490,774	\$ 177,220
Public safety	6,771,972	697,559	659,498
Highways and streets	6,928,816	709,620	3,660,471
Human services	8,453,087	196,838	4,230,940
Health	3,194,464	2,711,736	608,972
Culture and recreation	1,382,728	167,322	229,091
Conservation of natural resources	628,174	139,125	142,220
Economic development	41,157	-	-
Interest	462,624	10,918	-
Total governmental activities	\$ 34,586,199	\$ 6,123,892	\$ 9,708,412
Business-type activities			
Hospital	63,663,340	67,729,007	87,190
Total Primary Government	\$ 98,249,539	\$ 73,852,899	\$ 9,795,602
Component Unit			
Pope/Douglas Solid Waste Management	\$ 5,079,705	\$ 4,035,539	\$ 150,024
Housing and Redevelopment Authority	2,396,401	348,340	1,804,572
Total Component Units	\$ 7,476,106	\$ 4,383,879	\$ 1,954,596

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (5,055,183)	\$ -	\$ (5,055,183)	
-	(5,414,915)	-	(5,414,915)	
-	(2,558,725)	-	(2,558,725)	
-	(4,025,309)	-	(4,025,309)	
-	126,244	-	126,244	
-	(986,315)	-	(986,315)	
-	(346,829)	-	(346,829)	
-	(41,157)	-	(41,157)	
-	(451,706)	-	(451,706)	
\$ -	\$ (18,753,895)	\$ -	\$ (18,753,895)	
21,249	-	4,174,106	4,174,106	
\$ 21,249	\$ (18,753,895)	\$ 4,174,106	\$ (14,579,789)	
\$ -				\$ (894,142)
-				(243,489)
\$ -				\$ (1,137,631)
	\$ 17,435,003	\$ -	\$ 17,435,003	\$ 404,018
	51,117	-	51,117	-
	274,662	-	274,662	-
	2,811,872	-	2,811,872	3,871
	1,177,656	1,220,624	2,398,280	379,744
	270,747	-	270,747	-
	96,334	63,228	159,562	-
	\$ 22,117,391	\$ 1,283,852	\$ 23,401,243	\$ 787,633
	\$ 3,363,496	\$ 5,457,958	\$ 8,821,454	\$ (349,998)
	70,871,958	44,153,153	115,025,111	21,557,829
	\$ 74,235,454	\$ 49,611,111	\$ 123,846,565	\$ 21,207,831

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 8,848,598	\$ 1,438,433	\$ 2,137,236	\$ 7,324,039	\$ 19,748,306
Undistributed cash in agency funds	167,845	50,658	52,914	56,628	328,045
Petty cash and change funds	5,070	2,050	400	-	7,520
Departmental cash	44	150	-	-	194
Investments	-	28,460	-	694,706	723,166
Taxes receivable					
Current	183,857	81,596	80,339	67,861	413,653
Delinquent	43,482	13,572	18,846	14,936	90,836
Special assessments receivable					
Current	1,850	663	-	3,367	5,880
Delinquent	120	199	-	778	1,097
Noncurrent	115,922	1,544	-	447,918	565,384
Interest	444	-	-	-	444
Accounts receivable	128,349	21,422	26,340	28,198	204,309
Accrued interest receivable	51,335	-	-	2,264	53,599
Due from other funds	18,760	70,884	2,194	6,364	98,202
Due from other governments	250,420	1,506,487	779,529	471,127	3,007,563
Inventories	-	137,195	-	-	137,195
Prepaid items	21,073	2,446	-	451	23,970
Advances to other funds	191,750	-	-	-	191,750
Advances to other agencies	12,000	-	-	-	12,000
Total Assets	<u>\$ 10,040,919</u>	<u>\$ 3,355,759</u>	<u>\$ 3,097,798</u>	<u>\$ 9,118,637</u>	<u>\$ 25,613,113</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 286,190	\$ 105,287	\$ 347,096	\$ 73,325	\$ 811,898
Salaries payable	346,323	111,112	146,037	125,223	728,695
Contracts payable	22,267	203,769	-	-	226,036
Due to other funds	168,640	999	15,991	22,017	207,647
Due to other governments	128,224	17,402	177,473	11,110	334,209
Deferred revenue - unavailable	385,262	1,323,211	178,484	590,519	2,477,476
Deferred revenue - unearned	-	-	-	1,062	1,062
Advance from other funds	-	-	-	191,750	191,750
Total Liabilities	<u>\$ 1,336,906</u>	<u>\$ 1,761,780</u>	<u>\$ 865,081</u>	<u>\$ 1,015,006</u>	<u>\$ 4,978,773</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>					
(Continued)					
Fund Balances					
Reserved for					
Land records technology	\$ 304,788	\$ -	\$ -	\$ -	\$ 304,788
State-aid highway projects	-	693,548	-	-	693,548
Law library	58,016	-	-	-	58,016
Recorder's equipment	328,870	-	-	-	328,870
Inventories	-	137,195	-	-	137,195
Park dedication fee	218,401	-	-	-	218,401
Feedlots	16,110	-	-	-	16,110
Environmental mitigation	5,390	-	-	-	5,390
Advances to other funds	191,750	-	-	-	191,750
Encumbrances	-	108,656	-	-	108,656
Sheriff's contingency	5,000	-	-	-	5,000
Gun permits	31,357	-	-	-	31,357
E-911	179,198	-	-	-	179,198
Attorney's forfeited property	22,856	-	-	-	22,856
Sheriff's honor guard	3,732	-	-	-	3,732
DARE	2,825	-	-	-	2,825
Sheriff's forfeited property	2,009	-	-	-	2,009
Random drug test	12,139	-	-	-	12,139
Juvenile work program	1,962	-	-	-	1,962
Library fund drive	-	-	-	158,273	158,273
Unreserved					
Designated for					
Subsequent years' expenditures	-	28,460	-	-	28,460
Cash flows	6,811,845	626,120	2,232,717	-	9,670,682
Capital improvements	229,820	-	-	-	229,820
Chippewa River sewer loans	23,137	-	-	-	23,137
Retiree medical insurance	17,910	-	-	-	17,910
Sheriff's canteen	6,191	-	-	-	6,191
Extension	2,709	-	-	-	2,709
Section 125	12,000	-	-	-	12,000
Undesignated	215,998	-	-	-	215,998
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	3,016,896	3,016,896
Debt service funds	-	-	-	2,262,324	2,262,324
Capital projects funds	-	-	-	2,666,138	2,666,138
Total Fund Balances	\$ 8,704,013	\$ 1,593,979	\$ 2,232,717	\$ 8,103,631	\$ 20,634,340
Total Liabilities and Fund Balances	\$ 10,040,919	\$ 3,355,759	\$ 3,097,798	\$ 9,118,637	\$ 25,613,113

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

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balance - total governmental funds (Exhibit 3)	\$	20,634,340
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.		67,148,048
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,477,476
The County uses an internal service fund to charge the cost of self-insurance to other funds. The adjustment is the net assets of the Internal Service Fund that relate to governmental activities.		1,142,282
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds and unamortized premium	\$ (13,841,946)	
General obligation notes	(245,000)	
Loans	(143,354)	
Compensated absences	(2,861,471)	
Accrued interest payable	(171,332)	
Deferred debt issuance charges	96,411	
	(17,166,692)	(17,166,692)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>74,235,454</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 7,900,194	\$ 3,389,760	\$ 3,348,312	\$ 2,834,405	\$ 17,472,671
Special assessments	12,065	662	-	256,574	269,301
Licenses and permits	264,628	-	15,590	139,339	419,557
Intergovernmental	2,595,873	3,806,813	4,686,153	973,244	12,062,083
Charges for services	1,747,381	458,264	174,445	2,568,767	4,948,857
Fines and forfeits	101,807	-	-	35,344	137,151
Gifts and contributions	11,365	-	2,150	119,561	133,076
Investment earnings	1,034,800	1,618	-	80,112	1,116,530
Miscellaneous	421,339	267,598	6,912	142,522	838,371
Total Revenues	\$ 14,089,452	\$ 7,924,715	\$ 8,233,562	\$ 7,149,868	\$ 37,397,597
Expenditures					
Current					
General government	\$ 5,590,264	\$ 518,739	\$ -	\$ 56	\$ 6,109,059
Public safety	6,315,805	-	-	-	6,315,805
Highways and streets	-	7,497,197	-	-	7,497,197
Human services	-	-	8,254,084	-	8,254,084
Health	-	-	-	3,145,055	3,145,055
Culture and recreation	164,978	262,645	-	949,241	1,376,864
Conservation of natural resources	461,757	19,601	-	144,335	625,693
Economic development	41,157	-	-	-	41,157
Intergovernmental	-	250,426	-	-	250,426
Capital outlay	150,161	10,000	-	122,541	282,702
Debt service					
Principal	12,472	-	-	1,370,000	1,382,472
Interest	311	-	-	390,195	390,506
Bond issuance costs	-	-	-	44,482	44,482
Administrative charges	-	-	-	2,961	2,961
Total Expenditures	\$ 12,736,905	\$ 8,558,608	\$ 8,254,084	\$ 6,168,866	\$ 35,718,463
Excess of Revenues Over (Under) Expenditures	\$ 1,352,547	\$ (633,893)	\$ (20,522)	\$ 981,002	\$ 1,679,134

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 1,099,591	\$ -	\$ 295,634	\$ 1,395,225
Transfers out	(295,634)	-	-	(1,099,591)	(1,395,225)
Proceeds from promissory notes	51,759	-	-	-	51,759
Proceeds from the sale of bonds	-	-	-	2,040,000	2,040,000
Total Other Financing Sources (Uses)	\$ (243,875)	\$ 1,099,591	\$ -	\$ 1,236,043	\$ 2,091,759
Net Change in Fund Balance	\$ 1,108,672	\$ 465,698	\$ (20,522)	\$ 2,217,045	\$ 3,770,893
Fund Balance - January 1	7,595,341	1,075,857	2,253,239	5,886,586	16,811,023
Increase (decrease) in reserved for inventories	-	52,424	-	-	52,424
Fund Balance - December 31	\$ 8,704,013	\$ 1,593,979	\$ 2,232,717	\$ 8,103,631	\$ 20,634,340

**DOUGLAS COUNTY
ALEXANDRIA, 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, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,770,893

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	\$ 2,477,476	
Deferred revenue - January 1	<u>(2,268,542)</u>	208,934

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	\$ 3,451,273	
Net book value of assets sold	(37,950)	
Current year depreciation	<u>(2,717,747)</u>	695,576

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
General obligation bonds issued	\$ (2,040,000)	
Loans	<u>(51,759)</u>	(2,091,759)

Principal payments		
General obligation bonds	\$ 1,195,000	
General notes	175,000	
Capital leases	6,814	
Loans	<u>5,658</u>	1,382,472

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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, 2007**

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

Change in accrued interest payable on general long-term debt	\$ (73,776)	
Change in deferred charges	44,483	
Amortization of deferred debt issuance costs	(6,492)	
Amortization of bond premiums	4,618	
Change in compensated absences	(766,232)	
Change in inventories	<u>52,424</u>	(744,975)
Net revenue of the Internal Service Fund is reported with governmental activities.		<u>142,355</u>
Change in Net Assets of Governmental Activities (Exhibit 2)		<u><u>\$ 3,363,496</u></u>

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PROPRIETARY FUNDS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET FUND ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	Hospital Operating Enterprise Fund	Internal Service Fund
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 4,127,310	\$ 2,124,278
Petty cash and change funds	485	-
Departmental cash	40,000	-
Investments	5,439,840	999,520
Accounts receivable - net	11,734,469	-
Due from other funds	-	111,154
Inventories	1,305,276	-
Prepaid items	166,274	-
	\$ 22,813,654	\$ 3,234,952
Total current assets		
Noncurrent assets		
Funds designated for capital improvements	\$ 13,926,480	\$ -
Other assets	716,910	-
Capital assets		
Nondepreciable	195,627	-
Depreciable - net	18,235,510	-
	\$ 33,074,527	\$ -
Total noncurrent assets		
	\$ 55,888,181	\$ 3,234,952
Total Assets		
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 2,379,262	\$ 386,194
Salaries payable	2,423,823	-
Due to other funds	-	1,709
	\$ 4,803,085	\$ 387,903
Total current liabilities		
Noncurrent liabilities		
Compensated absences payable - long-term	3,178,752	-
	\$ 7,981,837	\$ 387,903
Total Liabilities		

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF NET FUND ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	Hospital Operating Enterprise Fund	Internal Service Fund
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 18,431,137	\$ -
Restricted for		
Cancer services	621,784	-
Capital acquisitions	123,895	-
Unrestricted	28,729,528	2,847,049
Total Net Assets	\$ 47,906,344	\$ 2,847,049
 Adjustment to reflect the consolidation of the Internal Service Fund activities related to the Hospital Operating Enterprise Fund	 1,704,767	
Net Assets - Business-Type Activities	\$ 49,611,111	

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Hospital Operating Enterprise Fund	Internal Service Fund
Operating Revenues		
Patient services revenues	\$ 66,239,498	\$ -
Premiums	-	6,629,443
Miscellaneous	1,489,509	30
	\$ 67,729,007	\$ 6,629,473
Operating Expenses		
Employee benefits and payroll taxes	\$ 6,690,184	\$ -
Professional services	2,756,497	-
Contracted services	6,274,551	-
Claims paid	-	5,610,531
Administration and fiscal services	-	822,139
Supplies	16,861,460	-
Payroll	24,345,978	-
Utilities	938,407	-
Insurance	183,642	-
Rent	637,074	-
Repairs and maintenance	915,388	-
MinnesotaCare tax and surcharge	1,280,080	-
Miscellaneous	275,579	-
Depreciation	2,554,313	-
	\$ 63,713,153	\$ 6,432,670
Operating Income (Loss)	\$ 4,015,854	\$ 196,803
Nonoperating Revenues (Expenses)		
Interest income	\$ 1,144,811	\$ 133,297
Gifts and contributions	87,190	-
Gain on sale/disposal of capital assets	63,228	-
Other expense	(62,119)	-
	\$ 1,233,110	\$ 133,297

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

***EXHIBIT 8
(Continued)***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Hospital Operating Enterprise Fund	Internal Service Fund
Income (Loss) Before Contributions and Transfers	\$ 5,248,964	\$ 330,100
Capital contributions	21,249	-
Change in net assets	\$ 5,270,213	\$ 330,100
Net Assets - January 1	42,636,131	2,516,949
Net Assets - December 31	\$ 47,906,344	\$ 2,847,049
 Change in Net Assets of the Enterprise Fund		
Hospital Operating Enterprise Fund	\$ 5,270,213	
Internal Service Fund activities related to Hospital Operating Enterprise Fund	187,745	
Change in Net Assets of Business-Type Activities	\$ 5,457,958	

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
Increase (Decrease) in Cash and Cash Equivalents**

	Hospital Operating Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 66,341,968	\$ -
Receipts from internal services provided	-	6,518,319
Payments to suppliers	(29,789,862)	(6,544,582)
Payments to employees	(30,563,868)	-
Other receipts and payments	1,489,509	-
	\$ 7,477,747	\$ (26,263)
Cash Flows from Noncapital Financing Activities		
Intergovernmental receipts	\$ 25,071	\$ -
Cash Flows from Capital and Related Financing Activities		
Capital contributions	\$ 92,914	\$ -
Proceeds from the sale of capital assets	124,711	-
Purchases of other assets	(290,580)	-
Purchases of capital assets	(3,713,962)	-
	\$ (3,786,917)	\$ -
Cash Flows from Investing Activities		
Investment earnings received	\$ 1,185,119	\$ 145,607
Change in investments	(3,555,705)	(12,176)
	\$ (2,370,586)	\$ 133,431
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,345,315	\$ 107,168
Cash and Cash Equivalents at January 1	5,034,299	2,017,110
Cash and Cash Equivalents at December 31	\$ 6,379,614	\$ 2,124,278
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 4,127,310	\$ 2,124,278
Petty cash and change funds	485	-
Departmental cash	40,000	-
Funds designated for capital improvements	2,211,819	-
	\$ 6,379,614	\$ 2,124,278

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

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Hospital Operating Enterprise Fund</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ 4,015,854</u>	<u>\$ 196,803</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 2,554,313	\$ -
Debt forgiven on physician loans	45,956	-
(Increase) decrease in accounts receivable	100,832	-
(Increase) decrease in due from other funds	-	(111,154)
(Increase) decrease in inventories	(110,448)	-
(Increase) decrease in prepaid items	91,744	-
Increase (decrease) in accounts payable	347,581	(113,621)
Increase (decrease) in salaries payable	246,390	-
Increase (decrease) in compensated absences payable	185,525	-
Increase (decrease) in due to other funds	-	1,709
Total adjustments	<u>\$ 3,461,893</u>	<u>\$ (223,066)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 7,477,747</u>	<u>\$ (26,263)</u>

FIDUCIARY FUNDS

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ 913,508
Receivables	
Accounts	12,595
Due from other governments	<u>58,811</u>
Total Assets	<u>\$ 984,914</u>
<u>Liabilities</u>	
Accounts payable	\$ 32,952
Due to other governments	<u>951,962</u>
Total Liabilities	<u>\$ 984,914</u>

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2007**

	<u>Pope/Douglas Solid Waste Management</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 2,079,506	\$ 467,008	\$ 2,546,514
Petty cash and change funds	300	-	300
Investments	4,083,464	-	4,083,464
Special assessments receivable			
Current	64,422	-	64,422
Prior	17,825	-	17,825
Accounts receivable - net	354,604	8,581	363,185
Accrued interest receivable	29,672	-	29,672
Loan receivable	-	59,338	59,338
Due from other governments	8,799	12,503	21,302
Prepaid items	5,552	-	5,552
Total current assets	\$ 6,644,144	\$ 547,430	\$ 7,191,574
Restricted assets			
Cash and pooled investments	\$ 1,038,891	\$ -	\$ 1,038,891
Investments	1,249,079	379,391	1,628,470
Accrued interest receivable	236	-	236
Total restricted assets	\$ 2,288,206	\$ 379,391	\$ 2,667,597
Noncurrent assets			
Deferred charges	\$ 18,987	\$ 6,143	\$ 25,130
Loans receivable - long-term	-	164,755	164,755
Capital assets			
Nondepreciable	179,288	169,830	349,118
Depreciable - net	12,482,477	2,727,931	15,210,408
Total noncurrent assets	\$ 12,680,752	\$ 3,068,659	\$ 15,749,411
Total Assets	\$ 21,613,102	\$ 3,995,480	\$ 25,608,582

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**EXHIBIT 11
(Continued)**

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2007**

	Pope/Douglas Solid Waste Management	Housing and Redevelopment Authority	Total
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 123,328	\$ 32,645	\$ 155,973
Salaries payable	73,769	-	73,769
Accrued payroll taxes	-	6,382	6,382
Compensated absences payable - current	72,611	9,210	81,821
Due to other governments	445	6,841	7,286
Accrued interest payable	1,211	51,642	52,853
Deposits held for others	-	10,138	10,138
Bonds payable - current	-	40,000	40,000
Notes payable - current	-	73,619	73,619
Deferred credits	-	115,014	115,014
Total current liabilities	\$ 271,364	\$ 345,491	\$ 616,855
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 181,242	\$ 5,939	\$ 187,181
Landfill closure costs - long-term	430,189	-	430,189
Bonds payable - long-term	1,038,891	2,020,000	3,058,891
Notes payable - long-term	-	107,635	107,635
Total noncurrent liabilities	\$ 1,650,322	\$ 2,133,574	\$ 3,783,896
Total Liabilities	\$ 1,921,686	\$ 2,479,065	\$ 4,400,751
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 12,661,765	\$ 1,141,313	\$ 13,803,078
Restricted for			
Postclosure	819,127	-	819,127
Housing and redevelopment	-	674,926	674,926
Unrestricted	6,210,524	(299,824)	5,910,700
Total Net Assets	\$ 19,691,416	\$ 1,516,415	\$ 21,207,831

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Program Fees, Charges, Fines, and Other
Component Units		
Pope/Douglas Solid Waste Management	\$ 5,079,705	\$ 4,035,539
Housing and Redevelopment Authority	2,396,401	348,340
Total Component Units	\$ 7,476,106	\$ 4,383,879

General Revenues

Property taxes
Grants and contributions not restricted to
specific programs
Investment income

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 12

<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Pope/Douglas Solid Waste Management</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
\$ 150,024	\$ (894,142)	\$ -	\$ (894,142)
<u>1,804,572</u>	<u>-</u>	<u>(243,489)</u>	<u>(243,489)</u>
<u>\$ 1,954,596</u>	<u>\$ (894,142)</u>	<u>\$ (243,489)</u>	<u>\$ (1,137,631)</u>
	\$ -	\$ 404,018	\$ 404,018
	3,871	-	3,871
	<u>364,318</u>	<u>15,426</u>	<u>379,744</u>
	<u>\$ 368,189</u>	<u>\$ 419,444</u>	<u>\$ 787,633</u>
	\$ (525,953)	\$ 175,955	\$ (349,998)
	<u>20,217,369</u>	<u>1,340,460</u>	<u>21,557,829</u>
	<u>\$ 19,691,416</u>	<u>\$ 1,516,415</u>	<u>\$ 21,207,831</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Douglas County was established March 8, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Douglas County (primary government) and its component units for which the County is financially accountable. 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.

Blended Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Douglas County has one blended component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Douglas County Hospital provides medical and surgical care on an inpatient and outpatient basis to the County area.	County Commissioners make up five of the nine members of the Douglas County Hospital Board.	Douglas County Hospital 111 - 17th Avenue East Alexandria, Minnesota 56308

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, discretely presented 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 Douglas County are discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Housing and Redevelopment Authority (HRA) of Douglas County provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County appoints members, and the HRA is a financial burden.	Douglas County HRA 715 Elm Street, Suite 1060 Alexandria, Minnesota 56308
Pope/Douglas Solid Waste Management (PDSW) provides for the management and disposal of solid waste in Pope and Douglas Counties pursuant to Minn. Stat. chs. 115A and 400.	The County appoints a majority of PDSW members and must approve any debt.	Pope/Douglas Solid Waste Management 2115 South Jefferson Alexandria, Minnesota 56308

Joint Ventures

The County participates in several joint ventures described in Note 7.C. The County also participates in a jointly-governed organization described in Note 7.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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Public Works Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The County reports the following major enterprise fund:

- The Hospital Operating Fund is used to account for providing hospital and emergency care to the sick, injured, and newborn of the Douglas County Hospital, a blended component unit of Douglas County. Financing is provided primarily by user service charges.

Additionally, the County reports the following fund types:

- The Internal Service Fund accounts for self-insurance activities provided to other departments and funds on a cost-reimbursement basis.
- 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.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Douglas County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, 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.

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

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.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$1,352,882.

3. 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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

All receivables, including those of the discretely presented component units, 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. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

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

5. Restricted Assets

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government 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 market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government, as well as the blended component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 40
Land and building improvements	3 - 30
Public domain infrastructure	20 - 75
Furniture, equipment, and vehicles	3 - 20

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

8. Deferred Revenue

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

9. Long-Term Obligations

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

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. 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.

11. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$104,825 as of December 31, 2007. The Ditch Special Revenue Fund's deficit will be eliminated with future special assessment levies against benefited properties.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the General Fund and the Human Services Special Revenue Fund by \$230,994 and \$257,218, respectively. Also, the Library Special Revenue Fund and Public Health Nurse Special Revenue Fund expenditures exceeded appropriations by \$8,691 and \$254,251, respectively. These expenditures in excess of budget were funded by greater than anticipated revenues.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 21,218,633
Petty cash and change funds	7,520
Departmental cash	194
Investments	723,166
Business-type activities	
Cash and pooled investments	5,109,306
Petty cash and change funds	485
Departmental cash	40,000
Investments	6,439,360
Designated for capital improvements	13,926,480
Component units	
Cash and pooled investments	2,546,514
Petty cash and change funds	300
Investments	4,083,464
Restricted assets	
Cash and pooled investments	1,038,891
Investments	1,628,470
Statement of fiduciary net assets	
Cash and pooled investments	913,508
Total Cash and Investments	\$ 57,676,291

a. Deposits

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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, 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 does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

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

Interest Rate Risk

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize custodial credit risk by permitting brokers that obtain investments for Douglas County to hold them only to the extent there is Securities Investor Protection Corporation SIPC and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2007, \$27,811,651 of U.S. government securities, \$1,039,182 of negotiable certificates of deposit, \$606,674 of money market accounts, and \$142,602 of cash funds were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		11/03/2009	\$ 250,325
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		03/22/2010	184,006
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		05/28/2013	297,741
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		05/28/2013	99,247
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		12/15/2009	99,956
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		09/12/2017	200,584
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		12/12/2017	753,615
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		06/08/2010	230,012
Federal Home Loan Mortgage Corporation - Pooled	Aaa	Moody's		12/19/2017	498,148
Federal Home Loan Mortgage Corporation - PDSW	Aaa	Moody's		06/08/2010	110,005
Federal Home Loan Mortgage Corporation - PDSW	Aaa	Moody's		12/15/2009	98,835
Federal Home Loan Mortgage Corporation - PDSW	Aaa	Moody's		09/17/2009	442,027
Federal Home Loan Mortgage Corporation - PDSW	Aaa	Moody's		01/15/2010	390,019
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		03/15/2008	449,228
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		07/09/2013	613,330
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		12/12/2017	1,007,591
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		10/15/2009	302,868
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		04/15/2009	100,006
Federal Home Loan Mortgage Corporation - Hospital	Aaa	Moody's		02/25/2015	197,409
Total Federal Home Loan Mortgage Corporation			11.9%		\$ 6,324,952
Federal National Mortgage Association - Pooled	Aaa	Moody's		10/28/2009	\$ 100,000
Federal National Mortgage Association - Capital Improvements	Aaa	Moody's		04/28/2008	274,915
Federal National Mortgage Association - PDSW	Aaa	Moody's		08/10/2009	150,000
Federal National Mortgage Association - PDSW	Aaa	Moody's		09/24/2009	149,954
Federal National Mortgage Association - PDSW	Aaa	Moody's		10/29/2009	190,000
Federal National Mortgage Association - PDSW	Aaa	Moody's		10/29/2009	100,000
Federal National Mortgage Association - Hospital	Aaa	Moody's		04/05/2010	518,870
Federal National Mortgage Association - Hospital	Aaa	Moody's		07/19/2010	512,240
Federal National Mortgage Association - Hospital	Aaa	Moody's		12/05/2008	500,940
Federal National Mortgage Association - Hospital	Aaa	Moody's		02/27/2008	531,576
Federal National Mortgage Association - Hospital	Aaa	Moody's		10/28/2009	50,383
Federal National Mortgage Association - Hospital	Aaa	Moody's		08/10/2010	459,236
Federal National Mortgage Association - Hospital	Aaa	Moody's		01/18/2011	511,861
Federal National Mortgage Association - Hospital	Aaa	Moody's		08/23/2013	610,917
Federal National Mortgage Association - Hospital	Aaa	Moody's		08/18/2014	101,878
Federal National Mortgage Association - Hospital	Aaa	Moody's		05/04/2012	202,499
Federal National Mortgage Association - Hospital	Aaa	Moody's		04/01/2008	504,220
Federal National Mortgage Association - Hospital	Aaa	Moody's		02/17/2012	550,217
Total Federal National Mortgage Association			11.4%		\$ 6,019,706

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Federal Home Loan Bank - Pooled	Aaa	Moody's		07/23/2013	\$ 200,126
Federal Home Loan Bank - Pooled	Aaa	Moody's		03/26/2010	275,000
Federal Home Loan Bank - Pooled	Aaa	Moody's		04/01/2010	125,000
Federal Home Loan Bank - Pooled	Aaa	Moody's		12/17/2012	350,877
Federal Home Loan Bank - Pooled	Aaa	Moody's		04/08/2008	100,501
Federal Home Loan Bank - Pooled	Aaa	Moody's		04/10/2012	235,637
Federal Home Loan Bank - Pooled	Aaa	Moody's		05/01/2013	102,279
Federal Home Loan Bank - Pooled	Aaa	Moody's		06/26/2013	300,702
Federal Home Loan Bank - Pooled	Aaa	Moody's		06/26/2013	249,367
Federal Home Loan Bank - Capital Improvements	Aaa	Moody's		09/30/2008	200,126
Federal Home Loan Bank - PDSW	Aaa	Moody's		07/24/2008	300,189
Federal Home Loan Bank - PDSW	Aaa	Moody's		03/25/2009	500,625
Federal Home Loan Bank - PDSW	Aaa	Moody's		10/22/2009	200,062
Federal Home Loan Bank - PDSW	Aaa	Moody's		08/18/2009	300,000
Federal Home Loan Bank - Hospital	Aaa	Moody's		02/02/2009	507,616
Federal Home Loan Bank - Hospital	Aaa	Moody's		12/10/2010	200,279
Federal Home Loan Bank - Hospital	Aaa	Moody's		01/24/2008	507,649
Federal Home Loan Bank - Hospital	Aaa	Moody's		05/12/2008	504,183
Federal Home Loan Bank - Hospital	Aaa	Moody's		12/17/2010	500,623
Federal Home Loan Bank - Hospital	Aaa	Moody's		11/26/2012	501,789
Federal Home Loan Bank - Hospital	Aaa	Moody's		12/18/2008	497,325
Federal Home Loan Bank - Hospital	Aaa	Moody's		03/30/2009	501,063
Federal Home Loan Bank - Hospital	Aaa	Moody's		10/29/2010	1,009,241
Federal Home Loan Bank - Hospital	Aaa	Moody's		08/10/2010	234,585
Federal Home Loan Bank - Hospital	Aaa	Moody's		10/03/2012	150,000
Federal Home Loan Bank - Hospital	Aaa	Moody's		10/10/2013	99,156
Federal Home Loan Bank - Hospital	Aaa	Moody's		11/21/2011	201,306
Federal Home Loan Bank - Hospital	Aaa	Moody's		11/26/2014	151,000
Federal Home Loan Bank - Hospital	Aaa	Moody's		06/26/2013	119,682
Federal Home Loan Bank - Hospital	Aaa	Moody's		07/02/2015	203,975
Total Federal Home Loan Bank			17.6%		\$ 9,329,963
Government National Mortgage Association - Pooled			N/A	03/15/2009	\$ 291
Federal Farm Credit Bank - PDSW	Aaa	Moody's	<5%	09/29/2008	\$ 491,906
Commercial paper					
AIG Funding Inc - Pooled	P-1	Moody's		01/03/2008	\$ 350,874
GE Capital Service - Pooled	P-1	Moody's		01/02/2008	99,976
GE Capital Credit Corporation - Pooled	P-1	Moody's		01/02/2008	509,877
American General Finance Corporation - Self Insurance	P-1	Moody's		01/04/2008	999,520
GE Capital Credit Corporation - PDSW	P-1	Moody's		01/02/2008	659,842
AIG Funding Inc - PDSW	P-1	Moody's		01/04/2008	629,697
GE Capital Credit Corporation - PDSW	P-1	Moody's		01/02/2008	599,856
GE Capital Credit Corporation - Hospital	P-1	Moody's		03/07/2008	536,020
GE Capital Service - Hospital	P-1	Moody's		01/02/2008	516,876
GE Capital Service - Hospital	P-1	Moody's		01/02/2008	405,903
AIG Funding Inc - Hospital	P-1	Moody's		01/04/2008	1,567,247
AIG Funding Inc - Hospital	P-1	Moody's		01/03/2008	513,815
Total commercial paper			13.9%		\$ 7,389,503

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Mutual funds					
UBS - Pooled	N/R	N/A		N/A	\$ 23,229
UBS - Cash Fund - Pooled	N/R	N/A		N/A	416,896
UBS - Cash Fund - PDSW	N/R	N/A		N/A	13,956
UBS Select PDSW - Pooled	Aaa	Moody's		N/A	3,027
UBS Select Hospital - Pooled	Aaa	Moody's		N/A	16,430
UBS Select Self-Insurance - Pooled	Aaa	Moody's		N/A	77,132
UBS Select Capital Improvements - Pooled	Aaa	Moody's		N/A	7,701
UBS Select Public Health Nurse - Pooled	Aaa	Moody's		N/A	5,568
Wells Fargo Hospital - Pooled	AAA	S&P		N/A	43,000
Wachovia Securities - Pooled	Aaa	Moody's		N/A	45,884
UBS - Cash Fund - PDSW	N/R	N/A		N/A	10,689
UBS Select PDSW Assurance - PDSW	Aaa	Moody's		N/A	7,566
Total mutual funds			<5%		\$ 671,078
Negotiable certificates of deposit					
Bancorp Bank Delaware - Pooled	N/R	N/A		02/11/2008	\$ 97,000
Cathay Bank California - Pooled	N/R	N/A		02/21/2008	63,000
Lasalle Bank Midwest Troy, Michigan - Pooled	N/R	N/A		03/07/2008	97,476
World Savings Bank Texas - Pooled	N/R	N/A		08/01/2008	95,054
Indymac Bank California - Pooled	N/R	N/A		08/07/2008	96,000
Greenbank Tennessee - Pooled	N/R	N/A		08/28/2008	90,000
Bank Hapoalim New York - Pooled	N/R	N/A		08/29/2008	96,000
Orion Bank Florida - Pooled	N/R	N/A		11/07/2008	95,277
Colonial Bank Alabama - Pooled	N/R	N/A		11/14/2008	95,294
E Trade Bank Virginia - Pooled	N/R	N/A		11/28/2008	95,000
Wright Express Finl Utah - Pooled	N/R	N/A		12/05/2008	55,143
Firstbank P R - Pooled	N/R	N/A		11/23/2009	96,311
Professional Business - Pooled	N/R	N/A		05/20/2010	95,026
Waypoint Bank - Pooled	N/R	N/A		07/09/2013	98,724
Capital One Bank Virginia - Hospital	N/R	N/A		12/05/2008	98,220
Builders Bank Illinois - Hospital	N/R	N/A		08/08/2008	50,098
Hinsdale Bank & Trust Illinois - Hospital	N/R	N/A		08/08/2008	98,246
Merrick Bank Utah - Hospital	N/R	N/A		08/15/2008	50,119
Total negotiable certificates of deposit			N/A		\$ 1,561,988
Repurchase agreements					
Wells Fargo - Pooled	N/R	N/A			\$ 15,270,456
Bremer - Hospital	N/R	N/A			4,752,211
Total repurchase agreements			37.8%		\$ 20,022,667
Cash with brokers					\$ 344,472

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Total investments					\$ 52,156,526
Deposits					4,624,867
Departmental cash, petty cash, and change funds					<u>48,499</u>
Total cash and investments under control of County Auditor/Treasurer					\$ 56,829,892
Housing and Redevelopment Authority cash and investments (Note 9.B.)					<u>846,399</u>
Total Cash and Investments					<u>\$ 57,676,291</u>

N/A - Not applicable

N/R - Not rated

<5% - Concentration is less than 5% of investments

As of December 31, 2007, the Pope/Douglas Solid Waste Management discretely presented component unit had \$1,040,886 (19.5 percent) in Federal Home Loan Mortgage Corporation securities, \$589,954 (11.0 percent) in Federal National Mortgage Association securities, \$1,300,876 (24.3 percent) in Federal Home Loan Bank securities, \$491,906 (9.2 percent) in a Federal Farm Credit Bank security, and \$1,889,395 (35.3 percent) in commercial paper, all of which exceeded 5.0 percent. The Hospital Operating Enterprise Fund had \$2,670,432 (15.2 percent) in Federal Home Loan Mortgage Corporation securities, \$5,054,837 (28.7 percent) in Federal National Mortgage Association securities, \$5,889,472 (33.4 percent) in Federal Home Loan Bank securities, and \$3,539,861 (20.1 percent) in commercial paper, all of which exceeded 5.0 percent. The Self-Insurance Internal Service Fund had \$999,520 (92.8 percent) in American General Finance Commercial paper and \$77,132 (7.2 percent) in UBS Mutual Funds, all of which exceeded 5.0 percent. The Capital Improvements Capital Projects Fund had \$274,915 (38.1 percent) in Federal National Mortgage Association securities, \$200,126 (27.8 percent) in Federal Home Loan Bank securities, and \$237,937 (33.0 percent) in UBS cash with brokers, all of which exceeded 5.0 percent.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, for the County, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 504,489	\$ -
Special assessments	572,805	-
Accounts	204,309	-
Interest	53,599	-
Due from other governments	3,007,563	-
Total Governmental Activities	\$ 4,342,765	\$ -
Business-Type Activities		
Accounts	\$ 11,734,469	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,719,031	\$ 152,062	\$ -	\$ 2,871,093
Construction in progress	1,703,555	1,187,114	1,648,592	1,242,077
Total capital assets not depreciated	\$ 4,422,586	\$ 1,339,176	\$ 1,648,592	\$ 4,113,170
Capital assets depreciated				
Land and building improvements	\$ 271,174	\$ 815,737	\$ -	\$ 1,086,911
Buildings	21,158,581	32,224	-	21,190,805
Machinery, furniture, and equipment	7,168,190	778,021	416,643	7,529,568
Infrastructure	64,781,125	2,134,707	-	66,915,832
Total capital assets depreciated	\$ 93,379,070	\$ 3,760,689	\$ 416,643	\$ 96,723,116

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land and building improvements	\$ 114,829	\$ 24,342	\$ -	\$ 139,171
Buildings	6,796,388	530,247	-	7,326,635
Machinery, furniture, and equipment	4,017,545	644,574	378,693	4,283,426
Infrastructure	20,420,422	1,518,584	-	21,939,006
Total accumulated depreciation	\$ 31,349,184	\$ 2,717,747	\$ 378,693	\$ 33,688,238
Total capital assets depreciated, net	\$ 62,029,886	\$ 1,042,942	\$ 37,950	\$ 63,034,878
Governmental Activities Capital Assets, Net	\$ 66,452,472	\$ 2,382,118	\$ 1,686,542	\$ 67,148,048

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 56,930	\$ -	\$ -	\$ 56,930
Construction in progress	-	138,697	-	138,697
Total capital assets not depreciated	\$ 56,930	\$ 138,697	\$ -	\$ 195,627
Capital assets depreciated				
Land and building improvements	\$ 1,299,236	\$ -	\$ -	\$ 1,299,236
Buildings	27,597,756	1,679,203	-	29,276,959
Machinery, furniture, and equipment	17,287,270	1,896,062	1,286,732	17,896,600
Total capital assets depreciated	\$ 46,184,262	\$ 3,575,265	\$ 1,286,732	\$ 48,472,795
Less: accumulated depreciation for				
Land and building improvements	\$ 875,670	\$ 60,062	\$ -	\$ 935,732
Buildings	16,255,500	1,024,814	-	17,280,314
Machinery, furniture, and equipment	11,777,051	1,469,437	1,225,249	12,021,239
Total accumulated depreciation	\$ 28,908,221	\$ 2,554,313	\$ 1,225,249	\$ 30,237,285
Total capital assets depreciated, net	\$ 17,276,041	\$ 1,020,952	\$ 61,483	\$ 18,235,510
Business-Type Activities Capital Assets, Net	\$ 17,332,971	\$ 1,159,649	\$ 61,483	\$ 18,431,137

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	482,535
Public safety		213,644
Highways and streets, including depreciation of infrastructure assets		1,864,205
Human services		24,789
Health		7,367
Culture and recreation		<u>125,207</u>
Total Depreciation Expense - Governmental Activities	\$	<u>2,717,747</u>
Business-Type Activities		
Hospital operation	\$	<u>2,554,313</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 14,706
	Other governmental	4,054
Total due to General Fund		<u>\$ 18,760</u>
Public Works	General	\$ 57,421
	Human Services	1,285
	Other governmental	<u>12,178</u>
Total due to Public Works Fund		<u>\$ 70,884</u>
Human Services	Other governmental	\$ 2,194

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Other governmental	General Public Works Other governmental Internal Service	\$ 65 999 3,591 1,709
Total due to other governmental funds		\$ 6,364
Internal Service	General	\$ 111,154
Total Due To/From Other Funds		\$ 209,356

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 191,750

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to Public Works Fund from Capital Projects Fund	\$ 1,099,591	Provide funding for capital outlay
Transfers to other governmental funds from General Fund	295,634	Provide funding
Total Interfund Transfers	\$ 1,395,225	

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2007. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 602,055	\$ 1,017,348

2. Vacation and Sick Leave

Governmental Activities

Under the County's personnel policies and union contracts, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 10 to 25 days per year. Sick leave accrual is 12 days per year.

Unused accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave pay, approximately \$1,113,298 at December 31, 2007, is available to employees in the event of illness-related absences, and is not paid to them at termination.

Business-Type Activities

The Hospital sponsors an employee benefit program whereby employees retiring in good standing from the Hospital under the State of Minnesota PERA retirement plan after 30 calendar years of employment will receive their unused sick and vacation leave by placing it into the Health Care Savings Plan, which is administered by the Minnesota State Retirement System. As of December 31, 2007, the Hospital had an estimated current sick leave benefit payable of \$66,203 and a long-term benefit payable of \$3,178,752. The statement of revenues, expenses, and changes in net assets include expenses of \$196,591 related to this benefit for the year ended December 31, 2007.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Other Postemployment Benefits

Persons who retire with at least 25 years of service to Douglas County will have the option of leaving all of their regular and banked sick leave in a reserve fund to pay for continued health insurance coverage with the County, if eligible, or to pay the Medicare portion or the supplemental portion of their own and dependent insurance coverage.

The County's contribution from the General Fund for the year ended December 31, 2007, for three participants was \$6,084.

4. Leases

Operating Leases

The Hospital leases certain equipment under noncancelable long-term lease agreements. All leases have been recorded as operating leases. Total lease expense for the years ended December 31, 2007 and 2006, for all operating leases was \$377,836 and \$507,590, respectively. Minimum future lease payments for all operating leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 148,956
2009	<u>62,065</u>
Total Minimum Lease Payments	<u>\$ 211,021</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
1998A G.O. Capital Improvement Bonds	2011	\$70,000 - \$120,000	3.90 - 4.65	\$ 1,195,000	\$ 440,000
1998B G.O. Capital Improvement Refunding Bonds	2011	\$105,000 - \$165,000	4.10 - 4.65	1,470,000	620,000
2002A G.O. Capital Improvement Bonds	2021	\$45,000 - \$95,000	3.00 - 5.00	1,250,000	1,060,000
2002C G.O. Solid Waste Disposal Bonds	2021	\$180,000 - \$225,000	3.00 - 5.00	3,075,000	2,455,000
2003A G.O. Road Construction Bonds	2014	\$340,000 - \$510,000	1.75 - 3.75	4,315,000	3,185,000
2003C G.O. Refunding Bonds	2011	\$150,000 - \$280,000	1.15 - 3.40	1,845,000	850,000
2005A G.O. Road Construction Bonds	2016	\$230,000 - \$310,000	2.75 - 3.70	2,680,000	2,450,000
2005B G.O. Ditch Bonds	2016	\$65,000 - \$90,000	2.80 - 3.70	770,000	705,000
2007A G.O. Road Construction Bonds	2018	\$105,000 - \$500,000	3.30 - 3.80	2,040,000	2,040,000
Total General Obligation Bonds				<u>\$ 18,640,000</u>	<u>\$ 13,805,000</u>
General obligation notes					
2003B G.O. Capital Notes	2008	\$165,000 - \$245,000	1.05 - 2.40	<u>\$ 925,000</u>	<u>\$ 245,000</u>

In 2007, the County approved the sale of General Obligation Temporary Bonds, 2007B, to finance engineering costs for future expansion at Pope/Douglas Solid Waste Management. Pope/Douglas Solid Waste Management is responsible for making the payments. See Note 8.B.2.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt (Continued)

Loans Payable

In 2004, the County entered into a loan agreement with the State of Minnesota Pollution Control Agency for implementation of a clean water partnership.

<u>Loans Payable</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
Sewer Clean Water Loan	2018	\$7,944	2.00	<u>\$ 143,354</u>	<u>\$ 143,354</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Capital Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,585,000	\$ 540,899	\$ 245,000	\$ 5,880
2009	1,560,000	446,064	-	-
2010	1,500,000	393,674	-	-
2011	1,555,000	340,320	-	-
2012	1,155,000	282,909	-	-
2013 - 2017	4,770,000	820,745	-	-
2018 - 2021	1,680,000	157,435	-	-
Total	<u>\$ 13,805,000</u>	<u>\$ 2,982,046</u>	<u>\$ 245,000</u>	<u>\$ 5,880</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements

Governmental Activities (Continued)

Year Ending December 31	Loans Payable	
	Principal	Interest
2008	\$ 6,510	\$ 1,434
2009	13,217	2,671
2010	13,483	2,405
2011	13,754	2,134
2012	14,030	1,858
2013 - 2017	74,495	4,945
2018	7,865	79
Total	<u>\$ 143,354</u>	<u>\$ 15,526</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
G.O. bonds	\$ 12,960,000	\$ 2,040,000	\$ 1,195,000	\$ 13,805,000	\$ 1,585,000
Add: unamortized premium	41,564	-	4,618	36,946	-
G.O. capital notes	420,000	-	175,000	245,000	245,000
Total G.O. bonds and notes	\$ 13,421,564	\$ 2,040,000	\$ 1,374,618	\$ 14,086,946	\$ 1,830,000
Capital leases	6,814	-	6,814	-	-
Loans payable	97,253	51,759	5,658	143,354	6,224
Compensated absences	2,196,247	1,920,461	1,255,237	2,861,471	1,145,583
Governmental Activities Long-Term Liabilities	<u>\$ 15,721,878</u>	<u>\$ 4,012,220</u>	<u>\$ 2,642,327</u>	<u>\$ 17,091,771</u>	<u>\$ 2,981,807</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Douglas County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, 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.

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

For all Public Employees Retirement Fund members 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. 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; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2007	2006	2005
Public Employees Retirement Fund	\$ 701,897	\$ 631,074	\$ 693,859
Public Employees Police and Fire Fund	170,140	152,380	123,321
Public Employees Correctional Fund	117,882	112,641	108,044

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

4. Pension Plans (Continued)

B. Defined Contribution Plan

One physician and six elected officials of Douglas County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. 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 the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,370	\$ 8,370
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

5. Risk Management

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

The Workers' Compensation Division of 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. 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 County entered into a program to self-insure group hospitalization, medical, and major medical benefits for its employees pursuant to Minn. Stat. § 471.61. Currently, the County contracts with Blue Cross/Blue Shield for employee and dependent group health coverage. The plan is primarily a conventional group health plan that is partially underwritten by the County and its employees.

Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$125,000 stop-loss per contract claim per year (\$9,210,211 aggregate) for the health plan.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

5. Risk Management (Continued)

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2007	2006
Unpaid claims, beginning of fiscal year	\$ 499,815	\$ 350,274
Incurred claims (including IBNRs)	5,496,910	5,861,141
Claims payments	(5,610,531)	(5,711,600)
Unpaid Claims, End of Fiscal Year	\$ 386,194	\$ 499,815

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$5,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

6. Net Charges for Services - Hospital Operating Enterprise Fund

Net charges for services in the Hospital Operating Enterprise Fund are for net patient service revenue. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services provided, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are provided and adjusted in future periods as final settlements are determined.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

6. Net Charges for Services - Hospital Operating Enterprise Fund (Continued)

Gross patient revenue at established rates, less third-party payor contractual adjustments, consisted of the following as of December 31, 2007.

Patient service revenue	\$ 124,824,385
Allowances for contractual adjustments	<u>(58,584,887)</u>
Net Patient Service Revenue	<u>\$ 66,239,498</u>

7. Summary of Significant Contingencies and Other Items

A. Charity Care

In furtherance of its charitable purpose, the Hospital provides a wide variety of benefits to the community. These services and donations account for a measurable portion of the Hospital's costs and serve to promote healthy life styles, community development, health education, and affordable access to care.

The Hospital maintains records to identify and monitor the level of community benefit services it provides. Those records include management's estimate of the cost to provide charity care, the cost of services and supplies furnished for community benefit programs, and costs in excess of program payments for treating Medical Assistance patients.

In addition to community benefit costs outlined below, the Hospital provides additional community contributions such as services to Medicare patients below the costs for treatment, other uncompensated care, discounted pricing to the uninsured, and pays taxes and fees.

The following is a summary of charity care discounts and other community benefit activities incurred during the year ended December 31, 2007:

Charity care	\$ 380,178
Cost in excess of Medicare public program payments	835,499
Medicaid surcharge and MinnesotaCare tax	<u>1,280,080</u>
Total Cost of Community Benefits	<u>\$ 2,495,757</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

A. Charity Care (Continued)

Other community contributions	
Costs in excess of Medicare payments	\$ 3,809,115
Other care provided without compensation (bad debts)	540,340
Discount offered to uninsured patients	<u>513,410</u>
Total Value of Community Contributions	<u>\$ 4,862,865</u>

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.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

C. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. In 2007, the County paid \$4,805 to the West Central Area Agency on Aging as its share of the 2007 assessment. Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Area Agency on Aging (Continued)

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Complete financial information can be obtained from:

West Central Area Agency on Aging
P. O. Box 726
Fergus Falls, Minnesota 56537-0726

Rainbow Rider Transit Board

The West Central Multi-County Joint Powers Transit Board (Rainbow Rider) was established December 1, 1994, by a joint powers agreement among Douglas, Pope, Stevens, and Traverse Counties. Operations did not begin until 1995. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The agreement was established to provide a coordinated service delivery and funding source for public transportation for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

In 1996, the Public Transit Fund (Heartland Express) merged with Rainbow Rider. Title to three Heartland Express buses was transferred to Rainbow Rider as part of this transition. Douglas County received from Rainbow Rider a capital credit toward Douglas County's share of future capital purchases. This credit was for 20 percent of the present market value of the equipment transferred, which was the percentage that Douglas County originally contributed to purchase that equipment.

Control is vested in the Rainbow Rider Transit Board. The Board consists of two members from each county. Each member of the Board is appointed by the County Commissioners of the county they represent. Members of the Board serve an annual term and may be reappointed by their respective County Boards.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

Rainbow Rider
P. O. Box 136
Lowry, Minnesota 56349

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

The Task Force is reported as an agency fund in Douglas County's financial statements. Financing and equipment will be provided by the full-time and associate member agencies. Douglas County provided \$5,000 to this organization in 2007.

Prime West Central County-Based Purchasing Initiative

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

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

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

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services; initial start-up loans from the member counties; and by proportional contributions from member counties, if necessary, to cover operational costs. Douglas County did not contribute any funds to the Prime West Central County-Based Purchasing Initiative during 2007.

Complete financial information can be obtained from:

Prime West Health System
2209 Jefferson Street
Suite 101
Alexandria, Minnesota 56308

Pomme de Terre River Association

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

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board comprising one representative of each County Board of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement. During 2007, Douglas County did not contribute any money to the Joint Powers Board.

Complete financial information can be obtained from:

Pomme de Terre River Association Joint Powers Board
900 Robert Street, Suite 104
St. Paul, Minnesota 55103-2108

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 471.59, Minn. Stat. 145A.17, and a joint powers agreement, effective June 12, 2007. The board consists of 12 members, which include an appointed commissioner from each participating county. McLeod County is the fiscal agent. The primary purpose of the joint venture is to improve the health and life-course of low-income, first-time mothers and their children. The joint venture is financed primarily by contributions from participating counties.

Audited financial statements are available at:

McLeod County Auditor's Office
2385 Hennepin Avenue North
Glencoe, Minnesota 55336

D. Jointly-Governed Organization

District IV Transportation Planning

Douglas County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organization

District IV Transportation Planning (Continued)

Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

E. Subsequent Events

Health Care Facilities Gross Revenue Bonds Approved

On June 10, 2008, the County Board approved the issuance of Douglas County Hospital Health Care Facilities Gross Revenue Bonds, Series 2008, in the amount of \$26,210,000, for the expansion of Hospital facilities.

Public Works Revenue Bonds Approved

On October 14, 2008, the County Board approved authorizing the Douglas County HRA to proceed with the issuance of Public Works Revenue Bonds, Series 2008, in the amount of \$6,800,000, to finance the construction of a Public Works facility. The bond sale was November 12, 2008. Douglas County will enter into a lease purchase agreement with the Douglas County HRA to lease the facility during the life of the bonds.

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, Pope/Douglas Solid Waste Management has the following significant disclosures.

1. Financial Reporting Entity

Pope/Douglas Solid Waste Management (PDSW) is a joint enterprise operation of Pope and Douglas Counties. It was established by a Joint Powers Agreement dated December 7, 1983, amended May 1, 1990, and amended again April 9, 1997, pursuant to Minn. Stat. § 471.59, Joint Powers Act.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

Each of the counties is authorized and obligated, pursuant to Minn. Stat. chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the counties to cooperate in a joint venture to operate and manage an integrated waste management system within Douglas and Pope Counties. This purpose, without limitation, shall include the planning, administration, and operation of recycling programs; the ownership and operation of a waste-to-energy facility; and the ownership, operation, and management of any ash and/or by-pass landfill. The facility and administrative office is located in Alexandria, Minnesota.

PDSW is governed by a five-member Board of Directors, two appointed from Pope County and three from Douglas County. Receipts and disbursements are recorded in the Solid Waste Fund by the Douglas County Auditor/Treasurer. Douglas County's ownership is 75 percent, and Pope County's ownership is 25 percent.

2. Basic Financial Statements

The accounts of PDSW are organized as an enterprise fund. The fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities. PDSW's net assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets.

3. Measurement Focus and Basis of Accounting

PDSW's 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. Special assessments are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is PDSW's policy to use restricted resources first and then unrestricted resources as needed.

4. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments and petty cash. PDSW's cash is pooled and invested with Douglas County and is treated as a cash equivalent because PDSW can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest is credited to the Solid Waste Fund. Douglas County obtains collateral to cover the deposits in excess of insurance coverage.

Fund Investments

The Douglas County Auditor/Treasurer purchases investments for PDSW upon its direction. Fund investments are reported at their fair value at December 31, 2007, based on market prices. Interest earned on such restricted investments is credited to the Solid Waste Fund. Additional disclosures as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are disclosed on a county-wide basis in the Douglas County Annual Financial Report.

Investments available to PDSW are authorized in Minn. Stat. §§ 118A.04 and 118A.05 and are detailed in Note 3.A.1.b.

Receivables

All receivables are shown net of an allowance for uncollectibles.

Special assessments receivable consist of delinquent special assessments payable in the years 1998 through 2007.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statements.

Restricted Assets

Restricted assets represent the amounts set aside by PDSW for landfill closure and postclosure financial assurances and unspent capital projects bonding. Below is a summary of the restricted assets at December 31, 2007.

Restricted for closure and postclosure care costs	\$ 1,249,079
Restricted for capital projects	1,038,891
Accrued interest on restricted investments	<u>236</u>
Total	<u>\$ 2,288,206</u>

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by PDSW as assets with 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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the current period, PDSW did not have any capitalized interest.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Assets or Equity

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Landfill	Based on capacity
Buildings	20 - 40
Building improvements	20 - 40
Furniture, equipment, and vehicles	5 - 10

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.

Deferred Revenue

The financial statements defer revenue for resources that have been received, but not yet earned.

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.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management (Continued)

B. Detailed Notes on All Funds

1. Assets

Receivables

Receivables as of December 31, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	\$ 82,247	\$ -
Accounts	354,604	-
Interest - unrestricted	29,672	-
Due from other governments	8,799	-
Interest - restricted	236	-
Total	\$ 475,558	\$ -

Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 179,288	\$ -	\$ -	\$ 179,288
Capital assets depreciated				
Land improvements	\$ 3,377,612	\$ -	\$ -	\$ 3,377,612
Infrastructure	-	1,173,839	-	1,173,839
Buildings	6,140,008	86,432	378,474	5,847,966
Machinery, furniture, and equipment	8,789,477	68,958	20,140	8,838,295
Total capital assets depreciated	\$ 18,307,097	\$ 1,329,229	\$ 398,614	\$ 19,237,712
Less: accumulated depreciation for				
Land improvements	\$ 785,562	\$ 100,056	\$ -	\$ 885,618
Infrastructure	-	11,738	-	11,738
Buildings	1,984,481	206,670	192,394	1,998,757
Machinery, furniture, and equipment	3,285,119	594,143	20,140	3,859,122
Total accumulated depreciation	\$ 6,055,162	\$ 912,607	\$ 212,534	\$ 6,755,235
Total capital assets depreciated, net	\$ 12,251,935	\$ 416,622	\$ 186,080	\$ 12,482,477
Capital Assets, Net	\$ 12,431,223	\$ 416,622	\$ 186,080	\$ 12,661,765

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Payables at December 31, 2007, were as follows:

Accounts	\$	123,328
Salaries		73,769
Due to other governments		445
Accrued interest payable		1,211
		198,753
Total Payables	\$	198,753

Operating Leases

PDSW contracts with Alex Rubbish Services, Inc., to transport ash from the waste-to-energy incinerator, provide services to operate the landfill, and transport any leachate to a facility designated by PDSW. The lease provides payments based upon the formula provided in the agreement. Lease payments were \$174,047 in 2007. The lease, beginning September 21, 2006, is for a two-year period and contains a 90-day cancellation notice by either party.

Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds 2007B G.O. Temporary Bonds	2010	\$1,035,000	3.30	\$ 1,035,000	\$ 1,035,000
Add: Unamortized premium					3,891
Total General Obligation Bonds, net					\$ 1,038,891

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	G.O. Temporary Bonds Payable	
	Principal	Interest
2008	\$ -	\$ 21,157
2009	-	34,155
2010	1,035,000	17,078
Total	<u>\$ 1,035,000</u>	<u>\$ 72,390</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure care costs	\$ 399,824	\$ 30,365	\$ -	\$ 430,189	\$ -
Compensated absences	201,096	149,978	97,221	253,853	72,611
General obligation bonds	-	1,038,891	-	1,038,891	-
Long-Term Liabilities	<u>\$ 600,920</u>	<u>\$ 1,219,234</u>	<u>\$ 97,221</u>	<u>\$ 1,722,933</u>	<u>\$ 72,611</u>

C. Employee Retirement Systems and Pension Plans

All full-time and certain part-time employees of the PDSW are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota. Disclosures about the Public Employees Retirement Fund can be found in Note 4.A.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

C. Employee Retirement Systems and Pension Plans (Continued)

PDSW's contributions for the years ending December 31, 2007, 2006, and 2005, were \$84,453, \$76,485, and \$65,239, respectively, equal to the contractually required contributions for each year as set by state statute.

Two of the Douglas County Board members are covered by the Public Employees Defined Contribution Plan. Total contributions by dollar amount and percentage of covered payroll made by PDSW during the year ended December 31, 2007, were \$84.50, and five percent, respectively.

D. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require PDSW to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, PDSW reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$430,189 landfill closure and postclosure care liability at December 31, 2007, represents the cumulative amount reported to date based on the use of 8.3 percent of the estimated capacity of the landfill. PDSW will recognize the remaining estimated cost of closure and postclosure care of \$1,244,522 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. PDSW expects to close the landfill in 2161. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

PDSW is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. PDSW is in compliance with these requirements and, at December 31, 2007, investments of \$1,249,079 are held for these purposes. These are reported as restricted assets on the statement of net assets. PDSW expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management (Continued)

E. Risk Management

PDSW is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which PDSW carries commercial insurance. To cover these risks, PDSW is a member of both the Minnesota Counties Insurance Trust (MCIT) Workers' Compensation and Property and Casualty Divisions. For other risk, PDSW 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess PDSW in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and PDSW 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 PDSW in a method and amount to be determined by MCIT.

PDSW participates in the Douglas County self-insurance program for employee health coverage. The activity is recorded in the Douglas County Self-Insurance Internal Service Fund.

F. Summary of Significant Contingencies and Other Items

1. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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 PDSW expects such amounts, if any, to be immaterial.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

8. Pope/Douglas Solid Waste Management

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

2. Designated Funds

PDSW has set aside funds for construction of a landfill and equipment replacement. Below is a summary of the investments set aside at December 31, 2007.

Designated for landfill construction	\$	1,120,806
Designated for equipment replacement		4,156,022
Total		\$ 5,276,828

3. Operating Budgets

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	\$ 2,231,000	\$ 2,826,883	\$ 595,883
Operating Expenses	3,287,342	4,892,414	(1,605,072)
Operating Income (Loss)	\$ (1,056,342)	\$ (2,065,531)	\$ (1,009,189)
Nonoperating Revenues (Expenses)	1,189,920	1,539,578	349,658
Net Income (Loss)	\$ 133,578	\$ (525,953)	\$ (659,531)

4. Affiliated Debt

In financing the construction of the materials recycling facility, the sponsoring counties sold general obligation bonds; these bonds are the liability of Pope and Douglas Counties and not of PDSW. Outstanding debt of each county related to the financing is as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Net Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
2002 Pope County G.O. Solid Waste Bonds	2011	\$90,000 - \$115,000	3.3531	\$ 1,030,000	\$ 440,000
2002C Douglas County G.O. Solid Waste Disposal Bonds	2021	\$105,000 - \$225,000	4.5377	\$ 3,075,000	\$ 2,455,000

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies

The accounting policies of the Housing and Redevelopment Authority (HRA) of Douglas County conform to accounting principles generally accepted in the United States of America as applied to governmental units. The following is a summary of the more significant policies.

1. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements include all funds for which the HRA is financially accountable. The HRA does not have any component units. However, it is considered a component unit of Douglas County, Minnesota. A five-member Board of Commissioners, appointed by the County Board, governs the HRA.

The HRA provides low-income public housing to eligible individuals and families in accordance with the annual contributions contracts approved by the United States Department of Housing and Urban Development (HUD) and in accordance with an agreement with the United States Department of Agriculture's Rural Economic and Community Development Agency. The HRA also administers numerous state and local housing programs for eligible households, including rehabilitation loans, down-payment assistance, housing assistance payments, and septic system reconstruction loans.

2. Financial Statements

The statement of net assets and the statement of activities present financial information about the HRA's overall activities, which are classified as business-type activities. The HRA has no governmental or fiduciary funds. Eliminations have been made to minimize the double counting of internal transactions. Business-type activities are financed, at least in part, by fees charged to external parties. The statement of activities presents a comparison between direct expenses and program revenues for business-type activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies (Continued)

3. Measurement Focus and Basis of Accounting

The HRA-wide proprietary 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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the HRA gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the HRA may fund certain programs by a combination of specific cost-reimbursement grants, block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the HRA's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Reports for the HRA's enterprise funds are prepared following the Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

4. Investments

The HRA's investments are in time deposits (savings, preferred money market accounts, or certificates of deposit) and are stated at fair market value, which approximates cost.

5. Accounts Receivable

No allowance for doubtful accounts is included in these financial statements, as management believes such amounts are not material.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

A. Summary of Significant Accounting Policies (Continued)

6. Property and Equipment

Property and equipment are stated at cost. The cost of maintenance and repairs that do not add value to assets or materially extend assets' lives is not capitalized. The capitalization policy of the HRA is to capitalize assets costing more than \$200.

7. Budgetary Process

The HRA of Douglas County prepares an annual operating budget with formal Board approval prior to the start of its fiscal year. HUD requests the HRA keep the budget on file and submit to HUD the calculation for operating subsidy. The HRA must prepare a revised operating budget only when total expenditures exceed the amount originally budgeted. The revised budget, if needed, is also kept on file at the HRA's office. State programs are indirectly budgeted for based on the program dollars available for expenditure.

8. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

9. Cash Equivalents

For purposes of the statement of cash flows, the HRA considers cash equivalents to include all accounts having an original maturity of three months or less.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

B. Cash and Investments

Cash and investments as of December 31, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets	
Cash and cash equivalents	\$ 467,008

Cash and investments as of December 31, 2007, consist of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 466,958	\$ 520,905
Petty cash	50	-
Total	\$ 467,008	\$ 520,905

Restricted investments of \$379,391 are entirely invested in money market mutual fund accounts where the book carrying and the bank balance are the same. All except \$22,856 of these investments are held in trust with a large banking institution.

Investments Authorized by the HRA's Investment Policy

The HRA is required to invest its funds in accordance with Minn. Stat. ch. 118A. The HRA does not have an investment policy with any specific provisions intended to limit its exposure to investment rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At year-end, the HRA did not have any investment in certificates of deposit.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

B. Cash and Investments (Continued)

Disclosures Relating to 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. At year end, the HRA held no rated investments.

Disclosures Relating to Concentration of Credit Risk

SFAS 105 defines a concentration of credit risk as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The HRA does not have an existing investment policy regarding concentration of credit risk.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities in the possession of an outside party. The HRA does not have an investment policy that would limit the exposure to custodial credit risk for deposits.

The HRA has \$395,738 in deposits with the financial institutions in excess of federal depository insurance limits that were held in uncollateralized accounts at December 31, 2007.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (such as a broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities in the possession of another party. The HRA does not have a policy that would limit custodial credit risk. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

C. Property and Equipment

A summary of changes in property and equipment is as follows:

	Balances January 1, 2007	Additions	Disposals	Balances December 31, 2007
PHA-owned				
Land and improvements	\$ 263,546	\$ 1,800	\$ -	\$ 265,346
Buildings and improvements	1,746,875	75,124	-	1,821,999
Furniture and equipment	38,752	6,372	-	45,124
Subtotal	\$ 2,049,173	\$ 83,296	\$ -	\$ 2,132,469
Less: accumulated depreciation	(1,074,108)	(65,493)	-	(1,139,601)
Total PHA-owned	\$ 975,065	\$ 17,803	\$ -	\$ 992,868
Housing choice vouchers				
Leasehold improvements	\$ 4,177	\$ -	\$ -	\$ 4,177
Office equipment	3,409	-	-	3,409
Subtotal	\$ 7,586	\$ -	\$ -	\$ 7,586
Less: accumulated depreciation	(7,586)	-	-	(7,586)
Total housing choice vouchers	\$ -	\$ -	\$ -	\$ -
RECD				
Land and improvements	\$ 16,179	\$ 43,609	\$ -	\$ 59,788
Buildings and improvements	127,983	5,482	-	133,465
Furniture and equipment	28,192	511	-	28,703
Subtotal	\$ 172,354	\$ 49,602	\$ -	\$ 221,956
Less: accumulated depreciation	(51,816)	(7,259)	-	(59,075)
Total RECD	\$ 120,538	\$ 42,343	\$ -	\$ 162,881
Administrative Fund				
Furniture and equipment	\$ 57,976	\$ -	\$ -	\$ 57,976
Less: accumulated depreciation	(55,430)	(699)	-	(56,129)
Total Administrative Fund	\$ 2,546	\$ (699)	\$ -	\$ 1,847

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

C. Property and Equipment (Continued)

	Balances January 1, 2007	Additions	Disposals	Balances December 31, 2007
Cardinal Estates				
Land and improvements	\$ 86,979	\$ -	\$ -	\$ 86,979
Buildings	1,139,150	-	-	1,139,150
Furniture and equipment	22,380	-	-	22,380
Subtotal	\$ 1,248,509	\$ -	\$ -	\$ 1,248,509
Less: accumulated depreciation	(142,769)	(28,893)	-	(171,662)
Total Cardinal Estates	\$ 1,105,740	\$ (28,893)	\$ -	\$ 1,076,847
Garfield Creamery project				
Land and improvements	\$ 42,783	\$ 10,144	\$ -	\$ 52,927
Buildings	700,128	-	-	700,128
Furniture and equipment	9,063	-	-	9,063
Subtotal	\$ 751,974	\$ 10,144	\$ -	\$ 762,118
Less: accumulated depreciation	(78,234)	(20,566)	-	(98,800)
Total Garfield Creamery project	\$ 673,740	\$ (10,422)	\$ -	\$ 663,318
Totals	\$ 2,877,629	\$ 20,132	\$ -	\$ 2,897,761

D. Lines of Credit

The HRA opened a revolving line of credit on February 23, 2001, with a local financial institution. The maximum available loan is \$50,025. At December 31, 2007, the HRA has not drawn any of the available line, leaving \$50,025 to draw. The line of credit is renewable every six months and carries a floating interest rate at December 31, 2007.

The HRA opened a second revolving line of credit on June 18, 2004, with a local financial institution. The maximum available loan is \$25,000. The line of credit is renewable every six months and carries a floating interest rate. At December 31, 2007, the HRA has drawn \$516 of its available line, leaving \$24,484 to draw.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

E. Long-Term Obligations

RECD Loan Assumption

As part of the RECD project acquisition, the HRA assumed the previous owner's note payable on the project due to RECD. The note assumed was for \$84,237, with an interest rate of eight percent annually. Monthly payments of \$717, including interest, are required until maturity on May 2, 2018. Interest expense is partially subsidized by RECD each month. The 2007 subsidy totaled \$3,780 and is recorded as both grant revenue and interest expense in these financial statements. The annual requirements to retire this mortgage note are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,891	\$ 4,715	\$ 8,606
2009	4,214	4,392	8,606
2010	4,564	4,042	8,606
2011	4,943	3,663	8,606
2012	5,353	3,253	8,606
2013 - 2017	34,213	8,815	43,028
2018	3,512	71	3,583
Totals	<u>\$ 60,690</u>	<u>\$ 28,951</u>	<u>\$ 89,641</u>

State of Minnesota Department of Trade and Economic Development Loan

As part of an agreement with the State of Minnesota, the HRA borrowed \$448,000 from the state interest-free to loan to residents of Douglas County for septic system repairs. The loan is payable in semi-annual installments of \$22,400, due each July and December. Proceeds to repay the loan come from repayments by homeowners to the HRA for the individual septic system loans. These payments are collected via special assessments on the individual homeowner's property tax bills. The annual requirements to retire the loan are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 67,200	\$ -	\$ 67,200
2009	44,800	-	44,800
Totals	<u>\$ 112,000</u>	<u>\$ -</u>	<u>\$ 112,000</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

E. Long-Term Obligations

State of Minnesota Department of Trade and Economic Development Loan (Continued)

The HRA, in June 2001, issued \$1,500,000 General Obligation Governmental Housing Bonds, Series 2001A. These bonds were issued to finance all costs associated with acquiring needed land and building a ten (10) unit housing facility on Cardinal Lane in Alexandria, Minnesota, and a two (2) unit housing facility in Nelson Second Addition in Evansville, Minnesota. The bond issue and related activity is included under the caption of "Cardinal Estates." At December 31, 2001, construction was completed, and the units were available for occupancy. The units were first rented and occupied beginning in February 2002. The annual requirements to retire the bonds are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,000	\$ 75,144	\$ 90,144
2009	20,000	74,400	94,400
2010	20,000	73,540	93,540
2011	20,000	72,660	92,660
2012	25,000	71,640	96,640
2013 - 2017	160,000	336,556	496,556
2018 - 2022	250,000	286,888	536,888
2023 - 2027	385,000	206,916	591,916
2028 - 2032	560,000	81,675	641,675
Totals	<u>\$ 1,455,000</u>	<u>\$ 1,279,419</u>	<u>\$ 2,734,419</u>

Cardinal Estates - Special Assessments

As part of the Cardinal Estates project, the City of Alexandria extended water lines to the project that was special assessed against the property over a ten-year period. The unpaid balance is also assessed a seven percent interest charge annually. The annual requirements to retire the debt are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,012	\$ 582	\$ 2,594
2009	2,012	436	2,448
2010	2,012	282	2,294
2011	2,012	141	2,153
Totals	<u>\$ 8,048</u>	<u>\$ 1,441</u>	<u>\$ 9,489</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County

E. Long-Term Obligations (Continued)

Garfield Creamery Apartment Project

Also in June 2001, the HRA borrowed \$38,000 at an interest rate of 7.9 percent to purchase an old creamery building in Garfield, Minnesota. Monthly installments of \$362, including interest, will be made for 15 years to pay off the loan. The balance at December 31, 2007, was \$28,921. The HRA issued bonds in 2002 and used the proceeds to rehabilitate the building into apartments for rental purposes. This project is accounted for separately by the HRA and is included under the caption of "Garfield Creamery Apartment Project." This note was paid off in July 2007.

As mentioned earlier, the HRA issued 20-year bonds totaling \$685,000 in July 2002 for the purpose of rehabilitating the old Garfield Creamery building into rental apartments for qualified low-income individuals and families. The HRA contributed \$40,000 of its own funds toward the project, which was occupied in 2003. Annual maturities to retire the bonds are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,000	\$ 27,294	\$ 52,294
2009	25,000	26,356	51,356
2010	30,000	25,256	55,256
2011	30,000	24,056	54,056
2012	30,000	22,841	52,841
2013 - 2017	180,000	92,397	272,397
2018 - 2022	230,000	43,643	273,643
2023	55,000	1,375	56,375
Totals	\$ 605,000	\$ 263,218	\$ 868,218

F. Employee Retirement Plans

All full-time employees of the HRA are covered by a tax-sheltered annuity, covered under IRC Section 403(b). The HRA contributes up to ten percent of each employee's pay to his or her annuity. For 2007, employee elective deferrals were available to a maximum of \$15,500 annually (\$20,500 for those over age 50). The payroll for employees covered by the plan for the year ended December 31, 2007, was \$273,360, equal to the HRA's total payroll for the year. HRA contributions to the plan for the three years ended December 31, 2007, 2006, and 2005, equaled \$12,481, \$14,629, and \$16,563, respectively.

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

9. Housing and Redevelopment Authority of Douglas County (Continued)

G. Risk Management

The HRA is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage for at least the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,729,343	\$ 7,729,343	\$ 7,900,194	\$ 170,851
Special assessments	-	-	12,065	12,065
Licenses and permits	354,960	354,960	264,628	(90,332)
Intergovernmental	2,074,080	2,074,080	2,595,873	521,793
Charges for services	1,394,900	1,394,900	1,747,381	352,481
Fines and forfeits	75,700	75,700	101,807	26,107
Gifts and contributions	3,300	3,300	11,365	8,065
Investment earnings	600,900	600,900	1,034,800	433,900
Miscellaneous	260,728	260,728	421,339	160,611
Total Revenues	\$ 12,493,911	\$ 12,493,911	\$ 14,089,452	\$ 1,595,541
Expenditures				
Current				
General government				
Commissioners	\$ 227,154	\$ 227,154	\$ 236,380	\$ (9,226)
Court administrator	45,000	45,000	53,450	(8,450)
Law library	34,000	34,000	32,351	1,649
County auditor/treasurer	505,038	505,038	533,410	(28,372)
License bureau	389,320	389,320	384,436	4,884
County assessor	561,296	573,296	578,787	(5,491)
Elections	3,600	3,600	4,208	(608)
Accounting and auditing	60,000	60,000	66,350	(6,350)
Information systems	453,479	453,479	454,200	(721)
Central services	494,300	494,300	463,393	30,907
Coordinator	239,192	239,192	238,844	348
Attorney	728,419	728,419	729,340	(921)
Recorder	285,353	285,353	278,765	6,588
Planning and zoning	435,539	435,539	397,501	38,038
Maintenance	980,147	980,147	1,006,799	(26,652)
Veterans service officer	129,463	129,463	124,257	5,206
Humane society	7,793	7,793	7,793	-
Total general government	\$ 5,579,093	\$ 5,591,093	\$ 5,590,264	\$ 829

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,354,692	\$ 2,354,692	\$ 2,309,040	\$ 45,652
Drug task force	-	-	131,658	(131,658)
Boat and water safety	87,823	87,823	65,698	22,125
Coroner	23,000	23,000	24,264	(1,264)
Enhanced 911 system	27,000	27,000	82,615	(55,615)
County jail	2,936,961	2,936,961	2,936,054	907
Probation officer	388,330	388,330	370,142	18,188
Dispatch	502,642	502,642	336,841	165,801
Emergency management	81,379	81,379	59,493	21,886
Total public safety	\$ 6,401,827	\$ 6,401,827	\$ 6,315,805	\$ 86,022
Health				
Crime victim services	\$ 6,235	\$ 6,235	\$ -	\$ 6,235
Culture and recreation				
Historical society	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
DATA trails	-	-	154,978	(154,978)
Central Minnesota elder network	6,000	6,000	6,000	-
Total culture and recreation	\$ 10,000	\$ 10,000	\$ 164,978	\$ (154,978)
Conservation of natural resources				
Soil and water conservation	\$ 165,287	\$ 165,287	\$ 189,942	\$ (24,655)
County extension	150,821	150,821	145,668	5,153
Land and resource management	42,020	42,020	76,686	(34,666)
Chippewa River watershed sewer project	-	-	45,461	(45,461)
Agricultural society	4,000	4,000	4,000	-
Total conservation of natural resources	\$ 362,128	\$ 362,128	\$ 461,757	\$ (99,629)

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Housing and Redevelopment Authority	\$ 33,157	\$ 33,157	\$ 33,157	\$ -
West Central Initiative fund	8,000	8,000	8,000	-
Total economic development	\$ 41,157	\$ 41,157	\$ 41,157	\$ -
Capital outlay				
General government	\$ -	\$ -	\$ 25,472	\$ (25,472)
Public safety	87,500	87,500	124,689	(37,189)
Total capital outlay	\$ 87,500	\$ 87,500	\$ 150,161	\$ (62,661)
Debt service				
Principal	\$ 5,659	\$ 5,659	\$ 12,472	\$ (6,813)
Interest	312	312	311	1
Total Expenditures	\$ 12,493,911	\$ 12,505,911	\$ 12,736,905	\$ (230,994)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (12,000)	\$ 1,352,547	\$ 1,364,547
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (295,634)	\$ (295,634)
Proceeds from promissory note	-	-	51,759	51,759
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (243,875)	\$ (243,875)
Net Change in Fund Balance	\$ -	\$ (12,000)	\$ 1,108,672	\$ 1,120,672
Fund Balance - January 1	7,595,341	7,595,341	7,595,341	-
Fund Balance - December 31	\$ 7,595,341	\$ 7,583,341	\$ 8,704,013	\$ 1,120,672

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,389,289	\$ 3,389,289	\$ 3,389,760	\$ 471
Special assessments	-	-	662	662
Intergovernmental	4,095,211	4,095,211	3,806,813	(288,398)
Charges for services	307,200	307,200	458,264	151,064
Investment earnings	1,700	1,700	1,618	(82)
Miscellaneous	335,100	335,100	267,598	(67,502)
Total Revenues	\$ 8,128,500	\$ 8,128,500	\$ 7,924,715	\$ (203,785)
Expenditures				
Current				
General government				
Surveyor	\$ 565,500	\$ 565,500	\$ 518,739	\$ 46,761
Highways and streets				
Administration	\$ 558,875	\$ 558,875	\$ 425,445	\$ 133,430
Maintenance	2,034,639	2,034,639	2,204,347	(169,708)
Engineering/construction	3,738,525	3,738,525	3,387,558	350,967
Equipment, maintenance, and shop	676,608	676,608	580,644	95,964
Materials and services for resale	541,353	541,353	745,813	(204,460)
Central fueling	-	-	5,046	(5,046)
Other	145,000	145,000	148,344	(3,344)
Total highways and streets	\$ 7,695,000	\$ 7,695,000	\$ 7,497,197	\$ 197,803
Culture and recreation				
Parks	\$ 287,000	\$ 287,000	\$ 262,645	\$ 24,355
Conservation of natural resources				
Agriculture inspection	\$ 21,000	\$ 21,000	\$ 19,601	\$ 1,399
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 10,000	\$ (10,000)
Intergovernmental				
Highways and streets	\$ 260,000	\$ 260,000	\$ 250,426	\$ 9,574
Total Expenditures	\$ 8,828,500	\$ 8,828,500	\$ 8,558,608	\$ 269,892

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 2
(Continued)

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (700,000)	\$ (700,000)	\$ (633,893)	\$ 66,107
Other Financing Sources (Uses)				
Transfers in	700,000	700,000	1,099,591	399,591
Net Change in Fund Balance	\$ -	\$ -	\$ 465,698	\$ 465,698
Fund Balance - January 1	1,075,857	1,075,857	1,075,857	-
Increase (decrease) in reserved for inventories	-	-	52,424	52,424
Fund Balance - December 31	<u>\$ 1,075,857</u>	<u>\$ 1,075,857</u>	<u>\$ 1,593,979</u>	<u>\$ 518,122</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,337,343	\$ 3,337,343	\$ 3,348,312	\$ 10,969
Licenses and permits	11,250	11,250	15,590	4,340
Intergovernmental	4,505,396	4,505,396	4,686,153	180,757
Charges for services	128,577	128,577	174,445	45,868
Gifts and contributions	-	-	2,150	2,150
Miscellaneous	14,300	14,300	6,912	(7,388)
Total Revenues	<u>\$ 7,996,866</u>	<u>\$ 7,996,866</u>	<u>\$ 8,233,562</u>	<u>\$ 236,696</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,238,018	\$ 2,238,018	\$ 2,179,730	\$ 58,288
Social services	5,758,848	5,758,848	6,074,354	(315,506)
Total Expenditures	<u>\$ 7,996,866</u>	<u>\$ 7,996,866</u>	<u>\$ 8,254,084</u>	<u>\$ (257,218)</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (20,522)	\$ (20,522)
Fund Balance - January 1	<u>2,253,239</u>	<u>2,253,239</u>	<u>2,253,239</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,253,239</u></u>	<u><u>\$ 2,253,239</u></u>	<u><u>\$ 2,232,717</u></u>	<u><u>\$ (20,522)</u></u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Forfeited Tax Sale Special Revenue Fund, and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made budgetary amendments. Encumbrance accounting is employed in governmental funds.

Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the General Fund and the Human Services Special Revenue Fund by \$230,994 and \$257,218, respectively. These expenditures in excess of budget were funded by greater than anticipated revenues.

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SUPPLEMENTARY INFORMATION

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch 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.

The Library Fund accounts for the operations of the County library. Financing is provided by an annual tax levy and an appropriation from the City of Alexandria.

The Public Health Nurse Fund is used to account for providing nursing service care to the elderly and other residents of Douglas County. All activities necessary to provide such services are accounted for in this fund. Financing is provided by health care service grants, County contributions, and user service charges.

The Forfeited Tax Sale Fund accounts for funds collected per state statute for forfeited tax sales.

DEBT SERVICE FUND

The Bonds and Interest Fund accounts for accumulation of resources for, and payment of, principal and interest on general long-term debt.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Special Revenue (Statement B-1)	Bonds and Interest Debt Service	Capital Projects	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 2,938,160	\$ 2,196,950	\$ 2,188,929	\$ 7,324,039
Undistributed cash in agency funds	24,193	32,435	-	56,628
Investments	219,665	-	475,041	694,706
Taxes receivable				
Current	25,903	41,958	-	67,861
Delinquent	5,808	9,038	90	14,936
Special assessments receivable				
Current	1,860	1,507	-	3,367
Delinquent	657	121	-	778
Noncurrent	93,214	354,704	-	447,918
Accounts receivable	28,198	-	-	28,198
Accrued interest	98	-	2,166	2,264
Due from other funds	2,773	3,591	-	6,364
Due from other governments	471,127	-	-	471,127
Prepaid items	451	-	-	451
	\$ 3,812,107	\$ 2,640,304	\$ 2,666,226	\$ 9,118,637
Total Assets				
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 73,325	\$ -	\$ -	\$ 73,325
Salaries payable	125,223	-	-	125,223
Due to other funds	22,017	-	-	22,017
Due to other governments	10,325	785	-	11,110
Deferred revenue - unavailable	213,236	377,195	88	590,519
Deferred revenue - unearned	1,062	-	-	1,062
Advance from other funds	191,750	-	-	191,750
	\$ 636,938	\$ 377,980	\$ 88	\$ 1,015,006
Total Liabilities				
 Fund Balances				
Reserved for library fund drive	\$ 158,273	\$ -	\$ -	\$ 158,273
Unreserved				
Designated for debt service	-	2,262,324	-	2,262,324
Designated for cash flows	1,721,283	-	-	1,721,283
Designated for capital projects	92,079	-	-	92,079
Undesignated	1,203,534	-	2,666,138	3,869,672
	\$ 3,175,169	\$ 2,262,324	\$ 2,666,138	\$ 8,103,631
Total Fund Balances				
	\$ 3,812,107	\$ 2,640,304	\$ 2,666,226	\$ 9,118,637
Total Liabilities and Fund Balances				

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Special Revenue (Statement B-2)	Bonds and Interest Debt Service	Capital Projects	Total (Exhibit 5)
Revenues				
Taxes	\$ 1,080,129	\$ 1,754,273	\$ 3	\$ 2,834,405
Special assessments	173,829	82,745	-	256,574
Licenses and permits	139,339	-	-	139,339
Intergovernmental	688,296	284,948	-	973,244
Charges for services	2,568,767	-	-	2,568,767
Fines and forfeits	35,344	-	-	35,344
Gifts and contributions	119,561	-	-	119,561
Investment earnings	7,113	10,918	62,081	80,112
Miscellaneous	142,522	-	-	142,522
Total Revenues	\$ 4,954,900	\$ 2,132,884	\$ 62,084	\$ 7,149,868
Expenditures				
Current				
General government	\$ -	\$ -	\$ 56	\$ 56
Health	3,145,055	-	-	3,145,055
Culture and recreation	947,861	-	1,380	949,241
Conservation of natural resources	144,335	-	-	144,335
Capital outlay	-	-	122,541	122,541
Debt service				
Principal	-	1,370,000	-	1,370,000
Interest	-	390,195	-	390,195
Bond issuance costs	-	-	44,482	44,482
Administrative charges	-	2,961	-	2,961
Total Expenditures	\$ 4,237,251	\$ 1,763,156	\$ 168,459	\$ 6,168,866
Excess of Revenues Over (Under)				
Expenditures	\$ 717,649	\$ 369,728	\$ (106,375)	\$ 981,002
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 295,634	\$ 295,634
Transfers out	-	-	(1,099,591)	(1,099,591)
Proceeds from sale of bonds	-	-	2,040,000	2,040,000
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 1,236,043	\$ 1,236,043
Net Change in Fund Balance	\$ 717,649	\$ 369,728	\$ 1,129,668	\$ 2,217,045
Fund Balance - January 1	2,457,520	1,892,596	1,536,470	5,886,586
Fund Balance - December 31	\$ 3,175,169	\$ 2,262,324	\$ 2,666,138	\$ 8,103,631

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	<u>Ditch</u>	<u>Library</u>	<u>Public Health Nurse</u>	<u>Forfeited Tax Sale</u>	<u>Total (Statement A-1)</u>
<u>Assets</u>					
Cash and pooled investments	\$ 90,040	\$ 534,529	\$ 2,300,926	\$ 12,665	\$ 2,938,160
Undistributed cash in agency funds	7,202	9,852	7,139	-	24,193
Investments	-	92,079	127,586	-	219,665
Taxes receivable					
Current	-	14,981	10,922	-	25,903
Delinquent	-	3,457	2,351	-	5,808
Special assessments receivable					
Current	1,860	-	-	-	1,860
Delinquent	657	-	-	-	657
Noncurrent	93,214	-	-	-	93,214
Accounts receivable	-	234	27,964	-	28,198
Accrued interest receivable	-	98	-	-	98
Due from other funds	999	27	1,747	-	2,773
Due from other governments	5,185	-	465,942	-	471,127
Prepaid items	-	451	-	-	451
Total Assets	<u>\$ 199,157</u>	<u>\$ 655,708</u>	<u>\$ 2,944,577</u>	<u>\$ 12,665</u>	<u>\$ 3,812,107</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 3,555	\$ 5,363	\$ 64,407	\$ -	\$ 73,325
Salaries payable	-	20,766	104,457	-	125,223
Due to other funds	9,057	-	6,900	6,060	22,017
Due to other governments	-	47	3,673	6,605	10,325
Deferred revenue - unavailable	99,620	11,516	102,100	-	213,236
Deferred revenue - unearned	-	-	1,062	-	1,062
Advance from other funds	191,750	-	-	-	191,750
Total Liabilities	<u>\$ 303,982</u>	<u>\$ 37,692</u>	<u>\$ 282,599</u>	<u>\$ 12,665</u>	<u>\$ 636,938</u>
Fund Balances					
Reserved for library fund drive	\$ -	\$ 158,273	\$ -	\$ -	\$ 158,273
Unreserved					
Designated for cash flows	-	-	1,721,283	-	1,721,283
Designated for capital improvements	-	92,079	-	-	92,079
Undesignated	(104,825)	367,664	940,695	-	1,203,534
Total Fund Balances	<u>\$ (104,825)</u>	<u>\$ 618,016</u>	<u>\$ 2,661,978</u>	<u>\$ -</u>	<u>\$ 3,175,169</u>
Total Liabilities and Fund Balances	<u>\$ 199,157</u>	<u>\$ 655,708</u>	<u>\$ 2,944,577</u>	<u>\$ 12,665</u>	<u>\$ 3,812,107</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Ditch</u>	<u>Library</u>	<u>Public Health Nurse</u>	<u>Forfeited Tax Sale</u>	<u>Total (Statement A-2)</u>
Revenues					
Taxes	\$ -	\$ 624,415	\$ 455,714	\$ -	\$ 1,080,129
Special assessments	173,829	-	-	-	173,829
Licenses and permits	-	-	139,339	-	139,339
Intergovernmental	-	103,121	585,175	-	688,296
Charges for services	-	4,061	2,564,706	-	2,568,767
Fines and forfeits	-	35,344	-	-	35,344
Gifts and contributions	-	19,774	99,787	-	119,561
Investment earnings	-	3,865	3,248	-	7,113
Miscellaneous	-	-	130,892	11,630	142,522
Total Revenues	\$ 173,829	\$ 790,580	\$ 3,978,861	\$ 11,630	\$ 4,954,900
Expenditures					
Current					
Health	\$ -	\$ -	\$ 3,145,055	\$ -	\$ 3,145,055
Culture and recreation	-	774,641	173,220	-	947,861
Conservation of natural resources	132,705	-	-	11,630	144,335
Total Expenditures	\$ 132,705	\$ 774,641	\$ 3,318,275	\$ 11,630	\$ 4,237,251
Excess of Revenues Over (Under)					
Expenditures	\$ 41,124	\$ 15,939	\$ 660,586	\$ -	\$ 717,649
Fund Balance - January 1	(145,949)	602,077	2,001,392	-	2,457,520
Fund Balance - December 31	\$ (104,825)	\$ 618,016	\$ 2,661,978	\$ -	\$ 3,175,169

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 622,021	\$ 622,021	\$ 624,415	\$ 2,394
Intergovernmental	102,829	102,829	103,121	292
Charges for services	3,100	3,100	4,061	961
Fines and forfeits	28,000	28,000	35,344	7,344
Gifts and contributions	10,000	10,000	19,774	9,774
Investment earnings	-	-	3,865	3,865
Total Revenues	\$ 765,950	\$ 765,950	\$ 790,580	\$ 24,630
Expenditures				
Current				
Culture and recreation				
County library	765,950	765,950	774,641	(8,691)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 15,939	\$ 15,939
Fund Balance - January 1	602,077	602,077	602,077	-
Fund Balance - December 31	\$ 602,077	\$ 602,077	\$ 618,016	\$ 15,939

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 453,520	\$ 453,520	\$ 455,714	\$ 2,194
Licenses and permits	138,000	138,000	139,339	1,339
Intergovernmental	522,724	522,724	585,175	62,451
Charges for services	1,892,385	1,892,385	2,564,706	672,321
Gifts and contributions	48,200	48,200	99,787	51,587
Investment earnings	1,900	1,900	3,248	1,348
Miscellaneous	7,295	7,295	130,892	123,597
Total Revenues	<u>\$ 3,064,024</u>	<u>\$ 3,064,024</u>	<u>\$ 3,978,861</u>	<u>\$ 914,837</u>
Expenditures				
Current				
Health				
Nursing service	\$ 2,849,567	\$ 2,849,567	\$ 3,145,055	\$ (295,488)
Culture and recreation				
Senior citizens	214,457	214,457	173,220	41,237
Total Expenditures	<u>\$ 3,064,024</u>	<u>\$ 3,064,024</u>	<u>\$ 3,318,275</u>	<u>\$ (254,251)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 660,586	\$ 660,586
Fund Balance - January 1	<u>2,001,392</u>	<u>2,001,392</u>	<u>2,001,392</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,001,392</u></u>	<u><u>\$ 2,001,392</u></u>	<u><u>\$ 2,661,978</u></u>	<u><u>\$ 660,586</u></u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
BONDS AND INTEREST DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,741,411	\$ 1,741,411	\$ 1,754,273	\$ 12,862
Special assessments	90,536	90,536	82,745	(7,791)
Intergovernmental	293,451	293,451	284,948	(8,503)
Investment earnings	-	-	10,918	10,918
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 2,125,398	\$ 2,125,398	\$ 2,132,884	\$ 7,486
Expenditures				
Debt service				
Principal	\$ 1,565,000	\$ 1,565,000	\$ 1,370,000	\$ 195,000
Interest	459,186	459,186	390,195	68,991
Administrative charges	101,212	101,212	2,961	98,251
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 2,125,398	\$ 2,125,398	\$ 1,763,156	\$ 362,242
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 369,728	\$ 369,728
Fund Balance - January 1	<u>1,892,596</u>	<u>1,892,596</u>	<u>1,892,596</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,892,596</u></u>	<u><u>\$ 1,892,596</u></u>	<u><u>\$ 2,262,324</u></u>	<u><u>\$ 369,728</u></u>

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Flexible Spending Plans Fund accounts for the payroll deductions of employees enrolled in the flexible spending program.

The State Revenue Fund accounts for the collection and payment of money due to the State of Minnesota.

The Other Collections Fund accounts for prepayment of taxes until tax statements are prepared and the collected taxes can be properly distributed.

The Mental Health Collaborative Fund accounts for the collection and payment of state and federal grants and membership contributions for the Collaborative.

The Flood Control Board Fund accounts for the collections and payments for the joint venture.

The West Central Minnesota Drug Task Force Fund accounts for the collection and payment of special drug-related investigations for the Task Force.

The Prime West Fund accounts for collections and payments for the joint venture.

The Taxes and Penalties Fund accounts for the collection and payment to the various County funds and taxing districts of taxes and penalties collected.

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FLEXIBLE SPENDING PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 17,614</u>	<u>\$ 509,990</u>	<u>\$ 494,652</u>	<u>\$ 32,952</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 17,614</u>	<u>\$ 509,990</u>	<u>\$ 494,652</u>	<u>\$ 32,952</u>
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 125,090	\$ 1,884,388	\$ 1,898,766	\$ 110,712
Accounts receivable	15,170	12,595	15,170	12,595
Total Assets	<u>\$ 140,260</u>	<u>\$ 1,896,983</u>	<u>\$ 1,913,936</u>	<u>\$ 123,307</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 140,260</u>	<u>\$ 1,896,983</u>	<u>\$ 1,913,936</u>	<u>\$ 123,307</u>
 <u>OTHER COLLECTIONS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 24,971</u>	<u>\$ 102,480</u>	<u>\$ 93,129</u>	<u>\$ 34,322</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 24,971</u>	<u>\$ 102,480</u>	<u>\$ 93,129</u>	<u>\$ 34,322</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement C-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MENTAL HEALTH COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 95,054</u>	<u>\$ 152,472</u>	<u>\$ 179,333</u>	<u>\$ 68,193</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 95,054</u>	<u>\$ 152,472</u>	<u>\$ 179,333</u>	<u>\$ 68,193</u>
 <u>FLOOD CONTROL BOARD</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 36,930</u>	<u>\$ 2,377</u>	<u>\$ 34,388</u>	<u>\$ 4,919</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 36,930</u>	<u>\$ 2,377</u>	<u>\$ 34,388</u>	<u>\$ 4,919</u>
 <u>WEST CENTRAL MINNESOTA DRUG TASK FORCE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 186,192</u>	<u>\$ 216,751</u>	<u>\$ 171,913</u>	<u>\$ 231,030</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 186,192</u>	<u>\$ 216,751</u>	<u>\$ 171,913</u>	<u>\$ 231,030</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement C-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>PRIME WEST</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 4,293,109	\$ 4,351,920	\$ (58,811)
Due from other governments	-	58,811	-	58,811
Total Assets	\$ -	\$ 4,351,920	\$ 4,351,920	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 4,351,920	\$ 4,351,920	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 482,714	\$ 44,847,785	\$ 44,840,308	\$ 490,191
Accounts receivable	2,316	-	2,316	-
Total Assets	\$ 485,030	\$ 44,847,785	\$ 44,842,624	\$ 490,191
<u>Liabilities</u>				
Due to other governments	\$ 485,030	\$ 44,847,785	\$ 44,842,624	\$ 490,191

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Statement C-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 968,565	\$ 52,009,352	\$ 52,064,409	\$ 913,508
Accounts receivable	17,486	12,595	17,486	12,595
Due from other governments	-	58,811	-	58,811
	\$ 986,051	\$ 52,080,758	\$ 52,081,895	\$ 984,914
<u>Liabilities</u>				
Accounts payable	\$ 17,614	\$ 509,990	\$ 494,652	\$ 32,952
Due to other governments	968,437	51,570,768	51,587,243	951,962
	\$ 986,051	\$ 52,080,758	\$ 52,081,895	\$ 984,914

OTHER SCHEDULES

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 7

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2007**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments				
Cash on hand and departmental checking	N/A	N/A	N/A	\$ 48,499
Cash with brokers	N/A	N/A	N/A	344,472
Interest-bearing checking	2	Variable	Continuous	2,361,530
Non-interest bearing checking	2	N/A	N/A	(653,270)
Money market savings	1	Variable	Continuous	28,460
Certificates of deposit	20	4.00 to 5.25	January 2, 2008 to February 28, 2009	2,888,147
Money market savings with brokers	12	Variable	Continuous	671,078
Certificates of deposit with brokers	18	4.00 to 5.30	February 11, 2008 to July 9, 2013	1,561,988
Federal Farm Credit Bank	1	3.40	September 29, 2008	491,906
Federal Home Loan Bank	30	3.35 to 5.40	January 24, 2008 to July 2, 2015	9,329,963
Federal Home Loan Mortgage Corporation	19	3.00 to 5.55	March 15, 2008 to December 19, 2017	6,324,952
Federal National Mortgage Association	18	4.00 to 5.30	February 27, 2008 to August 18, 2014	6,019,706
Government National Mortgage Association	1	9.00	March 15, 2009	291
Repurchase agreement	2	3.54 to 3.86	Continuous	20,022,667
Commercial paper	12	4.17 to 5.29	January 2, 2008 to March 7, 2008	7,389,503
Total Deposits and Investments				<u>\$ 56,829,892</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	<u>Cash</u>	<u>Undistributed Cash in Agency Fund</u>	<u>Special Current</u>
Joint Ditches			
2	\$ 32,109	\$ 3,917	\$ 1,408
3	16,550	59	98
4	2,817	63	58
County Ditches			
1	630	105	91
3	1,834	2,117	40
4 and 16	13,076	478	-
5	1,154	-	-
6	1,123	44	7
8	687	51	-
9	1,346	-	-
10	1,770	-	5
11	2,314	55	-
13	504	35	-
14	867	232	-
17	2,327	-	-
21	4,409	-	-
22	3,210	-	-
23	1,780	-	-
98	1,533	46	153
Total	<u>\$ 90,040</u>	<u>\$ 7,202</u>	<u>\$ 1,860</u>

Schedule 8

Assets				
Assessments Receivable		Due from Other Funds	Due from Other Governments	Total
Prior	Deferred			
\$ -	\$ -	\$ -	\$ -	\$ 37,434
95	8,615	123	209	25,749
-	17,809	90	41	20,878
7	3,386	-	140	4,359
-	17,177	227	2,759	24,154
-	-	-	-	13,554
-	731	-	133	2,018
-	2,197	-	123	3,494
-	825	-	981	2,544
555	8,868	10	38	10,817
-	4,646	-	32	6,453
-	-	-	-	2,369
-	1,500	-	54	2,093
-	1,037	-	-	2,136
-	6,392	428	615	9,762
-	-	-	-	4,409
-	-	-	-	3,210
-	-	-	-	1,780
-	20,031	121	60	21,944
<u>\$ 657</u>	<u>\$ 93,214</u>	<u>\$ 999</u>	<u>\$ 5,185</u>	<u>\$ 199,157</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2007**

	<u>Accounts Payable</u>	<u>Due to Other Funds</u>
Joint Ditches		
2	\$ 3,366	\$ 3,724
3	11	230
4	10	596
County Ditches		
1	11	114
3	10	385
4 and 16	11	336
5	10	138
6	11	20
8	10	152
9	11	457
10	10	38
11	11	230
13	10	108
14	11	225
17	10	1,091
21	11	16
22	10	764
23	11	174
98	10	259
Total	<u><u>\$ 3,555</u></u>	<u><u>\$ 9,057</u></u>

Schedule 8
(Continued)

<u>Liabilities</u>			<u>Fund</u>	<u>Total</u>
<u>Deferred</u>	<u>Advance</u>		<u>Balance</u>	
<u>Revenue</u>	<u>from Other</u>	<u>Total</u>	<u>Unreserved</u>	<u>Liabilities</u>
	<u>Funds</u>		<u>Undesignated</u>	<u>and Fund</u>
				<u>Balance</u>
\$ 306	\$ -	\$ 7,396	\$ 30,038	\$ 37,434
8,956	-	9,197	16,552	25,749
17,908	16,500	35,014	(14,136)	20,878
3,535	500	4,160	199	4,359
19,936	83,000	103,331	(79,177)	24,154
-	-	347	13,207	13,554
864	500	1,512	506	2,018
2,328	5,750	8,109	(4,615)	3,494
1,806	500	2,468	76	2,544
9,461	2,500	12,429	(1,612)	10,817
4,678	20,000	24,726	(18,273)	6,453
-	-	241	2,128	2,369
1,554	1,500	3,172	(1,079)	2,093
1,037	-	1,273	863	2,136
7,007	27,000	35,108	(25,346)	9,762
-	-	27	4,382	4,409
-	-	774	2,436	3,210
-	-	185	1,595	1,780
20,244	34,000	54,513	(32,569)	21,944
<u>\$ 99,620</u>	<u>\$ 191,750</u>	<u>\$ 303,982</u>	<u>\$ (104,825)</u>	<u>\$ 199,157</u>

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 9

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Shared Revenue

State

Highway users tax	\$	3,197,888
Market value credit		1,462,241
Market value credit - mobile home		8,934
PERA rate reimbursement		47,123
Disparity reduction aid		5,738
County program aid		1,287,836
Police aid		150,172
E-911		113,901
		113,901

Total Shared Revenue

\$ 6,273,833

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,895,672
		1,895,672

Payments

Local

Local contributions	\$	5,000
Payments in lieu of taxes		274,662
		274,662

Total Payments

\$ 279,662

Grants

State

Minnesota Department of		
Corrections	\$	111,035
Public Safety		62,024
Health		131,071
Natural Resources		220,897
Human Services		1,563,307
Peace Officer Standards and Training Board		10,853
Water and Soil Resources Board		110,503
Pollution Control Agency		31,717
		31,717

Total State

\$ 2,241,407

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 9
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 176,367
Justice	81,657
Transportation	49,132
Health and Human Services	988,142
Homeland Security	58,949
Environmental Protection Agency	17,262
	17,262

Total Federal	\$ 1,371,509
----------------------	---------------------

Total State and Federal Grants	\$ 3,612,916
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Total Intergovernmental Revenue	\$ 12,062,083
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Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 11) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total federal revenue per Schedule of Intergovernmental Revenue (Schedule 9)	\$ 1,371,509
Temporary Assistance for Needy Families	27,052
Independent Living Grant	5,402
Homeland Security Grant Program	(30,694)
	(30,694)

Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 11)	\$ 1,373,269
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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Douglas County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Douglas County and is 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*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Douglas County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Douglas County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Mandatory and Matching Funds of the Child Care
and Development Fund
 - CFDA #93.596
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Douglas County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Douglas 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 accounting point of view.

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

Client's Response:

Douglas County is aware of this finding and will continue to implement and monitor oversight procedures to ensure that internal control policies are being followed.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (06-1)

During our 2006 audit, we identified material adjustments to the governmental activities reported in the government-wide financial statements.

Resolution

No material adjustments were identified during the 2007 audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 Ditch Special Revenue Fund Deficit

Eight of the 19 ditch systems had deficit fund balances as of December 31, 2007, totaling \$176,807, the largest being \$79,177. These eight ditch deficits combine with the remaining ditch systems to leave the Ditch Special Revenue Fund with a total fund balance deficit of \$104,825. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established 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 individual ditch deficit fund balances 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:

Douglas County is planning to make continued progress to eliminate this deficit over the next few years.

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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
Douglas County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Douglas County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 5, 2009. 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 Douglas County Hospital Operating Enterprise Fund and the Housing and Redevelopment Authority discretely presented component unit, as described in our report on Douglas 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. The financial statements of the Hospital Enterprise Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 96-4 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested Douglas County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to Douglas County, and it is reported for that purpose.

Douglas County's written responses to the significant deficiency and the management practices comment 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 Douglas 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

January 5, 2009

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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
Douglas County

Compliance

We have audited the compliance of Douglas County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Douglas County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Douglas County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) discretely presented component unit, which expended \$1,165,127 in federal awards during the year ended December 31, 2007, which are not included in the Schedule of Expenditures of Federal Awards. The County's financial statements also include the Douglas County Hospital Operating Enterprise Fund blended component unit, which expended \$300,228 in federal awards. Our audit, described below, did not include the operations of either the HRA or the Hospital because they were audited by other auditors. The HRA had a separate single audit in accordance with OMB Circular A-133.

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 Douglas 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, Douglas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Douglas 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 control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Douglas County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of Douglas County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 5, 2009. Our audit was performed for the purpose of forming opinions on Douglas County's basic financial statements. Our audit did not include the Hospital Operating Enterprise Fund or the Housing and Redevelopment Authority of Douglas County, a component unit, which were audited by other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and 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

January 5, 2009

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**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

Schedule 11

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 170,383
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	<u>5,984</u>
Total U.S. Department of Agriculture		<u>\$ 176,367</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Byrne Formula Grant Program	16.579	\$ 28,091
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>53,566</u>
Total U.S. Department of Justice		<u>\$ 81,657</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	\$ 20,625
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>28,507</u>
Total U.S. Department of Transportation		<u>\$ 49,132</u>
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health State Indoor Radon Grants	66.032	<u>\$ 17,262</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Board on Aging and West Central Area Agency on Aging Special Programs for the Aging - Title IIIB	93.044	\$ 30,000
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	188,818
Child Care Mandatory and Matching Funds	93.596	412,250
Child Welfare Services - State Grants	93.645	16,534
Foster Care Title IV-E	93.658	37,926
Social Services Block Grant Title XX	93.667	198,482
Chafee Foster Care Independent Living	93.674	10,950
Community Mental Health Block Grant	93.958	4,658

**DOUGLAS COUNTY
ALEXANDRIA, MINNESOTA**

**Schedule 11
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	800
Centers for Disease Control and Prevention Block Grant	93.283	48,722
Temporary Assistance for Needy Families (TANF)	93.558	32,713
Preventative Health and Health Services Block Grant	93.991	938
Maternal and Child Health Services Block Grant	93.994	37,805
Total U.S. Department of Health and Human Services		\$ 1,020,596
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boat Safety Financial Assistance Grant	97.012	\$ 7,940
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	12,500
Homeland Security Grant Program	97.067	7,815
Total U.S. Department of Homeland Security		\$ 28,255
Total Federal Awards		\$ 1,373,269

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Douglas County. The County's reporting entity is defined in Note 1 to the financial statements. The Douglas County Hospital Operating Enterprise Fund, a blended component unit, expended \$300,228 in federal awards not included in this schedule. The Housing and Redevelopment Authority of Douglas County, a discretely presented component unit, expended \$1,165,127 in federal awards not included in this schedule.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2007, \$28,091 of CFDA #16.579 and \$53,566 of CFDA #16.738 were passed through to subrecipients.