

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**FREEBORN COUNTY**  
**ALBERT LEA, 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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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**Year Ended December 31, 2007**



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

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2007

Office	Name	Term Expires
<b>Board of County Commissioners</b>		
District 1	Glen Mathiason*	January 2009
District 2	Daniel Belshan	January 2011
District 3	James Nelson	January 2009
District 4	Christopher Shoff	January 2011
District 5	Mark Behrends	January 2009
<b>County Officers</b>		
<b>Elected</b>		
Attorney	Craig Nelson	January 2011
Auditor/Treasurer	Dennis A. Distad	January 2011
District Judge	John Chesterman	January 2011
District Judge	James Broberg	January 2011
Recorder	Kelly Callahan	January 2011
Registrar of Titles	Kelly Callahan	January 2011
Sheriff	Mark Harig	January 2011
<b>Appointed</b>		
Administrator	John Kluever	Indefinite
Assessor	Ryan Rasmussen	Indefinite
County Engineer	Susan Miller	Indefinite
Court Services	Tom Jensen	Indefinite
Court Administrator	Kristi Maiers	Indefinite
Finance Manager	William Helfritz	Indefinite
Veterans Service Officer	Jon Rhiger	Indefinite
<b>Human Services</b>		
<b>Board</b>		
Chair	James Nelson	January 2009
Vice Chair	Christopher Shoff	January 2011
Member	Glen Mathiason	January 2009
Member	Mark Behrends	January 2009
Member	Daniel Belshan	January 2011
<b>Appointed</b>		
Director	Brian Buhmann	Indefinite
Accountant	Alan Olson	Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Freeborn County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Freeborn County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information as listed in the table of contents and the Management's Discussion and Analysis 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 Freeborn 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 of Freeborn County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly 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 October 22, 2008, on our consideration of Freeborn 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

October 22, 2008

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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

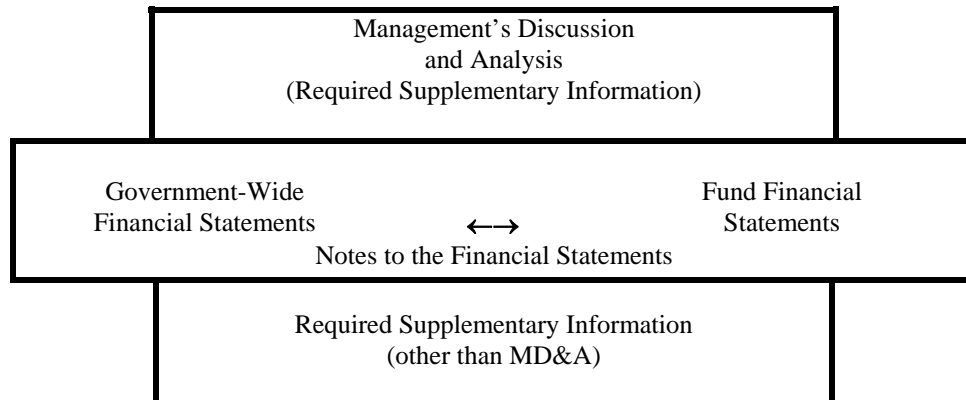
Freeborn County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be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

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$70,798,555, of which \$54,299,393 is invested in capital assets, net of related debt, and \$6,123,446 is restricted to specific purposes.
- Freeborn County's net assets decreased by \$1,093,559 for the year ended December 31, 2007.
- The net cost of governmental activities was \$18,936,054 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$17,842,495.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Freeborn 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.



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

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

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the 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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County reports its governmental activities. The County has no business-type activities or discretely presented component units.

Governmental activities reported here include the County's basic services of general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.

## **Fund Financial Statements**

Our analysis of the County's major funds begins on Exhibit 3. These fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds--governmental and proprietary--use different accounting methods.

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

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

The County is the trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 10 and 11. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

The County's combined net assets decreased from \$71,892,114 to \$70,798,555. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**  
**Net Assets**  
**(in millions)**

	Governmental Activities	
	2007	2006
Assets		
Current and other assets	\$ 25.0	\$ 27.2
Capital assets	77.2	78.1
Total Assets	<u>\$ 102.2</u>	<u>\$ 105.3</u>
Liabilities		
Long-term debt outstanding	\$ 28.6	\$ 30.0
Other liabilities	2.8	3.4
Total Liabilities	<u>\$ 31.4</u>	<u>\$ 33.4</u>
Net Assets		
Invested in capital assets, net of debt	\$ 54.3	\$ 54.3
Restricted	6.1	3.9
Unrestricted	10.4	13.7
Total Net Assets	<u>\$ 70.8</u>	<u>\$ 71.9</u>

Net assets of the County's governmental activities decreased by 1.5 percent (\$70.8 million compared to \$71.9 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from a \$13.7 million surplus at December 31, 2006, to \$10.4 million at the end of this year.

**Table 2**  
**Changes in Net Assets**  
**(in millions)**

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 3.5	\$ 5.0
Operating grants and contributions	9.1	14.1
Capital grants and contributions	2.8	0.9
General revenues		
Property taxes	13.7	12.6
Grants and contributions	3.3	3.3
Other general revenues	0.8	0.8
Total Revenues	<u>\$ 33.2</u>	<u>\$ 36.7</u>
Program Expenses		
General government	\$ 5.7	\$ 6.5
Public safety	5.2	4.8
Highways and streets	6.9	7.5
Human services	9.8	8.1
Health	2.6	2.4
Sanitation	0.4	0.4
Culture and recreation	0.3	0.3
Conservation of natural resources	2.0	1.6
Economic development	0.1	0.1
Interest	1.3	0.7
Total Program Expenses	<u>\$ 34.3</u>	<u>\$ 32.4</u>
Increase (Decrease) in Net Assets	<u>\$ (1.1)</u>	<u>\$ 4.3</u>

### Governmental Activities

Revenues for the County’s governmental activities were \$33.2 million, while total expenses were \$34.3 million. This resulted in a \$1.1 million decrease in net assets in the year ended December 31, 2007.

The amount that taxpayers ultimately financed for these activities through County taxes and other general sources was only \$17.8 million because some of the cost was paid by those who directly benefited from the programs (\$3.5 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.9 million). The County paid for the remaining “public benefit” portion of governmental activities with \$17.8 million in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements. The balance of \$1.1 million was subtracted from existing net assets.

Table 3 presents the cost of each of the County’s six 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 that was placed on the County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities  
(in millions)**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Human services	\$ 9.8	\$ 5.1	\$ 8.1	\$ 2.4
Highways and streets	6.9	2.4	7.5	1.5
General government	5.7	4.6	6.5	5.0
Public safety	5.2	4.0	4.8	3.7
Health	2.6	0.8	2.4	0.5
Conservation of natural resources	2.0	0.7	1.6	(1.4)
All others	2.1	1.3	1.5	0.7
<b>Total</b>	<b>\$ 34.3</b>	<b>\$ 18.9</b>	<b>\$ 32.4</b>	<b>\$ 12.4</b>

## THE COUNTY’S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$15.7 million, which is \$0.5 million more than 2006, after the changes caused by the prior period adjustment. Included in this year’s total fund balance is a fund balance of \$4.6 million in the County’s General Fund, approximately the same as last year. The Ditch Special Revenue Fund’s change in fund balance (a decrease of \$0.3 million from 2006) was caused by expending the proceeds of the prior year bond issuance. The Social Services Special Revenue Fund has an increase (\$0.7 million) from a return on investment in a joint venture of \$1.3 million, operations used reserves of \$0.6 million. The Road and Bridge Special Revenue Fund shows an increase (\$0.1 million).

### General Fund Budgetary Highlights

During the year, the County made no budget amendments. The largest variance occurred in the Road and Bridge Special Revenue Fund. This was \$1.2 million. It consisted mainly of projected construction which was postponed until 2008. The other large variance was the Ditch Special Revenue Fund (\$0.4 million). Ongoing reassessment of benefits on many of the ditch systems is incurring cost, which cannot be recovered until the new benefits can be finalized. These costs will be assessed directly to the landowners receiving the benefit and will have no monetary impact on the citizens of Freeborn County.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2007, the County had \$77.2 million invested in a broad range of capital assets including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net decrease (including additions and deductions) of \$1.0 million, or 1.3 percent, from last year. This came mainly from current year depreciation.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation, in millions)**

	Governmental Activities	
	2007	2006
Land	\$ 4.1	\$ 4.1
Land improvements	0.8	0.7
Construction in progress	-	2.8
Buildings and improvements	28.9	29.6
Machinery, vehicles, furniture, and equipment	2.3	2.3
Infrastructure	41.1	38.7
Total	<u>\$ 77.2</u>	<u>\$ 78.2</u>

This year's major additions included (in millions) the completion of various highway construction adding (\$2.4 million) to infrastructure.

### Debt

At year-end, the County had \$27.3 million in bonds and notes outstanding versus \$28.8 million last year, a decrease of 5.3 percent, as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**  
**(in millions)**

	Governmental Activities	
	2007	2006
General obligation bonds and notes (backed by the County)	\$ 9.1	\$ 9.9
Special assessment bonds	3.3	3.5
General obligation lease revenue	6.5	6.7
Lease revenue bonds	8.4	8.7
Total	<u>\$ 27.3</u>	<u>\$ 28.8</u>

The County's general obligation bond rating was "Aaa" at its last bond issuance in December 2006, and there has been no change since then. Other obligations include accrued vacation pay and sick leave payable. The County also has an agreement with the State of Minnesota to make annual payments for an armory until 2009. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

## **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.

- County General Fund expenditures for 2008 are budgeted to increase 6.4 percent over 2007.
- The combined budget for 2008 increased \$2,598,427, or 7.5 percent, over the 2007 budget.
- The state increased County aids for 2008 by \$50,000.
- Property tax levies have increased 6.9 percent for 2008.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Finance Manager, William M. Helfritz, at 411 South Broadway, Albert Lea, Minnesota 56007.



## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

***EXHIBIT 1***

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

**Assets**

Cash and pooled investments	\$ 15,760,293
Petty cash and change funds	1,725
Investment in joint venture	916,803
Taxes receivable	
Prior - net	382,667
Special assessments receivable	
Prior - net	12,668
Noncurrent - net	2,981,874
Accounts receivable - net	1,050,094
Accrued interest receivable	191,740
Loan receivable	329,166
Due from other governments	2,113,057
Inventories	200,789
Prepaid items	20,987
Restricted assets	
Restricted cash and investments on deposit for debt service	1,012,885
Deferred charges	84,325
Capital assets	
Non-depreciable	4,971,613
Depreciable - net of accumulated depreciation	<u>72,195,092</u>
<b>Total Assets</b>	<b><u>\$ 102,225,778</u></b>

**Liabilities**

Accounts payable	\$ 1,009,762
Salaries payable	690,544
Contracts payable	378,712
Due to other governments	235,924
Accrued interest payable	522,408
Long-term liabilities	
Due within one year	2,041,657
Due in more than one year	<u>26,548,216</u>
<b>Total Liabilities</b>	<b><u>\$ 31,427,223</u></b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

***EXHIBIT 1  
(Continued)***

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

**Net Assets**

Invested in capital assets - net of related debt	\$	54,299,393
Restricted for		
General government		475,779
Public safety		684,160
Highways and streets		924,701
Human services		1,651,478
Conservation of natural resources		1,250,845
Debt service		743,621
Economic development		280,023
Endowment - nonexpendable		112,839
Unrestricted		<u>10,375,716</u>
<b>Total Net Assets</b>	<b>\$</b>	<b><u><u>70,798,555</u></u></b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*EXHIBIT 2*

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

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 5,671,365	\$ 747,646	\$ 155,876	\$ 198,238	\$ (4,569,605)
Public safety	5,155,801	590,701	593,924	-	(3,971,176)
Highways and streets	6,946,106	77,381	1,882,526	2,531,417	(2,454,782)
Sanitation	376,826	3,230	343,912	-	(29,684)
Human services	9,766,567	472,278	4,200,277	-	(5,094,012)
Health	2,629,543	938,532	896,269	-	(794,742)
Culture and recreation	355,454	13,509	-	-	(341,945)
Conservation of natural resources	1,955,914	170,971	1,036,100	26,936	(721,907)
Economic development	104,792	468,388	-	-	363,596
Interest	1,321,797	-	-	-	(1,321,797)
<b>Total Governmental Activities</b>	<b><u>\$ 34,284,165</u></b>	<b><u>\$ 3,482,636</u></b>	<b><u>\$ 9,108,884</u></b>	<b><u>\$ 2,756,591</u></b>	<b><u>\$ (18,936,054)</u></b>
 <b>General Revenues</b>					
Property taxes				\$ 13,620,111	
Gravel taxes				34,100	
Mortgage registry and deed tax				19,947	
Payments in lieu of tax				50,114	
Grants and contributions not restricted to specific programs				3,318,573	
Unrestricted investment earnings				796,804	
Miscellaneous				2,846	
<b>Total general revenues</b>				<b><u>\$ 17,842,495</u></b>	
<b>Change in net assets</b>					<b><u>\$ (1,093,559)</u></b>
<b>Net Assets - Beginning</b>					<b><u>71,892,114</u></b>
<b>Net Assets - Ending</b>					<b><u>\$ 70,798,555</u></b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**EXHIBIT 3**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 4,453,930	\$ 2,662,315	\$ 5,873,791	\$ 1,606,366	\$ 1,163,891	\$ 15,760,293
Petty cash and change funds	1,725	-	-	-	-	1,725
Taxes receivable						
Prior	152,948	59,340	113,166	-	26,685	352,139
Special assessments						
Prior	-	-	-	10,802	1,866	12,668
Noncurrent	25,233	-	-	2,685,982	270,659	2,981,874
Accounts receivable	162,375	1,998	742,581	-	-	906,954
Accrued interest receivable	191,086	-	-	-	654	191,740
Loans receivable	67,750	-	-	-	261,416	329,166
Due from other funds	34,821	873	-	-	-	35,694
Due from other governments	287,241	1,037,832	783,482	4,502	-	2,113,057
Prepaid expense	20,987	-	-	-	-	20,987
Inventories	-	200,789	-	-	-	200,789
Advances to other funds	540,940	-	-	-	-	540,940
<b>Total Assets</b>	<b><u>\$ 5,939,036</u></b>	<b><u>\$ 3,963,147</u></b>	<b><u>\$ 7,513,020</u></b>	<b><u>\$ 4,307,652</u></b>	<b><u>\$ 1,725,171</u></b>	<b><u>\$ 23,448,026</u></b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 492,241	\$ 63,501	\$ 344,632	\$ 41,371	\$ 68,017	\$ 1,009,762
Salaries payable	354,060	70,816	265,668	-	-	690,544
Contracts payable	-	378,712	-	-	-	378,712
Due to other funds	-	-	32,258	3,436	-	35,694
Due to other governments	141,589	2,791	87,333	4,211	-	235,924
Deferred revenue - unavailable	309,152	966,479	751,033	2,696,784	293,177	5,016,625
Advance from other funds	-	-	-	397,800	-	397,800
<b>Total Liabilities</b>	<b>\$ 1,297,042</b>	<b>\$ 1,482,299</b>	<b>\$ 1,480,924</b>	<b>\$ 3,143,602</b>	<b>\$ 361,194</b>	<b>\$ 7,765,061</b>
<b>Fund Balances</b>						
Reserved for						
Debt service	\$ 44,660	\$ -	\$ -	\$ 910,245	\$ 1,119,793	\$ 2,074,698
Inventories	-	200,789	-	-	-	200,789
Advances to other funds	540,940	-	-	-	-	540,940
Law library	80,087	-	-	-	-	80,087
Recorder's technology compliance	149,994	-	-	-	-	149,994
Recorder's equipment	67,985	-	-	-	-	67,985
Enhanced 911	139,343	-	-	-	-	139,343
Attorney's forfeited property	11,824	-	-	-	-	11,824
Prepaid items	20,987	-	-	-	-	20,987
HAVA equipment	121,229	-	-	-	-	121,229
Endowments	-	-	-	-	112,839	112,839
Economic development	-	-	-	-	45,647	45,647
Health care	-	-	1,651,478	-	-	1,651,478
Unreserved						
Designated for						
Cash flows	2,226,341	1,247,000	1,361,111	-	-	4,834,452
Compensated absences	715,896	192,329	278,793	-	-	1,187,018
Contingencies	522,708	-	-	-	-	522,708
Future expenditures	-	840,730	-	-	-	840,730
Undesignated	-	-	2,740,714	253,805	-	2,994,519
Unreserved, reported in nonmajor						
Debt service funds	-	-	-	-	82,862	82,862
Permanent fund	-	-	-	-	2,836	2,836
<b>Total Fund Balances</b>	<b>\$ 4,641,994</b>	<b>\$ 2,480,848</b>	<b>\$ 6,032,096</b>	<b>\$ 1,164,050</b>	<b>\$ 1,363,977</b>	<b>\$ 15,682,965</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,939,036</b>	<b>\$ 3,963,147</b>	<b>\$ 7,513,020</b>	<b>\$ 4,307,652</b>	<b>\$ 1,725,171</b>	<b>\$ 23,448,026</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>15,682,965</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Investment in joint venture is not reported in the governmental funds because it is not a current financial resource.			916,803
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			77,166,705
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			5,016,625
An internal service fund is used by management to charge the cost of building facilities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. (See Exhibit 7.)			
Total Internal Service Fund net assets	\$	2,277,494	
Net assets representing capital assets included above		(16,151,185)	
Net assets representing long-term debt included below		15,001,429	1,127,738
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	\$	(9,125,000)	
General obligation lease revenue bonds		(6,450,000)	
Lease revenue bonds		(8,350,000)	
Contract with State of Minnesota		(34,000)	
Compensated absences		(1,187,018)	
Loans payable		(209,134)	
Special assessment debt payable		(3,345,000)	
Accrued interest payable		(522,408)	
Unamortized discount		110,279	(29,112,281)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>			<b>\$ 70,798,555</b>

**FREEBORN COUNTY  
ALBERT LEA, 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>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 4,618,967	\$ 2,484,998	\$ 4,346,151	\$ -	\$ 808,738	\$ 12,258,854
Special assessments	340,563	-	-	913,290	170,748	1,424,601
Licenses and permits	67,990	14,225	-	-	-	82,215
Intergovernmental	4,775,048	4,341,719	4,572,494	57,129	-	13,746,390
Charges for services	1,809,649	63,156	1,612,896	-	-	3,485,701
Fines and forfeits	32,908	-	894	-	-	33,802
Gifts and contributions	4,547	-	44,612	-	8,280	57,439
Investment earnings	785,472	-	89,706	-	11,332	886,510
Miscellaneous	99,874	2,846	337,651	61,956	468,388	970,715
<b>Total Revenues</b>	<b>\$ 12,535,018</b>	<b>\$ 6,906,944</b>	<b>\$ 11,004,404</b>	<b>\$ 1,032,375</b>	<b>\$ 1,467,486</b>	<b>\$ 32,946,227</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ 4,805,894	\$ -	\$ -	\$ -	\$ 2,126	\$ 4,808,020
Public safety	4,816,390	-	260,849	-	-	5,077,239
Highways and streets	780	6,825,913	-	-	-	6,826,693
Sanitation	376,826	-	-	-	-	376,826
Human services	-	-	8,752,766	-	-	8,752,766
Health	1,323,381	-	1,293,709	-	-	2,617,090
Culture and recreation	355,454	-	-	-	-	355,454
Conservation of natural resources	664,104	-	-	1,288,662	2,486	1,955,252
Economic development	36,775	-	-	-	68,017	104,792
<b>Capital outlay</b>	<b>100,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,337</b>
<b>Debt service</b>						
Principal	34,000	-	-	-	962,860	996,860
Interest	-	-	-	75,392	451,755	527,147
Administrative (fiscal) charges	-	-	-	22,646	3,941	26,587
<b>Total Expenditures</b>	<b>\$ 12,513,941</b>	<b>\$ 6,825,913</b>	<b>\$ 10,307,324</b>	<b>\$ 1,386,700</b>	<b>\$ 1,491,185</b>	<b>\$ 32,525,063</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 21,077</b>	<b>\$ 81,031</b>	<b>\$ 697,080</b>	<b>\$ (354,325)</b>	<b>\$ (23,699)</b>	<b>\$ 421,164</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ 69,622	\$ -	\$ -	\$ -	\$ -	\$ 69,622
Transfers out	-	-	-	-	(69,622)	(69,622)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 69,622</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (69,622)</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ 90,699</b>	<b>\$ 81,031</b>	<b>\$ 697,080</b>	<b>\$ (354,325)</b>	<b>\$ (93,321)</b>	<b>\$ 421,164</b>



**FREEBORN COUNTY  
ALBERT LEA, 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>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balance - January 1	\$ 4,618,947	\$ 2,355,263	\$ 5,791,288	\$ 1,518,375	\$ 1,457,298	\$ 15,741,171
Prior period adjustment (Note 1.E.)	<u>(67,652)</u>	<u>-</u>	<u>(456,272)</u>	<u>-</u>	<u>-</u>	<u>(523,924)</u>
<b>Fund Balance - January 1, as restated</b>	<b>\$ 4,551,295</b>	<b>\$ 2,355,263</b>	<b>\$ 5,335,016</b>	<b>\$ 1,518,375</b>	<b>\$ 1,457,298</b>	<b>\$ 15,217,247</b>
<b>Increase (decrease) in reserved for inventories</b>	<b><u>-</u></b>	<b><u>44,554</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>44,554</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 4,641,994</u></b>	<b><u>\$ 2,480,848</u></b>	<b><u>\$ 6,032,096</u></b>	<b><u>\$ 1,164,050</u></b>	<b><u>\$ 1,363,977</u></b>	<b><u>\$ 15,682,965</u></b>

**FREEBORN COUNTY  
ALBERT LEA, 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  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 421,164**

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

In the fund, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenues. In the statement of net assets, an asset is reported for the equity interest in joint ventures, and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in the net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture. (998,335)

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 (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$	5,016,625	
Deferred revenue - January 1		(5,515,995)	
Prior period adjustment - see Note 1.E.		(523,924)	(1,023,294)

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$	2,642,146	
Net book value of assets sold		(935,465)	
Current year depreciation		(2,275,604)	(568,923)

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 net assets. 988,065

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	\$	(29,679)	
Change in compensated absences		(144,007)	
Change in inventories		44,554	(129,132)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Fund are reported with governmental activities. 216,896

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ (1,093,559)**

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

**PROPRIETARY FUND**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FUND NET ASSETS  
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND  
DECEMBER 31, 2007**

**Assets**

**Current assets**

Taxes receivable	
Prior	\$ 30,528

**Restricted assets**

Cash and pooled investments on deposit for debt service	\$ 1,012,885
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**Noncurrent assets**

Deferred debt issuance costs	\$ 84,325
Capital assets	
Depreciable - net	16,151,185

<b>Total noncurrent assets</b>	<b>\$ 16,235,510</b>
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<b>Total Assets</b>	<b>\$ 17,278,923</b>
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**Liabilities**

**Current liabilities payable from restricted assets**

Interest payable	\$ 299,795
Revenue bonds payable - current	670,000

<b>Total current liabilities payable from restricted assets</b>	<b>\$ 969,795</b>
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**Noncurrent liabilities**

Revenue bonds payable - long-term	14,031,634
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<b>Total Liabilities</b>	<b>\$ 15,001,429</b>
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**Net Assets**

Invested in capital assets - net of related debt	\$ 1,533,873
Restricted for debt service	743,621

<b>Total Net Assets</b>	<b>\$ 2,277,494</b>
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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Operating Expenses</b>	
Depreciation	\$ <u>426,729</u>
<b>Operating Income (Loss)</b>	\$ <u>(426,729)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Property taxes	\$ 1,381,215
Interest expense	(725,479)
Bond issuance expense	<u>(12,111)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	\$ <u>643,625</u>
<b>Change in Net Assets</b>	\$ 216,896
<b>Net Assets - January 1</b>	<u>2,060,598</u>
<b>Net Assets - December 31</b>	<u>\$ 2,277,494</u>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*EXHIBIT 9*

**STATEMENT OF CASH FLOWS  
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Noncapital Financing Activities</b>	
Taxes	\$ <u>1,382,516</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (645,000)
Interest paid on long-term debt	<u>(735,636)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	\$ <u>(1,380,636)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ 1,880
<b>Cash and Cash Equivalents at January 1</b>	<u>1,011,005</u>
<b>Cash and Cash Equivalents at December 31</b>	\$ <u><u>1,012,885</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	\$ (426,729)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	<u>426,729</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u><u>-</u></u>

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**FIDUCIARY FUNDS**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*EXHIBIT 10*

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

	Private-Purpose Trust	Agency Funds
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 11,049	\$ 884,961
Interest	57	-
Due from other governments	-	30,628
	-	30,628
<b>Total Assets</b>	<b>\$ 11,106</b>	<b>\$ 915,589</b>
<b><u>Liabilities</u></b>		
Due to other governments	\$ -	\$ 772,449
Advance from General Fund	-	143,140
	-	143,140
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 915,589</b>
<b><u>Net Assets</u></b>		
Net assets, held in trust for other purposes	<b>\$ 11,106</b>	

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*EXHIBIT 11*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Investment earnings	
Interest	\$ 125
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>500</u>
<b>Change in net assets</b>	<b>\$ (375)</b>
<b>Net Assets - January 1</b>	<u>11,481</u>
<b>Net Assets - December 31</b>	<b><u>\$ 11,106</u></b>

**FREEBORN COUNTY  
ALBERT LEA, 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 issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Freeborn County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Freeborn 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. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

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. Freeborn County has one blended component unit.

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Freeborn County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-.047.	County Commissioners are the HRA Board, and the HRA is a financial burden.	Separate financial statements are not prepared.

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.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.

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

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

The Internal Service Fund accounts for HRA building facilities (jail and other general office space) activities provided to other departments and funds on a cost-reimbursement basis.

Private-Purpose Trust funds are used to account for resources legally held in trust for others.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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. 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. Freeborn County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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



**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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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 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 \$785,472.

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."

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

All receivables are shown net of an allowance for uncollectibles.

**FREEBORN COUNTY**  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on 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 weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than 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.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three 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.

**FREEBORN COUNTY**  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 75
Building improvements	20 - 30
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15

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 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 available to liquidate liabilities of the current period.

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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 straight-line 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.

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.

**FREEBORN COUNTY  
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1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustments

At December 31, 2006, receivables of \$67,652 in the General Fund and \$456,272 in the Social Services Special Revenue Fund should have been deferred as unavailable but were not. The January 1, 2007, fund balances have been restated to defer revenue recognition on those receivables.

	General Fund	Social Services Special Revenue Fund
Fund balance, December 31, 2006, as previously reported	\$ 4,618,947	\$ 5,791,288
Adjustment to deferred revenue	(67,652)	(456,272)
Fund balance, January 1, 2007, restated	\$ 4,551,295	\$ 5,335,016

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

For the year ended December 31, 2007, expenditures exceeded budgeted amounts in the following funds:

	Final Budget	Expenditures	Excess
Special Revenue Funds			
Social Services	\$ 10,269,903	\$ 10,307,324	\$ 37,421
Ditch	1,026,000	1,386,700	360,700

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental Funds	
Cash and pooled investments	\$ 15,760,293
Petty cash and change funds	1,725
Internal Service Fund	
Cash and pooled investments on deposit for debt service	1,012,885
Fiduciary Funds	
Cash and pooled investments	
Private-Purpose Trust Fund	11,049
Agency funds	<u>884,961</u>
 Total Cash and Investments	 <u>\$ 17,670,913</u>

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.

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

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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 custodial credit risk as of December 31, 2007.

b. Investments

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

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

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk.



**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on concentration of credit risk.

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% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank Note	AAA	S&P		12/15/2010	\$ 505,780
Federal Home Loan Bank Note	AAA	S&P		05/13/2011	503,125
Federal Home Loan Bank Note	AAA	S&P		06/03/2011	501,565
Total Federal Home Loan Bank Notes			23%		\$ 1,510,470
Federal National Mortgage Association	AAA	S&P	8%	07/21/2008	500,000
Federal Farm Credit Banks Funding Corporation	AAA	S&P	8%	04/04/2011	500,000
Municipal bonds					
Freeborn County, Minnesota, G.O. Taxable Tax Increment Bonds	A3	Moody's	<5%	02/07/2009	225,232
Investment pools/mutual funds					
Wells Fargo Advantage Heritage Fund - Admin	AAA	S&P	N/A	N/A	4,000,000
Total investments					\$ 6,735,702
Deposits					10,933,486
Petty cash					1,725
Total Cash and Investments					\$ 17,670,913

N/A - Not Applicable

N/R - Not Rated

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

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable, gross	\$	1,712,757
Less: allowance for uncollectible		
General Fund		(649,456)
Human Services Special Revenue Fund		(13,207)
		(662,663)
Net Accounts Receivables	\$	1,050,094

Receivables are expected to be collected within the next year.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 625,953	\$ -	\$ -	\$ 625,953
Highway infrastructure	3,534,332	-	-	3,534,332
Improvements other than buildings	700,490	110,838	-	811,328
Construction in progress				
Highway infrastructure	2,785,802	-	2,785,802	-
Total capital assets not depreciated	\$ 7,646,577	\$ 110,838	\$ 2,785,802	\$ 4,971,613
Capital assets depreciated				
Buildings and improvements	\$ 31,886,633	\$ -	\$ -	\$ 31,886,633
Machinery, furniture, and equipment	5,248,842	815,792	403,539	5,661,095
Infrastructure - sewer	374,579	17,000	-	391,579
Infrastructure - highway	79,027,984	4,656,100	1,829,104	81,854,980
Total capital assets depreciated	\$ 116,538,038	\$ 5,488,892	\$ 2,232,643	\$ 119,794,287

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and improvements	\$ 2,310,713	\$ 799,825	\$ -	\$ 3,110,538
Machinery, furniture, and equipment	2,970,128	592,161	231,757	3,330,532
Infrastructure - sewer	106,131	15,337	-	121,468
Infrastructure - highway	40,635,286	1,295,010	893,639	41,036,657
	<u>\$ 46,022,258</u>	<u>\$ 2,702,333</u>	<u>\$ 1,125,396</u>	<u>\$ 47,599,195</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 70,515,780	\$ 2,786,559	\$ 1,107,247	\$ 72,195,092
Capital Assets, Net	<u>\$ 78,162,357</u>	<u>\$ 2,897,397</u>	<u>\$ 3,893,049</u>	<u>\$ 77,166,705</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	\$ 887,761
Public safety	94,783
Highways and streets, including depreciation of infrastructure assets	1,714,177
Human services	5,612
	<u>2,702,333</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,702,333</u>

B. Interfund Receivables and Payables

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 Fund	Social Services Special Revenue Fund	\$ 31,385
	Ditch Special Revenue Fund	3,436
		<u>34,821</u>
Total due to General Fund		\$ 34,821
Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund	873
		<u>873</u>
Total Due To/From Other Funds		<u>\$ 35,694</u>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund Insurance Agency Fund	\$ 397,800 143,140
Total Advances To/From Other Funds		\$ 540,940

3. Interfund Transfers

In 2007, \$69,622 was transferred from the Capital Equipment Debt Service Fund, a nonmajor fund, to the General Fund to close out the Capital Equipment Fund.

C. Liabilities

1. Other Postemployment Benefits

Retirees

The County provides postemployment health care benefits for certain retirees and their dependents. The County contributes \$113.02 a month per participant for health insurance. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. This benefit is not available to anyone hired after April 7, 1987.

As of year-end, the County has 63 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2007, the County expended \$82,667 for these benefits.

The County also offered a one-time early retirement incentive in 1999. Eligible retirees can maintain their health insurance at the same cost formula as current employees. This benefit is funded on a pay-as-you-go basis. Freeborn County has one retiree eligible for this benefit. The County expended \$6,246 for this benefit in 2007. The County also had one deputy file for disability health care under Minn. Stat. § 299.465. The County expended \$7,863 for this benefit in 2007.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits (Continued)

Elected Officials

The County offers the same benefit to elected officials. This benefit is funded on a pay-as-you-go basis. Freeborn County has eight former elected officials eligible for this benefit. The County expended \$10,943 for this benefit in 2007.

2. Long-Term Debt

<u>Type of Indebtedness</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>
General Obligation Bonds					
1998 G.O. Tax Increment Bonds	2009	\$280,000 - \$450,000	5.90 - 6.40	\$ 3,220,000	\$ 875,000
2002 G.O. Criminal Justice Bonds	2023	\$255,000 - \$695,000	3.00 - 5.00	<u>9,600,000</u>	<u>8,250,000</u>
Total General Obligation Bonds				<u>\$ 12,820,000</u>	<u>\$ 9,125,000</u>
Ditch Series 2006 G.O. Special Assessment Bonds	2022	\$325,000 - \$35,000	3.625 - 4.15	<u>\$ 3,020,000</u>	<u>\$ 3,020,000</u>
Special Assessment Refunding Bonds with government commitment	2010	\$120,000 - \$105,000	2.25 - 3.35	<u>\$ 800,000</u>	<u>\$ 325,000</u>
2002 Law Enforcement Center G.O. Lease Revenue Bonds	2023	\$190,000 - \$550,000	3.25 - 5.00	<u>\$ 7,470,000</u>	\$ 6,450,000
Less: unamortized discount					<u>(26,487)</u>
Lease Revenue Bonds, Net					<u>\$ 6,423,513</u>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
2002 Criminal Justice Lease Revenue Bonds	2023	\$230,000 - \$720,000	3.50 - 5.50	\$ 9,630,000	\$ 8,350,000
Less: unamortized discount					(71,878)
Lease Revenue Bonds, Net					\$ 8,278,122
Minnesota Department of Employment and Economic Development loan	2013	\$6,007 - \$42,606	3.00	\$ 280,000	\$ 209,134

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Special Assessment Ditch Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 810,000	\$ 391,953	\$ 325,000	\$ 105,166
2009	845,000	350,890	325,000	93,385
2010	410,000	321,890	325,000	81,603
2011	425,000	305,703	280,000	70,637
2012	440,000	288,402	280,000	60,488
2013 - 2017	2,465,000	1,153,497	1,110,000	167,593
2018 - 2022	3,035,000	543,988	375,000	24,267
2023	695,000	17,375	-	-
Total	\$ 9,125,000	\$ 3,373,698	\$ 3,020,000	\$ 603,139

Year Ending December 31	Law Enforcement G.O. Lease Revenue Bonds		Criminal Justice Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 295,000	\$ 274,098	\$ 375,000	\$ 432,281
2009	305,000	263,598	390,000	415,538
2010	315,000	252,354	405,000	397,144
2011	330,000	239,848	420,000	377,025
2012	340,000	226,448	435,000	355,650
2013 - 2017	1,925,000	907,182	2,480,000	1,401,911
2018 - 2022	2,390,000	429,837	3,125,000	644,189
2023	550,000	13,750	720,000	19,800
Total	\$ 6,450,000	\$ 2,607,115	\$ 8,350,000	\$ 4,043,538

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

Year Ending December 31	Special Assessment Refunding Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2008	\$ 110,000	\$ 8,606	\$ 33,306	\$ 5,819
2009	110,000	5,236	34,319	4,805
2010	105,000	1,759	35,363	3,762
2011	-	-	36,439	2,686
2012	-	-	37,547	1,578
2013	-	-	32,160	444
Total	<u>\$ 325,000</u>	<u>\$ 15,601</u>	<u>\$ 209,134</u>	<u>\$ 19,094</u>

4. Changes in Long-Term Liabilities

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	\$ 9,900,000	\$ -	\$ 775,000	\$ 9,125,000	\$ 810,000
Special assessment refunding bonds	440,000	-	115,000	325,000	110,000
Special assessment G.O. bond	3,020,000	-	-	3,020,000	325,000
G.O. lease revenue	6,735,000	-	285,000	6,450,000	295,000
Lease revenue bonds	8,710,000	-	360,000	8,350,000	375,000
Less: deferred amounts for issuance discounts	(117,594)	-	(7,316)	(110,278)	-
Total bonds payable	\$ 28,687,406	\$ -	\$ 1,527,684	\$ 27,159,722	\$ 1,915,000
Loans payable	273,993	-	64,859	209,134	33,306
Compensated absences	1,043,011	144,007	-	1,187,018	59,351
Armory commitment to state	68,000	-	34,000	34,000	34,000
Long-Term Liabilities	<u>\$ 30,072,410</u>	<u>\$ 144,007</u>	<u>\$ 1,626,543</u>	<u>\$ 28,589,874</u>	<u>\$ 2,041,657</u>

Payments on the general obligation bonds are made from the TIF #1 Debt Service Fund, and payments on the general obligation ditch special assessment bonds are made by the affected land owners, not the general populace of Freeborn County.

**FREEBORN COUNTY**  
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4. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Freeborn 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 of service and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.



**FREEBORN COUNTY  
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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

For all Public Employees Retirement Fund members 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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. 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. 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.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

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:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2007	\$ 561,051	\$ 127,340	\$ 109,543
2006	520,212	109,885	99,142
2005	473,661	90,944	91,017

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For 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.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 and \$410,000 per claim in 2007 and 2008, respectively. 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 has entered into a joint powers agreement with the cooperative to authorize the Board to exercise the common powers of the participating governmental units in connection with certain matters pertaining to the administration and funding of group employee benefits and other financial risk management services. The County may choose to participate in any of the services offered. The County may withdraw from the pool at any time giving a 90-day written notice. There is no contingent liability after withdrawal.

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

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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

C. Joint Ventures

Family Services Collaborative

The Freeborn County Family Services Collaborative was established in 1996 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Freeborn County; the City of Albert Lea; and Independent School District Nos. 241, 242, and 2866, each of which appoints members to the Collaborative's governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a Board of Directors. Freeborn County appoints two members to this 13-member Board. The Freeborn County Department of Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2005, Freeborn County provided no funding. In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the Minnesota Department of Education.

The Collaborative was audited by Ahrens, Montag, and Voglar for 2005. Financial information can be obtained by contacting Alan Olson, Accountant, Freeborn County Social Services, P. O. Box 1248, Albert Lea, Minnesota 56007.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. The agreement was in accordance with Section 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the nine participating member counties' health care functions, referred to as county-based purchasing.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the aforementioned member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2007, was \$916,803. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services expenses.

Complete financial statements for the SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

D. Jointly-Governed Organizations

Freeborn County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Freeborn County expended \$91,433 to the Cooperative.

South Central Minnesota County Comprehensive Water Planning Project

This joint powers was established to provide regional water quality to Minnesota River Basin member counties. During the year, Freeborn County expended \$693 to the Project.

**FREEBORN COUNTY**  
**ALBERT LEA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Minnesota Emergency Management Services (EMS)

This joint powers was established to provide various health services to member counties. During the year, Freeborn County made no payments to the EMS.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board was established to provide regional water quality services to member counties. During the year, Freeborn County made payments of \$300 to the Board.

Southeastern Minnesota Library

This joint powers was established to provide library services to member counties. During the year, Freeborn County expended \$250,000 to the Library.

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force was established to provide drug investigation services to member counties. During the year, Freeborn County expended \$4,506 to the Task Force.

E. Tax Increment Financing

The Freeborn County Housing and Redevelopment Authority is the administrative authority for the following tax increment financing district:

Tax Increment Financing District #1-1		
An Economic Development District		
Authorizing Law: Minn. Stat. §§ 469.174-469.179		
Year Established		1998
Duration of District		11 years
Original Net Tax Capacity	\$	1,632
Current Net Tax Capacity		93,479
Captured Net Tax Capacity		92,117
Retained by Authority		92,117
Shared with Other Taxing Districts		-

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Tax Increment Financing (Continued)

Total general obligation bonds issued	\$ 3,220,000
Total loans incurred	-
Amounts redeemed (principal only)	<u>(2,345,000)</u>
Outstanding Bonds and Loans at December 31, 2007	<u>\$ 875,000</u>

6. Subsequent Event

The joint venture, South Country Health Alliance, has recommended in 2008 a capital call from the County of \$960,878 payable in two installments. The first installment of \$480,439 was paid on May 23, 2008, by the County, and the second half installment of \$480,439 is due no later than November 25, 2008.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**FREEBORN COUNTY  
ALBERT LEA, 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>		
<b>Revenues</b>				
Taxes	\$ 4,540,560	\$ 4,540,560	\$ 4,618,967	\$ 78,407
Special assessments	305,000	305,000	340,563	35,563
Licenses and permits	115,700	115,700	67,990	(47,710)
Intergovernmental	4,513,816	4,513,816	4,775,048	261,232
Charges for services	1,893,400	1,893,400	1,809,649	(83,751)
Fines and forfeits	45,500	45,500	32,908	(12,592)
Gifts and contributions	1,100	1,100	4,547	3,447
Investment earnings	801,000	801,000	785,472	(15,528)
Miscellaneous	505,836	505,836	99,874	(405,962)
<b>Total Revenues</b>	<b>\$ 12,721,912</b>	<b>\$ 12,721,912</b>	<b>\$ 12,535,018</b>	<b>\$ (186,894)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 173,202	\$ 173,202	\$ 176,869	\$ (3,667)
Courts	109,000	109,000	157,581	(48,581)
County administration	1,575,652	1,575,652	1,196,281	379,371
County auditor-treasurer	504,583	504,583	511,030	(6,447)
License bureau	231,309	231,309	217,183	14,126
County assessor	417,305	417,305	420,605	(3,300)
Elections	12,500	12,500	82,662	(70,162)
Attorney	528,776	528,776	472,290	56,486
Law library	29,500	29,500	14,677	14,823
Recorder	275,519	275,519	332,961	(57,442)
Surveyor	20,000	20,000	5,784	14,216
Planning and zoning	130,422	130,422	138,794	(8,372)
Buildings and plant	809,667	809,667	808,156	1,511
Veterans service officer	129,327	129,327	139,323	(9,996)
Other general government	261,900	261,900	131,698	130,202
<b>Total general government</b>	<b>\$ 5,208,662</b>	<b>\$ 5,208,662</b>	<b>\$ 4,805,894</b>	<b>\$ 402,768</b>
<b>Public safety</b>				
Sheriff	\$ 1,833,125	\$ 1,833,125	\$ 1,889,366	\$ (56,241)
Boat and water safety	3,791	3,791	21,528	(17,737)
Ambulance	3,500	3,500	3,500	-
Coroner	22,428	22,428	22,113	315
E-911 system	62,500	62,500	6,482	56,018
County jail	1,749,944	1,749,944	1,981,582	(231,638)
Law enforcement center	167,500	167,500	150,274	17,226
Community corrections	591,850	591,850	669,300	(77,450)
Civil defense	58,384	58,384	71,960	(13,576)
Other public safety	57,200	57,200	285	56,915
<b>Total public safety</b>	<b>\$ 4,550,222</b>	<b>\$ 4,550,222</b>	<b>\$ 4,816,390</b>	<b>\$ (266,168)</b>

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

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**FREEBORN COUNTY  
ALBERT LEA, 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>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Highways and streets</b>				
Administration	\$ 8,000	\$ 8,000	\$ 780	\$ 7,220
<b>Sanitation</b>				
Recycling	\$ 403,892	\$ 403,892	\$ 376,826	\$ 27,066
<b>Health</b>				
Community health	\$ 339,549	\$ 339,549	\$ 361,315	\$ (21,766)
Administration	278,830	278,830	247,185	31,645
Health education	35,766	35,766	22,888	12,878
WIC	35,670	35,670	96,717	(61,047)
Maternal and child health	79,242	79,242	77,738	1,504
Disease prevention	42,000	42,000	36,510	5,490
Child and teen checkups	47,471	47,471	30,479	16,992
Home health	470,292	470,292	450,549	19,743
<b>Total health</b>	<b>\$ 1,328,820</b>	<b>\$ 1,328,820</b>	<b>\$ 1,323,381</b>	<b>\$ 5,439</b>
<b>Culture and recreation</b>				
Parks	\$ 85,900	\$ 85,900	\$ 76,639	\$ 9,261
Museum	30,550	30,550	27,540	3,010
County/regional library	250,000	250,000	250,000	-
Other culture and recreation	-	-	1,275	(1,275)
<b>Total culture and recreation</b>	<b>\$ 366,450</b>	<b>\$ 366,450</b>	<b>\$ 355,454</b>	<b>\$ 10,996</b>
<b>Conservation of natural resources</b>				
County extension	\$ 152,169	\$ 152,169	\$ 141,640	\$ 10,529
Soil and water conservation	141,000	141,000	141,000	-
Agricultural inspection	54,156	54,156	29,987	24,169
Agricultural society/County fair	20,000	20,000	65,035	(45,035)
Water planning	102,030	102,030	66,792	35,238
Water quality	25,100	25,100	117,545	(92,445)
Environmental services	70,636	70,636	102,105	(31,469)
<b>Total conservation of natural resources</b>	<b>\$ 565,091</b>	<b>\$ 565,091</b>	<b>\$ 664,104</b>	<b>\$ (99,013)</b>
<b>Economic development</b>				
Community development	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Tourism	1,000	1,000	1,000	-
Other economic development	53,275	53,275	30,775	22,500
<b>Total economic development</b>	<b>\$ 59,275</b>	<b>\$ 59,275</b>	<b>\$ 36,775</b>	<b>\$ 22,500</b>

**FREEBORN COUNTY  
ALBERT LEA, 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>		
<b>Expenditures (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ 108,000	\$ 108,000	\$ 10,104	\$ 97,896
Public safety	23,500	23,500	15,975	7,525
Highways and streets	75,000	75,000	74,258	742
Human services	25,000	25,000	-	25,000
<b>Total capital outlay</b>	<b>\$ 231,500</b>	<b>\$ 231,500</b>	<b>\$ 100,337</b>	<b>\$ 131,163</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 34,000	\$ (34,000)
<b>Total Expenditures</b>	<b>\$ 12,721,912</b>	<b>\$ 12,721,912</b>	<b>\$ 12,513,941</b>	<b>\$ 207,971</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 21,077	\$ 21,077
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	69,622	69,622
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,699</b>	<b>\$ 90,699</b>
Fund Balance - January 1	\$ 4,618,947	\$ 4,618,947	\$ 4,618,947	\$ -
Prior period adjustment	-	-	(67,652)	(67,652)
<b>Fund Balance - January 1 as restated</b>	<b>\$ 4,618,947</b>	<b>\$ 4,618,947</b>	<b>\$ 4,551,295</b>	<b>\$ (67,652)</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,618,947</b>	<b>\$ 4,618,947</b>	<b>\$ 4,641,994</b>	<b>\$ 23,047</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE 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>		
<b>Revenues</b>				
Taxes	\$ 2,552,617	\$ 2,552,617	\$ 2,484,998	\$ (67,619)
Licenses and permits	-	-	14,225	14,225
Intergovernmental	5,413,000	5,413,000	4,341,719	(1,071,281)
Charges for services	13,750	13,750	63,156	49,406
Miscellaneous	43,000	43,000	2,846	(40,154)
<b>Total Revenues</b>	<b>\$ 8,022,367</b>	<b>\$ 8,022,367</b>	<b>\$ 6,906,944</b>	<b>\$ (1,115,423)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 361,975	\$ 361,975	\$ 245,696	\$ 116,279
Maintenance	2,814,822	2,814,822	2,556,322	258,500
Construction	4,364,000	4,364,000	2,725,775	1,638,225
Equipment maintenance and shop	481,570	481,570	1,298,120	(816,550)
<b>Total Expenditures</b>	<b>\$ 8,022,367</b>	<b>\$ 8,022,367</b>	<b>\$ 6,825,913</b>	<b>\$ 1,196,454</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,031</b>	<b>\$ 81,031</b>
<b>Fund Balance - January 1</b>	<b>2,355,263</b>	<b>2,355,263</b>	<b>2,355,263</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>44,554</b>	<b>44,554</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,355,263</b>	<b>\$ 2,355,263</b>	<b>\$ 2,480,848</b>	<b>\$ 125,585</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL 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>		
<b>Revenues</b>				
Taxes	\$ 4,416,927	\$ 4,416,927	\$ 4,346,151	\$ (70,776)
Intergovernmental	4,693,877	4,693,877	4,572,494	(121,383)
Charges for services	664,800	664,800	1,612,896	948,096
Fines and forfeits	4,000	4,000	894	(3,106)
Gifts and contributions	290,300	290,300	44,612	(245,688)
Investment earnings	-	-	89,706	89,706
Miscellaneous	-	-	337,651	337,651
<b>Total Revenues</b>	<b>\$ 10,069,904</b>	<b>\$ 10,069,904</b>	<b>\$ 11,004,404</b>	<b>\$ 934,500</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Victim crisis	\$ 266,682	\$ 266,682	\$ 260,849	\$ 5,833
<b>Human services</b>				
Income maintenance	\$ 2,384,896	\$ 2,384,896	\$ 2,124,141	\$ 260,755
Social services	6,349,655	6,349,655	6,628,625	(278,970)
<b>Total human services</b>	<b>\$ 8,734,551</b>	<b>\$ 8,734,551</b>	<b>\$ 8,752,766</b>	<b>\$ (18,215)</b>
<b>Health</b>				
Mental health center	\$ 1,268,670	\$ 1,268,670	\$ 1,293,709	\$ (25,039)
<b>Total Expenditures</b>	<b>\$ 10,269,903</b>	<b>\$ 10,269,903</b>	<b>\$ 10,307,324</b>	<b>\$ (37,421)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (199,999)</b>	<b>\$ (199,999)</b>	<b>\$ 697,080</b>	<b>\$ 897,079</b>
Fund Balance - January 1	\$ 5,791,288	\$ 5,791,288	\$ 5,791,288	\$ -
Prior period adjustment	-	-	(456,272)	(456,272)
<b>Fund Balance - January 1, as restated</b>	<b>\$ 5,791,288</b>	<b>\$ 5,791,288</b>	<b>\$ 5,335,016</b>	<b>\$ (456,272)</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,591,289</b>	<b>\$ 5,591,289</b>	<b>\$ 6,032,096</b>	<b>\$ 440,807</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH 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>		
<b>Revenues</b>				
Special assessments	\$ 1,026,000	\$ 1,026,000	\$ 913,290	\$ (112,710)
Intergovernmental	-	-	57,129	57,129
Miscellaneous	-	-	61,956	61,956
<b>Total Revenues</b>	<b>\$ 1,026,000</b>	<b>\$ 1,026,000</b>	<b>\$ 1,032,375</b>	<b>\$ 6,375</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ 1,026,000	\$ 1,026,000	\$ 1,288,662	\$ (262,662)
<b>Debt service</b>				
Interest	-	-	75,392	(75,392)
Administrative (fiscal) charges	-	-	22,646	(22,646)
<b>Total Expenditures</b>	<b>\$ 1,026,000</b>	<b>\$ 1,026,000</b>	<b>\$ 1,386,700</b>	<b>\$ (360,700)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (354,325)</b>	<b>\$ (354,325)</b>
<b>Fund Balance - January 1</b>	<b>1,518,375</b>	<b>1,518,375</b>	<b>1,518,375</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,518,375</b>	<b>\$ 1,518,375</b>	<b>\$ 1,164,050</b>	<b>\$ (354,325)</b>



**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, all special revenue funds other than the Revolving Loan Fund, and all debt service funds other than the Tax Increment District #1 Fund and the Turtle Creek Watershed District 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 Freeborn County Administrator 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 no supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (for example, 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 Social Services Special Revenue Fund by \$37,421 and in the Ditch Special Revenue Fund by \$360,700.

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**SUPPLEMENTARY INFORMATION**

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Special revenue funds account for proceeds of specific revenue sources legally restricted to expenditures for specified purposes.

The Revolving Loan Fund accounts for economic development relating to the loan from the State of Minnesota's Department of Employment and Economic Development. Part of the money received back will be used again for new loans.

DEBT SERVICE FUNDS

Debt service funds account for the resources used to pay the County's long-term debt principal and interest.

The Capital Equipment Fund accounts for the accumulation of resources for and the payment of principal, interest, and related costs of general long-term debt for the acquisition of capital equipment. The fund was closed during 2007.

The Tax Increment District (TIF) #1 Fund accounts for the accumulation of resources used for the retirement of the 1998 General Obligation Taxable Tax Increment Bonds and related interest costs.

The Courthouse Improvement Fund accounts for the accumulation of resources used for the retirement of the 2002 General Obligation Criminal Justice Bonds and related interest costs.

The Turtle Creek Watershed District Fund accounts for the accumulation of resources used for the retirement of the 2002 Turtle Creek Watershed District Special Assessment Refunding Bonds and related interest costs.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

PERMANENT FUND

Permanent funds report resources legally restricted to the extent that only earnings, and not principal, may be used to support the County's programs.

The U.S. Fish and Wildlife Fund accounts for money received because of land acquired and taken off the tax rolls. Interest is to be used to offset the taxes.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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

	<b>Special Revenue</b>	<b>Capital</b>
	<b>Revolving</b>	<b>Equipment</b>
	<b>Loan</b>	<b>Equipment</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 11,804	\$ -
Taxes receivable		
Prior	-	-
Special assessments receivable		
Noncurrent	-	-
Prior	-	-
Accrued interest receivable	654	-
Loans receivable	261,416	-
	<b>\$ 273,874</b>	<b>\$ -</b>
<b>Total Assets</b>	<b>\$ 273,874</b>	<b>\$ -</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Deferred revenue - unavailable	-	-
	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balances</b>		
Reserved for debt service	\$ 228,227	\$ -
Reserved for endowments	-	-
Reserved for economic development	45,647	-
Unreserved		
Undesignated	-	-
	<b>\$ 273,874</b>	<b>\$ -</b>
<b>Total Fund Balances</b>	<b>\$ 273,874</b>	<b>\$ -</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 273,874</b>	<b>\$ -</b>

Statement 1

<u>Debt Service</u>		<u>Permanent Fund</u>			<u>Total</u>
<u>TIF #1</u>	<u>Courthouse Improvement</u>	<u>Turtle Creek Watershed District</u>	<u>U.S. Fish and Wildlife</u>	<u>(Exhibit 3)</u>	
\$ 74,166	\$ 538,784	\$ 423,462	\$ 115,675	\$ 1,163,891	
-	26,685	-	-	26,685	
-	-	270,659	-	270,659	
-	-	1,866	-	1,866	
-	-	-	-	654	
-	-	-	-	261,416	
<b><u>\$ 74,166</u></b>	<b><u>\$ 565,469</u></b>	<b><u>\$ 695,987</u></b>	<b><u>\$ 115,675</u></b>	<b><u>\$ 1,725,171</u></b>	
\$ 68,017	\$ -	\$ -	\$ -	\$ 68,017	
-	20,652	272,525	-	293,177	
<b><u>\$ 68,017</u></b>	<b><u>\$ 20,652</u></b>	<b><u>\$ 272,525</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 361,194</u></b>	
\$ 6,149	\$ 544,817	\$ 340,600	\$ -	\$ 1,119,793	
-	-	-	112,839	112,839	
-	-	-	-	45,647	
-	-	82,862	2,836	85,698	
<b><u>\$ 6,149</u></b>	<b><u>\$ 544,817</u></b>	<b><u>\$ 423,462</u></b>	<b><u>\$ 115,675</u></b>	<b><u>\$ 1,363,977</u></b>	
<b><u>\$ 74,166</u></b>	<b><u>\$ 565,469</u></b>	<b><u>\$ 695,987</u></b>	<b><u>\$ 115,675</u></b>	<b><u>\$ 1,725,171</u></b>	

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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

	<u>Special Revenue</u>	
	<u>Revolving</u>	<u>Capital</u>
	<u>Loan</u>	<u>Equipment</u>
<b>Revenues</b>		
Taxes	\$ -	\$ -
Special assessments	-	-
Investment earnings	8,496	-
Gifts and contributions	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 8,496</b>	<b>\$ -</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ -	\$ 2,126
Conservation of natural resources	-	-
Economic development	-	-
<b>Debt service</b>		
Principal	72,860	-
Interest	6,958	-
Administrative - fiscal charges	-	-
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 79,818</b>	<b>\$ 2,126</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (71,322)</b>	<b>\$ (2,126)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers out	-	(69,622)
	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	<b>\$ (71,322)</b>	<b>\$ (71,748)</b>
<b>Fund Balance - January 1</b>	<b>345,196</b>	<b>71,748</b>
	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ 273,874</b>	<b>\$ -</b>
	<hr/> <hr/>	<hr/> <hr/>



Statement 2

<u>Debt Service</u>			<u>Permanent Fund</u>		<u>Total (Exhibit 5)</u>
<u>TIF #1</u>	<u>Courthouse Improvement</u>	<u>Turtle Creek Watershed District</u>	<u>U.S. Fish and Wildlife</u>		
\$ 68,017	\$ 740,721	\$ -	\$ -	\$ 808,738	
-	-	170,748	-	170,748	
-	-	-	2,836	11,332	
-	-	-	8,280	8,280	
<u>468,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,388</u>	
<b><u>\$ 536,405</u></b>	<b><u>\$ 740,721</u></b>	<b><u>\$ 170,748</u></b>	<b><u>\$ 11,116</u></b>	<b><u>\$ 1,467,486</u></b>	
\$ -	\$ -	\$ -	\$ -	\$ 2,126	
-	-	-	2,486	2,486	
68,017	-	-	-	68,017	
400,000	375,000	115,000	-	962,860	
68,388	361,540	14,869	-	451,755	
<u>2,100</u>	<u>350</u>	<u>1,491</u>	<u>-</u>	<u>3,941</u>	
<b><u>\$ 538,505</u></b>	<b><u>\$ 736,890</u></b>	<b><u>\$ 131,360</u></b>	<b><u>\$ 2,486</u></b>	<b><u>\$ 1,491,185</u></b>	
\$ (2,100)	\$ 3,831	\$ 39,388	\$ 8,630	\$ (23,699)	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,622)</u>	
<b><u>\$ (2,100)</u></b>	<b><u>\$ 3,831</u></b>	<b><u>\$ 39,388</u></b>	<b><u>\$ 8,630</u></b>	<b><u>\$ (93,321)</u></b>	
<u>8,249</u>	<u>540,986</u>	<u>384,074</u>	<u>107,045</u>	<u>1,457,298</u>	
<b><u>\$ 6,149</u></b>	<b><u>\$ 544,817</u></b>	<b><u>\$ 423,462</u></b>	<b><u>\$ 115,675</u></b>	<b><u>\$ 1,363,977</u></b>	

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENT 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>		
<b>Revenues</b>				
Taxes	\$ 758,000	\$ 758,000	\$ 740,721	\$ (17,279)
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest	373,000	373,000	361,540	11,460
Administrative (fiscal) charges	1,500	1,500	350	1,150
<b>Total Expenditures</b>	<b>\$ 749,500</b>	<b>\$ 749,500</b>	<b>\$ 736,890</b>	<b>\$ 12,610</b>
<b>Net Change in Fund Balance</b>	<b>\$ 8,500</b>	<b>\$ 8,500</b>	<b>\$ 3,831</b>	<b>\$ (4,669)</b>
<b>Fund Balance - January 1</b>	<b>540,986</b>	<b>540,986</b>	<b>540,986</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 549,486</b>	<b>\$ 549,486</b>	<b>\$ 544,817</b>	<b>\$ (4,669)</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Collections Fund accounts for the following:

The Current School Section accounts for collection of penalty and interest on property taxes and transmission tax. These taxes are distributed according to Minn. Stat. §§ 276.131 and 127A.34.

The Group Insurance Section accounts for payroll deductions for group health insurance.

The Mortgage Registry Tax Section accounts for the taxes received in registering a mortgage within the County.

The Post Placement Program Section accounts for money received by court services to help adolescents adapt to living in the community.

The Prepaid Tax Section accounts for payments received on taxes before the preparation of the tax statements or prior to January 1 of the year due.

The Refunding Section accounts for the refunding of property taxes.

The State Deed Tax Section accounts for the transfer of money to the state received from the sale of state deed stamps.

The State Revenue Section accounts for funds held pending remittance to the state.

The Stream Maintenance Agreement Section accounts for money received to help maintain area streams.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS  
(Continued)

The Collaborative Fund accounts for funds associated with the Family Collaborative Joint Powers Board.

The Recorder's - Clearing Fund accounts for funds collected by the Recorder's Department for other governments.

The Tax Collection Fund accounts for the collection and distribution of property taxes and other amounts.

The Payroll Clearing Fund accounts for payroll withholdings.

The Insurance Fund accounts for insurance payments.

The Motor Vehicle Fund accounts for drivers' licenses and vehicle licenses.

The Turtle Creek Watershed Fund accounts for the operations of the watershed district.

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Statement 3*

**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
<b><u>AGENCY COLLECTIONS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 101,225	\$ 4,295,948	\$ 4,303,171	\$ 94,002
<b><u>Liabilities</u></b>				
Due to other governments	\$ 101,225	\$ 4,295,948	\$ 4,303,171	\$ 94,002
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 288,888	\$ 134,112	\$ 217,176	\$ 205,824
<b><u>Liabilities</u></b>				
Due to other governments	\$ 288,888	\$ 134,112	\$ 217,176	\$ 205,824
 <b><u>RECORDER'S - CLEARING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,340	\$ 39,391	\$ 40,190	\$ 2,541
<b><u>Liabilities</u></b>				
Due to other governments	\$ 3,340	\$ 39,391	\$ 40,190	\$ 2,541

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Statement 3*  
*(Continued)*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAX COLLECTION</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 256,668	\$ 32,441,448	\$ 32,311,238	\$ 386,878
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ 13,380,506	\$ 13,380,506	\$ -
Due to other governments	256,668	19,060,942	18,930,732	386,878
<b>Total Liabilities</b>	<b>\$ 256,668</b>	<b>\$ 32,441,448</b>	<b>\$ 32,311,238</b>	<b>\$ 386,878</b>
 <b><u>PAYROLL CLEARING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ (17,264)	\$ 130,694	\$ 113,430	\$ -
Prepaid items	17,264	-	17,264	-
Due from other governments	-	26,499	-	26,499
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 157,193</b>	<b>\$ 130,694</b>	<b>\$ 26,499</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 130,694	\$ 130,694	\$ -
Advance from governmental funds	-	26,499	-	26,499
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 157,193</b>	<b>\$ 130,694</b>	<b>\$ 26,499</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Statement 3*  
*(Continued)*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>INSURANCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 127,717	\$ 199	\$ 15,404	\$ 112,512
Due from other governments	-	4,129	-	4,129
	<b>\$ 127,717</b>	<b>\$ 4,328</b>	<b>\$ 15,404</b>	<b>\$ 116,641</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 11,275	\$ -	\$ 11,275	\$ -
Advance from governmental funds	116,442	199	-	116,641
	<b>\$ 127,717</b>	<b>\$ 199</b>	<b>\$ 11,275</b>	<b>\$ 116,641</b>
 <b><u>MOTOR VEHICLE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 6,602,202	\$ 6,602,202	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 6,602,202	\$ 6,602,202	\$ -
 <b><u>TURTLE CREEK WATERSHED</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 22,272	\$ 163,063	\$ 102,131	\$ 83,204
<b><u>Liabilities</u></b>				
Due to other governments	\$ 22,272	\$ 163,063	\$ 102,131	\$ 83,204

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**Statement 3**  
**(Continued)**

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 782,846	\$ 43,807,057	\$ 43,704,942	\$ 884,961
Prepaid items	17,264	-	17,264	-
Due from other governments	-	30,628	-	30,628
<b>Total Assets</b>	<b>\$ 800,110</b>	<b>\$ 43,837,685</b>	<b>\$ 43,722,206</b>	<b>\$ 915,589</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 11,275	\$ 130,694	\$ 141,969	\$ -
Due to other funds	-	13,380,506	13,380,506	-
Due to other governments	672,393	30,295,658	30,195,602	772,449
Advance from governmental funds	116,442	26,698	-	143,140
<b>Total Liabilities</b>	<b>\$ 800,110</b>	<b>\$ 43,833,556</b>	<b>\$ 43,718,077</b>	<b>\$ 915,589</b>



**OTHER SCHEDULE**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Schedule 6*

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

**Shared Revenue**

**State**

Highway users tax	\$	4,290,419
PERA rate reimbursement		44,126
Disparity reduction aid		44,730
Police aid		109,845
County program aid		1,669,875
Market value credit		1,559,842
Enhanced 911		113,571
		113,571

**Total Shared Revenue** **\$ 7,832,408**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	<b>1,963,010</b>
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**Payments**

**Local**

Payments in lieu of taxes	\$	<b>50,114</b>
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**Grants**

**State**

Minnesota Department of		
Public Safety	\$	124,079
Health		507,408
Natural Resources		54,193
Human Services		1,237,535
Veterans Affairs		4,100
Corrections		173,429
Pollution Control Agency		74,314
Peace Officer Standards and Training Board		9,246
Miscellaneous boards		11,079
		11,079

**Total State** **\$ 2,195,383**

**Federal**

Department of		
Agriculture	\$	158,780
Justice		89,387
Health and Human Services		1,190,881
Homeland Security		68,189
Election Assistance Commission		198,238
		198,238

**Total Federal** **\$ 1,705,475**

**Total State and Federal Grants** **\$ 3,900,858**

**Total Intergovernmental Revenue** **\$ 13,746,390**

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Schedule 7*

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 Freeborn County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Freeborn County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." We consider some of the deficiencies to be material weaknesses.
- C. No instances of noncompliance material to the financial statements of Freeborn County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award program is 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." It is not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award program for Freeborn County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Freeborn County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Temporary Assistance for Needy Families (TANF) CFDA #93.558
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Freeborn 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 ITEMS NOT RESOLVED

06-1 Recorder's Department

The Recorder's Department is not depositing receipts in a timely manner. Five deposits were tested, and only one was deposited in a timely manner. The other four deposits were held by the Recorder's Department for 7 to 31 days before being deposited with the County Auditor/Treasurer's Office.

We recommend collections be deposited in a timely manner.

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal control, even if management subsequently corrects the misstatement.

Adjustments were made to reclassify various revenues in the Social Services Special Revenue Fund and the Ditch Special Revenue Fund. Adjustments were needed in the General Fund to adjust various receivable accounts, reduce deferred revenue, adjust reserved and designated fund balance accounts, and eliminate certain intrafund transfers. The Road and Bridge Special Revenue Fund required adjustments to increase and decrease certain revenue and expenditure accounts for state-aid highway allotments. In the Social Services Special Revenue Fund, adjustments were needed to record additional receivables, adjust designated fund balance for cash flows, and to record the equity distribution in the South Country Health Alliance joint venture. The Ditch Special Revenue Fund required an adjustment to increase the fund balance reserved for debt service account. The Turtle Creek Debt Service Fund required adjustments to increase special assessments receivable and deferred revenue, and reserved fund balance had to be



decreased. In the Internal Service Fund, adjustments were needed to increase property tax revenues; reduce net assets invested in capital assets, net of related debt; and increase net assets restricted for debt service. All of these adjustments were made by Freeborn County.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal control procedures to ensure the trial balances are correct.

#### ITEMS ARISING THIS YEAR

##### 07-1 Prior Period Adjustment

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 in the financial statements on a timely basis. One indication of a control deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the corrections of a misstatement. The January 1, 2007, fund balances of the General Fund and the Social Services Special Revenue Fund were restated to recognize deferred revenue not previously reported.

We recommend that the County review its procedures for preparing financial statements to ensure an accurate presentation.

##### 07-2 Preparation of Financial Statements

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

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

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Freeborn County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Freeborn County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, the County must identify and train individuals to obtain the expertise to review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

07-3 Controls Within the Auditor/Treasurer's Office Cash

Although, Freeborn County has policies and procedures in place for cash controls, we found the Auditor/Treasurer's Office was not following the procedures in the following areas.

- Bank reconcilements were not being performed in a timely manner. As of December 18, 2007, the September 2007 bank statement was the last month the general checking account had been reconciled. On September 17, 2007, the County was notified by Wells Fargo Bank that the County did not have sufficient funds to cover checks issued.

- The County Auditor/Treasurer has the ability to purchase, exchange, and sell investments. No other County employee reviews or monitors County investments. The County's investment policy states, "There is hereby created an investment advisory committee, consisting of the Treasurer, the Finance Director, County Administrator, one member of the County Board and one private-sector investment professional that is appointed by the County Board." It also states, ". . . and shall meet at least quarterly to determine general strategies and monitor results." The policy also states, "The County Auditor/Treasurer shall submit quarterly to the Board of Commissioners an investment report that summarizes the portfolio in terms of investment securities, characteristics, maturities and carrying value. The report shall explain the quarter's total investment return and compare the return to budgetary expectations." The County does not have an investment advisory committee, and the Auditor/Treasurer is not submitting quarterly reports to the Board of Commissioners.
  
- Interest is not being receipted in a timely manner. Interest for the general savings account is being receipted on a yearly basis. The bank statements are received monthly. Certain other checking and investment accounts are also not being receipted in on a monthly basis.

We recommend that bank reconcilements be performed in a timely manner. We also recommend that interest collections be receipted timely after receiving notification from banks of the amounts credited to the County's accounts. Finally, we recommend that County officials adhere to its investment policy, calling for the establishment of an investment advisory committee and the quarterly reporting to County Commissioners of investment activities.

07-4 Segregation of Duties - Payroll

During our review of the County's payroll function, we noted those who process payroll also have the ability to change pay rates and add new employees. These duties should ideally be segregated. However, if segregation is not practical, changes to pay rates and additions of new employees should be monitored on a monthly basis by someone independent of payroll processing.

We recommend the County re-evaluate whether payroll processing staff can be segregated from staff who need to have the ability to change pay rates and add new employees. If this is not practical, someone independent of the payroll processing function should review payroll edit reports to monitor that any pay rate changes made or new employees added were authorized.

07-5 New Vendors

Employees performing cash disbursement procedures, which include printing checks and entering disbursements into the general ledger system, also have the ability to enter new vendors into the general ledger system. In addition, it appears that other employees can also enter new vendors into the system. New vendors are not monitored or reviewed by any other employee.

We recommend an employee independent of the disbursement process enter new vendors, or an employee independent of the process periodically review new vendors and investigate any unusual entities. We also recommend the County review the user menu options on the general ledger system and limit employee access to roles and responsibilities that are commensurate with their job descriptions.

07-6 Public Health Department Controls

The County Public Health Department does not maintain a formal policies and procedures manual or have a formal monitoring process to ensure all collections and disbursements are properly handled. We found the following conditions:

- Deposits on collections were not submitted to the County Auditor/Treasurer in a timely manner. Deposits tested showed some collections were not deposited with the County Auditor/Treasurer until 7 to 23 days after date of receipt.
- A credit card was opened that was not approved by the County Board.
- Duties are not being properly segregated. The same employee reviews the manual receipts, balances the cash drawer, prepares the deposit, and takes the money to the County Auditor/Treasurer's Office for deposit without another employee reviewing the data. This same employee also prepares the billing, records the billing, and monitors the collections of the receivables.

We recommend formal policies and procedures, including monitoring procedures, be established to provide the guidance necessary to ensure all collections are receipted in a timely manner. Credit cards should not be established without the prior approval of the County Board. Finally, we recommend that the duties performed by one individual relating to the billing, receipting, and depositing of funds be reviewed to determine if an adequate segregation of those duties can be established. If this is not feasible, consideration should be given to some periodic oversight by another employee.

PREVIOUSLY REPORTED ITEM RESOLVED

**Annual Capital Asset Inventory (06-3)**

Freeborn County was not performing an annual inventory of capital assets.

**Resolution**

Freeborn County performed an inventory of capital assets in July 2007.

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

ITEM ARISING THIS YEAR

07-7 Monitoring and Review of Case Files (CFDA #93.558, Temporary Assistance for Needy Families)

The case files for the Temporary Assistance for Needy Families Program (TANF) are not being reviewed by an employee independent of the data entry to determine that proper information is obtained for eligibility requirements, redeterminations are conducted, and information is accurately input into the state MAXIS system by the County financial workers. Several eligibility and program requirements should be reviewed to ensure the County is properly awarding assistance.

We recommend that TANF case files be reviewed on a periodic basis by an employee independent of the data entry. This employee should see that eligibility requirements are met and that accurate information is being input to the state MAXIS system. This review should also be documented.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Dennis Roelfsema, Financial Assistance Supervisor II*

Corrective Action Planned:

*Freeborn County Human Services would be willing to participate in the Case Management Review process whereby the Financial Assistance Supervisor, who does have data entry access, would review a number of cases at random, using forms and procedures outlined by Minnesota Department of Human Services in Bulletin 08-03-03.*

Anticipated Completion Date:

*Anticipated completion date will be November 1, 2008.*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

07-8 Collateral Assignments

Deposits in excess of the FDIC insurance coverage are secured with pledged collateral; however, the County could not provide current documentation of a perfected security interest in the pledged collateral. The documentation on file for bank board approval of collateral pledged is outdated and could not be reconciled to the current collateral used to secure deposits in excess of FDIC insurance coverage.

In a Federal Appeals Court decision, the Court ruled that if a municipality fails to perfect its interest in pledged collateral under federal law, its right to such collateral in the event of default is not enforceable.

We recommend that the Freeborn County Auditor/Treasurer obtain current documentation to ensure the County has a perfected security interest for the collateral pledged from its depositories.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-5 Disaster Recovery Plan

Freeborn County has an informal disaster recovery agreement with another county but does not have a formal disaster recovery plan. A disaster recovery plan gives assurance the County is prepared for a disaster or major computer breakdown. The County needs to provide services to County residents after a disaster and during a major computer breakdown. Services that need to be addressed include the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;
- a plan of how the County will continue operations until normal operations are re-established--this should include the use of alternative computer facilities and/or the use of manual procedures, a list of master operating schedules, and critical job schedules;
- a list of materials the County needs to continue operations and how they would be obtained;
- hardware configurations and minimum equipment requirements;
- information relative to off-site back-up storage facilities;
- a list of vendor contracts;
- identification of what space should be used; and
- a schedule for developing and periodically reviewing and updating the plan.

We again recommend the County develop, implement, and test a disaster recovery plan. The Board should approve the formal plan. A copy should be stored at an off-site facility and with the leader of each recovery team. All County employees should detail the steps to be taken to continue operations in the event of a disaster. We also recommend the County periodically determine if the alternative computer system is compatible with the County's system.

ITEMS ARISING THIS YEAR

07-9            Investment Policy

While reviewing the investment policy for compliance with GASB Statement 40, we noticed the policy does not address the various risks identified in GASB Statement 40.

We recommend the County update its investment policy to address the risks listed in GASB Statement 40.

07-10            Social Services Department - Social Welfare Special Revenue Fund  
Disbursements

During the review of the disbursements made in the Social Welfare Special Revenue Fund, we noted 11 of the 25 disbursements tested did not have documentation to support the checks written for individual clients.

We recommend the Social Services Department obtain proper supporting documentation before disbursement checks are written on behalf of clients.

C.            OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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



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

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

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

Some of the issues that the Freeborn County Board will need to address in order to comply with the statement are:

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

*Schedule 7*  
*(Continued)*

- in order to determine annual costs and liabilities that need to be recognized, the Freeborn County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Freeborn County for the year ended December 31, 2008.

## **OTHER REQUIRED REPORTS**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Freeborn County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2007, and have issued our report thereon dated October 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2, and 07-1 through 07-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Freeborn 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, of the significant deficiencies described above, we consider items 06-2 and 07-2 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Freeborn 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, Freeborn County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 07-8.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations to be of benefit to Freeborn County, and they are reported for that purpose.

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

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 22, 2008

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REBECCA OTTO  
STATE AUDITOR

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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  
Freeborn County

### Compliance

We have audited the compliance of Freeborn 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. Freeborn 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.

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

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-7 to be a significant deficiency.

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 Freeborn County's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2007, and have issued our report thereon dated October 22, 2008. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The

accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Freeborn County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

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

October 22, 2008

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**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

**Schedule 8**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 150,649
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	3,431
Food Stamp Program Outreach Grants	10.580	<u>4,700</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 158,780</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety Criminal Victim Assistance	16.575	<b><u>\$ 89,387</u></b>
<b>U.S. Elections Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	<b><u>\$ 198,238</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 44,918
Temporary Assistance for Needy Families (TANF)	93.558	32,660
Maternal and Child Health Services Block Grant	93.994	38,697
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	13,552
Temporary Assistance for Needy Families (TANF) Child Care Cluster	93.558	415,978
Child Care Development Block Grants	93.575	192,118
Child Care Mandatory and Matching Funds	93.596	127,720
Child Welfare Services - State Grants	93.645	9,561
Foster Care Title IV-E	93.658	84,452
Social Services Block Grant Title XX	93.667	226,059
Chafee Foster Care Independence Program	93.674	10,031
Community Mental Health Services Block Grant	93.958	3,682
Passed Through Mayo Foundation National Bioterrorism Hospital Preparedness	93.889	<u>40,000</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>\$ 1,239,428</u></b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

*Schedule 8*  
*(Continued)*

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 16,482
Passed Through Minnesota Department of Public Safety		
President Declared Disaster Assistance	97.036	25,749
Emergency Management Performance Grant	97.042	25,958
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 68,189</b>
<b>Total Federal Awards</b>		<b>\$ 1,754,022</b>

**FREEBORN COUNTY  
ALBERT LEA, MINNESOTA**

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

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1. Reporting Entity

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

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

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

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,705,475
Promoting Safe and Stable Families grant received more than 60 days after year-end	13,552
Child Care Development Block grant received more than 60 days after year-end	7,505
Foster Care Title IV-E grant received more than 60 days after year-end	27,043
Chafee Foster Care Independence Program grant received more than 60 days after year-end	<u>447</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,754,022</u>

4. Pass-Through Grant Numbers

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