

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**BROWN COUNTY**  
**NEW ULM, 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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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Year Ended December 31, 2007**



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

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

ORGANIZATION  
2007

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Richard Seeboth	January 2009
2nd District	James Berg	January 2011
3rd District	Charles Guggisberg	January 2009
4th District	Andrew Lochner*	January 2011
5th District	Dennis Potter	January 2011
<b>Officers</b>		
<b>Elected</b>		
Attorney	James R. Olson	January 2011
Auditor/Treasurer	Marlin C. Helget	January 2011
County Recorder	Betti Kamolz	January 2011
Sheriff	Rich Hoffmann	January 2011
<b>Appointed</b>		
Administrator	Charles Enter	Indefinite
Assessor	Judy Friesen	December 31, 2008
Family Services Director	Tom Henderson	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2010
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	May 31, 2010
Personnel Director	Leah Crabtree	Indefinite
Planning and Zoning Administrator	Laine Sletta	Indefinite
Public Health Director	Anita Hoffman	Indefinite
Veterans Service Officer	Greg Peterson	April 12, 2009
Lay Board Member	Elizabeth Mohr	December 31, 2007
Lay Board Member	Judy Kuster	December 31, 2007

\*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  
Brown County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown 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 Brown County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Brown County Economic Development Partners, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Road and Bridge, Family Services, and Landfill Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 Brown County's basic financial statements. The combining and individual fund financial statements and 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 Brown County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2009, on our consideration of Brown County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

February 27, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

As management of Brown County, we offer readers of the Brown County financial statements this narrative overview and analysis of the financial activities of Brown County for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Brown County exceeded its liabilities at the close of 2007 by \$76,047,464. Of this amount, \$9,752,898 (unrestricted net assets) may be used to meet Brown County's ongoing obligations to citizens and creditors.
- Brown County's total net assets increased by \$2,569,868 in 2007, or 3.5 percent. A significant part of the increase is attributable to increases in capital assets and capital grants for highway purposes and decreases in advances from other governments and in long-term debt.
- At the close of 2007, Brown County's governmental funds reported combined ending fund balances of \$14,923,737. The amount of \$8,512,432 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2007, unreserved fund balance for the General Fund was \$3,125,617, or 28.7 percent, of total General Fund expenditures.
- Brown County's general obligation and revenue bond debt decreased by \$320,000, or 14.5 percent, during 2007. The key factor to this decrease was the scheduled payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to Brown County's basic financial statements. Brown County's basic financial statements are comprised of three components: (1) county-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **County-Wide Financial Statements**

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

The statement of net assets presents information on all of Brown County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Brown County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

The county-wide financial statements list the functions of Brown County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brown County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. There are no business-type activities within Brown County's financial structure that are intended to recover all or a significant portion of their costs through use fees and charges.

The county-wide financial statements include not only Brown County itself (the primary government), but also the legally separate Economic Development Partners, Inc. (EDP). The EDP, although legally separate, functions for all practical purposes as an integral part of Brown County and, therefore, has been included in the county-wide financial statements.

The county-wide financial statements can be found on Exhibits 1 and 2.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Brown County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Brown County can be divided into two categories: governmental funds and fiduciary funds.

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

**Governmental funds**--Governmental funds are used to account for essentially the same functions reported as governmental activities in the county-wide financial statements. However, unlike the county-wide financial statements, County fund level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Brown County reports five major funds and three nonmajor funds. The major funds are: the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Landfill Special Revenue Fund, and Debt Service Fund. The nonmajor funds are: Building and Capital Improvements Special Revenue Fund, County Parks Special Revenue Fund, and County Ditch Special Revenue Fund. Information is presented separately for the major funds and in total for the nonmajor funds in Exhibits 3 and 4.

**Fiduciary funds**--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Brown County's fiduciary funds consist of ten agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the county-wide financial statements because those resources are not available to support the County's programs.

Brown County's governmental fund financial statements are on Exhibits 3 through 8, and Brown County's fiduciary funds are on Exhibit 9.

### **Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

### **Other Information**

In addition to the basic financial statements and notes, Brown County also provides supplementary information on Brown County's deposits and investments and intergovernmental revenues (Schedules 1 and 2).

Brown County adopts an annual appropriated budget for its General Fund, special revenue funds, and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

## COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Brown County's assets exceeded liabilities by \$76,047,464 at the close of 2007. The largest portion of Brown County's net assets (81.7 percent) reflects its investment in capital assets (such as land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. However, it should be noted that these assets are not available for future spending. Comparative data with 2006 is presented.

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

	2007	2006
Current and other assets	\$ 19,622,249	\$ 21,414,412
Capital assets	64,001,667	60,030,253
<b>Total Assets</b>	<b>\$ 83,623,916</b>	<b>\$ 81,444,665</b>
Long-term liabilities outstanding	\$ 5,796,815	\$ 5,873,905
Other liabilities	1,779,637	2,093,164
<b>Total Liabilities</b>	<b>\$ 7,576,452</b>	<b>\$ 7,967,069</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 62,121,667	\$ 57,830,253
Restricted	4,172,899	5,740,135
Unrestricted	9,752,898	9,907,208
<b>Total Net Assets</b>	<b>\$ 76,047,464</b>	<b>\$ 73,477,596</b>

The unrestricted net asset amount of \$9,752,898 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors.

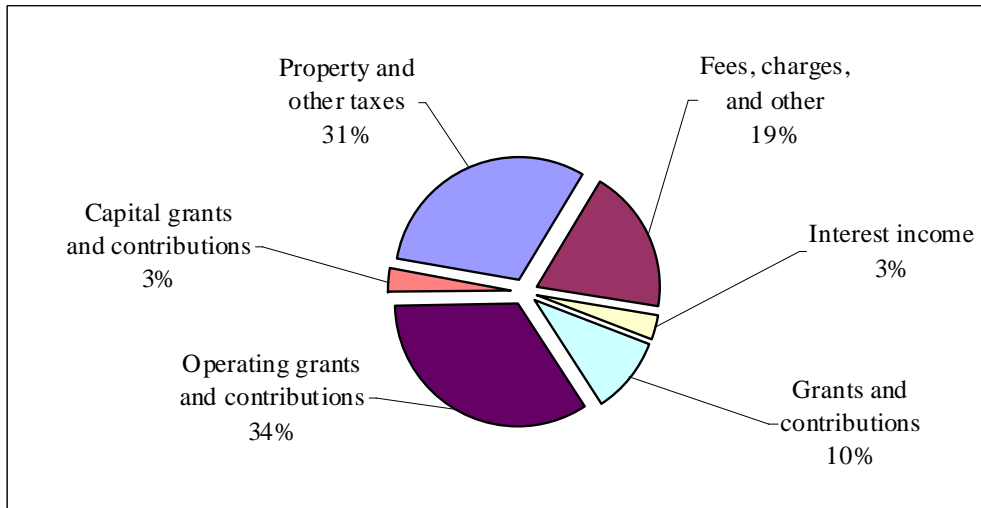
## Governmental Activities

The County's activities from operations increased net assets by \$2,569,868, or 3.5 percent (\$73,477,596 in 2006 to \$76,047,464 in 2007). Table 2 summarizes the changes in net assets for 2007.

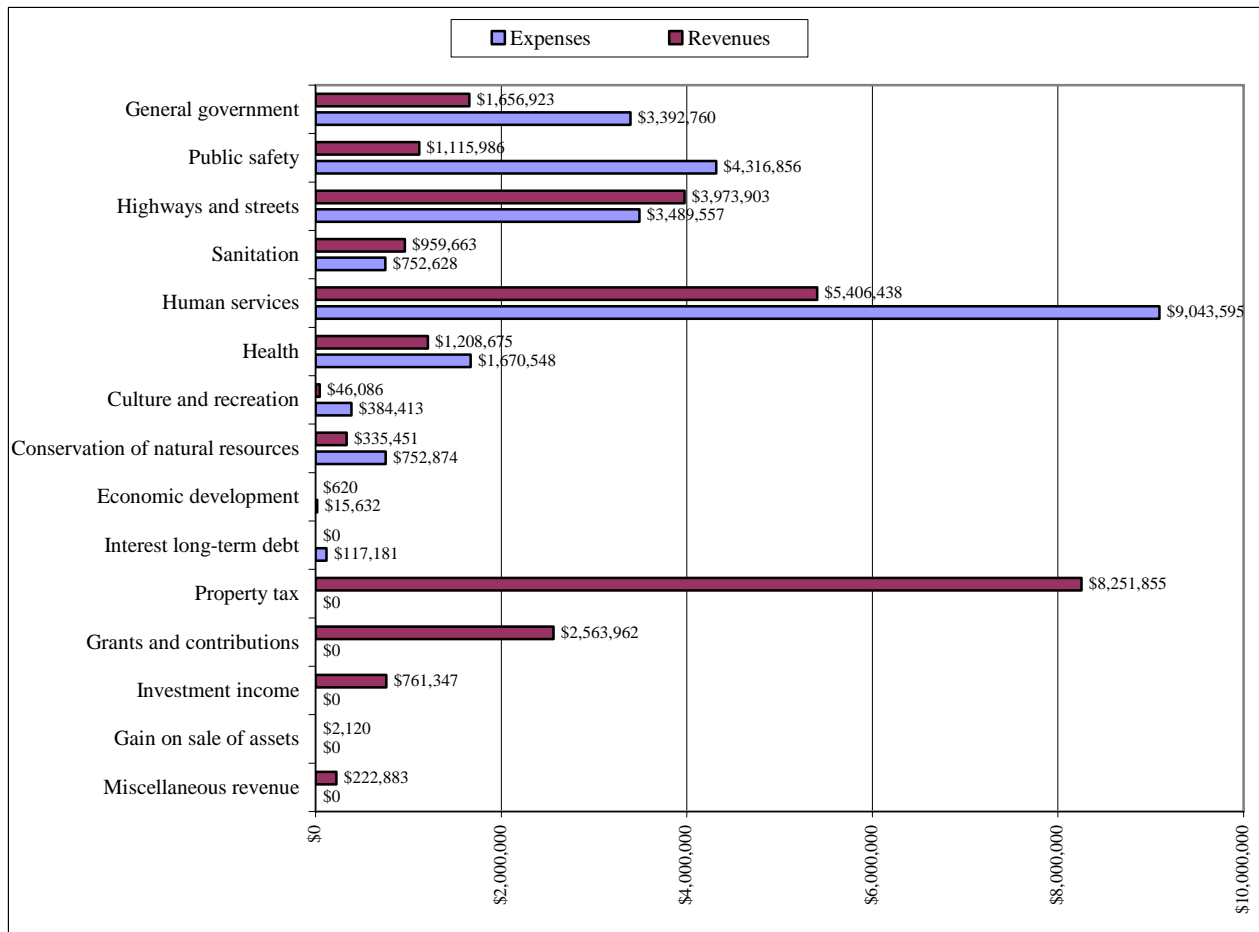
**Table 2**  
**Changes in Governmental Net Assets**

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues		
Charges for services	\$ 4,918,271	\$ 4,747,386
Operating grants and contributions	9,071,498	8,813,647
Capital grants and contributions	713,976	2,377,343
General revenues		
Property taxes	8,251,855	7,802,865
Other	3,550,312	3,517,262
Total Revenues	<u>\$ 26,505,912</u>	<u>\$ 27,258,503</u>
Expenses		
General government	\$ 3,392,760	\$ 3,368,654
Public safety	4,316,856	4,042,841
Highways and streets	3,489,557	3,540,568
Sanitation	752,628	958,126
Human services	9,043,595	7,605,663
Health	1,670,548	1,555,436
Culture and recreation	384,413	408,902
Conservation of natural resources	752,874	616,628
Economic development	15,632	23,218
Interest	117,181	111,355
Total Expenses	<u>\$ 23,936,044</u>	<u>\$ 22,231,391</u>
Increase in Net Assets	<u>\$ 2,569,868</u>	<u>\$ 5,027,112</u>
Net Assets - January 1	\$ 73,477,596	\$ 66,614,269
Adjustment for retroactive change	<u>-</u>	<u>1,836,215</u>
Net Assets - January 1, as restated	<u>\$ 73,477,596</u>	<u>\$ 68,450,484</u>
Net Assets - December 31	<u>\$ 76,047,464</u>	<u>\$ 73,477,596</u>

### Revenues by Source - 2007



### Expenses and Revenues - 2007



(Unaudited)

Total revenues for the County were \$26,505,912, while total expenses were \$23,936,044. This reflects a \$2,569,868 increase in net assets for the year ended December 31, 2007.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,923,737, an increase of \$469,814 in comparison with the prior year. The majority of this amount (\$10,986,946) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,125,617, while total fund balance was \$4,160,029. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28.7 percent of total General Fund expenditures, while total fund balance represents 38.2 percent of that same amount.

### **General Fund Budgetary Highlights**

There were no changes between the original budget and the final amended budget. The actual revenues exceeded budgeted revenues by \$1,033,926, due primarily to actual investment earnings exceeding budgeted earnings by \$216,447 and a non-budgeted capitalization distribution from South Country Health Alliance of \$437,757. In addition, charges for services revenue exceeded the amount budgeted by \$166,562, primarily due to home health services and prisoner boarding. Overall, the actual expenditures exceeded budgeted expenditures by \$224,290, due primarily to expenditures relating to the Human Services community services building.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2007, amount to \$64,001,667 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 6.6 percent. The increase in capital assets in 2007 was due to improvements and betterments through construction. The most significant capital asset improvements were to bridges, County state-aid highway roads, and construction done on the community services building.

**Table 3**  
**Governmental Capital Assets**  
**(Net of Depreciation)**

	<u>2007</u>	<u>2006</u>
Land	\$ 1,111,215	\$ 1,106,170
Construction in progress	3,978,468	4,020,630
Land improvements	107,212	139,752
Buildings and improvements	11,454,448	10,454,703
Machinery, furniture, and equipment	2,403,056	2,513,849
Infrastructure	<u>44,947,268</u>	<u>41,795,149</u>
Totals	<u>\$ 64,001,667</u>	<u>\$ 60,030,253</u>

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

### Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$1,880,000, which is backed by the full faith and credit of the government.

**Table 4**  
**Governmental Outstanding Debt**

	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 265,000	\$ 350,000
Revenue bonds	<u>1,615,000</u>	<u>1,850,000</u>
Total Bonds Payable	<u>\$ 1,880,000</u>	<u>\$ 2,200,000</u>



The County's debt related to general obligation bonds decreased by \$85,000 (24.3 percent), while debt related to revenue bonds decreased by \$235,000 (12.7 percent) during the fiscal year. The main reason for the decrease was debt repayment in 2007.

Brown County's bond rating is "A1" from Moody's.

Minnesota statutes limit the amount of debt that a county may levy to two percent of its total market value. As of the end of 2007, Brown County is well below the two percent debt limit imposed by state statutes.

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

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

- Brown County's average unemployment rate for 2007 was 5.2 percent as of the end of 2007. This was slightly above the statewide rate of 4.9 percent.
- Mortgage interest rates have risen slightly during 2007, resulting in a reduced volume of mortgage refinancing.
- At the end of 2007, Brown County set its 2008 revenue and expenditure budgets.

### **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, P. O. Box 115, New Ulm, Minnesota 56073.

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## **BASIC FINANCIAL STATEMENTS**

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**COUNTY-WIDE FINANCIAL STATEMENTS**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 1*

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

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 15,118,470	\$ 92,050
Taxes receivable		
Prior	141,521	-
Special assessments receivable		
Prior	21,557	-
Noncurrent	931,740	-
Accounts receivable - net	629,992	-
Accrued interest receivable	172,655	-
Loan receivable	17,000	212,840
Due from other governments	1,824,440	-
Inventories	130,975	-
Investment in joint venture	633,899	-
Capital assets		
Non-depreciable	5,089,683	-
Depreciable - net of accumulated depreciation	58,911,984	-
	<b>\$ 83,623,916</b>	<b>\$ 304,890</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 530,129	\$ 1,507
Salaries payable	533,437	-
Contracts payable	229,022	-
Due to other governments	131,116	-
Accrued interest payable	5,094	750
Unearned revenue	134,358	-
Advances from other governments	216,481	-
Long-term liabilities		
Due within one year	527,850	-
Due in more than one year	5,268,965	5,000
	<b>\$ 7,576,452</b>	<b>\$ 7,257</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 1  
(Continued)*

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

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 62,121,667	\$ -
Restricted for		
General government	216,178	-
Public safety	255,008	-
Highways and streets	196,602	-
Sanitation	61,442	-
Human services	637,206	-
Conservation of natural resources	598,271	-
Debt service	128,712	-
Landfill closure/postclosure	2,079,480	-
Other purposes	-	4,200
Unrestricted	<u>9,752,898</u>	<u>293,433</u>
<b>Total Net Assets</b>	<b><u>\$ 76,047,464</u></b>	<b><u>\$ 297,633</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 3,392,760	\$ 1,519,702
Public safety	4,316,856	468,530
Highways and streets	3,489,557	34,466
Sanitation	752,628	897,742
Human services	9,043,595	1,003,652
Health	1,670,548	681,861
Culture and recreation	384,413	12,274
Conservation of natural resources	752,874	299,424
Economic development	15,632	620
Interest	117,181	-
<b>Total Primary Government</b>	<b><u>\$ 23,936,044</u></b>	<b><u>\$ 4,918,271</u></b>
<b>Component unit</b>		
Economic Development Partners, Inc.	<b><u>\$ 7,890</u></b>	<b><u>\$ -</u></b>

**General Revenues**

Property taxes  
Taxes - local sales taxes  
Grants and contributions not restricted to specific programs  
Payments in lieu of tax  
Investment income  
Miscellaneous  
Gain on sale of capital assets

**Total general revenues**

**Change in net assets**

**Net Assets - January 1**

**Net Assets - December 31**



**EXHIBIT 2**

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
\$ 137,221	\$ -	\$ (1,735,837)	
647,456	-	(3,200,870)	
3,271,861	667,576	484,346	
61,921	-	207,035	
4,356,386	46,400	(3,637,157)	
526,814	-	(461,873)	
33,812	-	(338,327)	
36,027	-	(417,423)	
-	-	(15,012)	
-	-	(117,181)	
<u>\$ 9,071,498</u>	<u>\$ 713,976</u>	<u>\$ (9,232,299)</u>	
<u>\$ -</u>	<u>\$ -</u>		<u>\$ (7,890)</u>
		\$ 8,251,855	\$ -
		549	-
		2,563,962	-
		21,653	-
		761,347	11,864
		200,681	-
		2,120	-
		<u>\$ 11,802,167</u>	<u>\$ 11,864</u>
		\$ 2,569,868	\$ 3,974
		<u>73,477,596</u>	<u>293,659</u>
		<u>\$ 76,047,464</u>	<u>\$ 297,633</u>

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**FUND FINANCIAL STATEMENTS**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 4,187,428	\$ 1,186,049
Taxes receivable		
Prior	83,746	15,584
Noncurrent		
Special assessments		
Prior	5,015	-
Noncurrent	718,230	-
Accounts receivable	107,283	14,549
Accrued interest receivable	172,655	-
Due from other funds	1,621	6,207
Due from other governments	245,754	316,063
Inventories	-	130,975
Loans receivable	-	-
	<b>\$ 5,521,732</b>	<b>\$ 1,669,427</b>
<b>Total Assets</b>	<b>\$ 5,521,732</b>	<b>\$ 1,669,427</b>

**EXHIBIT 3**

<u>Family Services</u>	<u>Landfill</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,254,782	\$ 5,124,441	\$ 127,439	\$ 1,238,331	\$ 15,118,470
35,904	-	4,576	1,711	141,521
-	16,308	-	234	21,557
-	-	-	213,510	931,740
495,751	12,409	-	-	629,992
-	-	-	-	172,655
-	-	-	-	7,828
736,745	-	484,949	40,929	1,824,440
-	-	-	-	130,975
-	-	-	17,000	17,000
<u>\$ 4,523,182</u>	<u>\$ 5,153,158</u>	<u>\$ 616,964</u>	<u>\$ 1,511,715</u>	<u>\$ 18,996,178</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 133,098	\$ 15,127
Salaries payable	299,573	57,085
Contracts payable	-	164,038
Due to other funds	716	-
Due to other governments	10,729	491
Deferred revenue - unavailable	786,073	296,821
Deferred revenue - unearned	131,514	1,029
Advances from other governments	-	216,481
	<b>\$ 1,361,703</b>	<b>\$ 751,072</b>
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 130,975
Loans receivable	-	-
Law library	61,722	-
Recorder's equipment purchases	154,456	-
Enhanced 911	253,550	-
Landfill closure/postclosure	-	-
Conservation of natural resources	-	-
Donations	-	-
Highway projects	-	73,346
Boat and water	600	-
Sheriff's contingency	858	-
Sewer/septic loans	563,226	-
Unreserved		
Designated for future projects	-	40,000
Designated for cash flows	750,000	500,000
Designated for compensated absences	30,000	-
Designated for recycling	-	-
Designated for debt service	-	-
Designated for landfill closure	-	-
Designated for boat and water	22,510	-
Designated for County funded loan	116,620	-
Undesignated	2,206,487	174,034
Unreserved, reported in nonmajor Special revenue funds	-	-
	<b>\$ 4,160,029</b>	<b>\$ 918,355</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,521,732</b>	<b>\$ 1,669,427</b>

**EXHIBIT 3**  
**(Continued)**

<u>Family Services</u>	<u>Landfill</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 209,025	\$ 61,700	\$ -	\$ 111,179	\$ 530,129
169,292	5,402	-	2,085	533,437
64,984	-	-	-	229,022
7,112	-	-	-	7,828
111,868	-	-	8,028	131,116
498,472	11,215	488,062	209,427	2,290,070
1,526	-	190	99	134,358
-	-	-	-	216,481
<u>\$ 1,062,279</u>	<u>\$ 78,317</u>	<u>\$ 488,252</u>	<u>\$ 330,818</u>	<u>\$ 4,072,441</u>
\$ -	\$ -	\$ -	\$ -	\$ 130,975
-	-	-	17,000	17,000
-	-	-	-	61,722
-	-	-	-	154,456
-	-	-	-	253,550
-	2,079,480	-	-	2,079,480
-	-	-	598,271	598,271
3,307	-	-	-	3,307
-	-	-	-	73,346
-	-	-	-	600
-	-	-	-	858
-	-	-	-	563,226
-	-	-	-	40,000
750,000	-	-	-	2,000,000
-	-	-	-	30,000
-	60,140	-	-	60,140
-	-	128,712	-	128,712
-	76,532	-	-	76,532
-	-	-	-	22,510
-	-	-	-	116,620
2,707,596	2,858,689	-	-	7,946,806
-	-	-	565,626	565,626
<u>\$ 3,460,903</u>	<u>\$ 5,074,841</u>	<u>\$ 128,712</u>	<u>\$ 1,180,897</u>	<u>\$ 14,923,737</u>
<u>\$ 4,523,182</u>	<u>\$ 5,153,158</u>	<u>\$ 616,964</u>	<u>\$ 1,511,715</u>	<u>\$ 18,996,178</u>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 3A*

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>14,923,737</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		64,001,667
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		633,899
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,290,070
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	\$	(265,000)
Revenue bonds		(1,615,000)
Loans payable		(1,031,903)
Compensated absences		(1,216,996)
Accrued interest payable		(5,094)
Estimated liability for landfill closure/postclosure		(1,667,916)
		<u>(5,801,909)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>76,047,464</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 4,891,153	\$ 898,973
Special assessments	213,672	-
Licenses and permits	43,331	-
Intergovernmental	2,911,485	4,708,749
Charges for services	1,904,116	-
Fines and forfeits	5,409	-
Gifts and contributions	3,600	-
Investment earnings	761,347	-
Miscellaneous	956,926	273,094
	<b>\$ 11,691,039</b>	<b>\$ 5,880,816</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,449,425	\$ -
Public safety	4,289,809	-
Highways and streets	-	6,990,325
Sanitation	-	-
Human services	-	-
Health	1,657,320	-
Culture and recreation	232,547	-
Conservation of natural resources	517,341	-
Economic development	15,632	-
<b>Capital outlay</b>	598,284	-
<b>Debt service</b>		
Principal	115,809	-
Interest	21,654	-
Administrative (fiscal) charges	-	-
	<b>\$ 10,897,821</b>	<b>\$ 6,990,325</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 793,218</b>	<b>\$ (1,109,509)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 1,524,117
Transfers out	(1,934,692)	-
Proceeds from loans	139,869	-
	<b>\$ (1,794,823)</b>	<b>\$ 1,524,117</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,001,605)</b>	<b>\$ 414,608</b>
<b>Fund Balances - January 1</b>	<b>5,161,634</b>	<b>481,454</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>22,293</b>
<b>Fund Balances - December 31</b>	<b>\$ 4,160,029</b>	<b>\$ 918,355</b>

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

**EXHIBIT 4**

<b>Family Services</b>	<b>Landfill</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,094,724	\$ -	\$ 253,485	\$ 94,220	\$ 8,232,555
-	337,120	-	198,271	749,063
-	280	-	-	43,611
5,023,615	61,921	161,956	40,383	12,908,109
722,159	319,905	-	12,274	2,958,454
-	-	-	-	5,409
10,100	-	-	-	13,700
-	-	-	-	761,347
966,121	3,589	-	132,992	2,332,722
<b>\$ 8,816,719</b>	<b>\$ 722,815</b>	<b>\$ 415,441</b>	<b>\$ 478,140</b>	<b>\$ 28,004,970</b>
\$ -	\$ -	\$ -	\$ 6,509	\$ 3,455,934
-	-	-	-	4,289,809
-	-	-	-	6,990,325
-	596,399	-	-	596,399
8,352,381	-	-	-	8,352,381
-	-	-	-	1,657,320
-	-	-	144,393	376,940
-	-	-	227,811	745,152
-	-	-	-	15,632
64,984	-	-	-	663,268
-	-	-	-	-
-	-	320,000	-	435,809
-	-	95,833	-	117,487
-	-	862	-	862
<b>\$ 8,417,365</b>	<b>\$ 596,399</b>	<b>\$ 416,695</b>	<b>\$ 378,713</b>	<b>\$ 27,697,318</b>
<b>\$ 399,354</b>	<b>\$ 126,416</b>	<b>\$ (1,254)</b>	<b>\$ 99,427</b>	<b>\$ 307,652</b>
\$ 112,400	\$ 243,201	\$ -	\$ 54,974	\$ 1,934,692
-	-	-	-	(1,934,692)
-	-	-	-	139,869
<b>\$ 112,400</b>	<b>\$ 243,201</b>	<b>\$ -</b>	<b>\$ 54,974</b>	<b>\$ 139,869</b>
\$ 511,754	\$ 369,617	\$ (1,254)	\$ 154,401	\$ 447,521
2,949,149	4,705,224	129,966	1,026,496	14,453,923
-	-	-	-	22,293
<b>\$ 3,460,903</b>	<b>\$ 5,074,841</b>	<b>\$ 128,712</b>	<b>\$ 1,180,897</b>	<b>\$ 14,923,737</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 4A**

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balances - total governmental funds (Exhibit 4)** **\$ 447,521**

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

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 6,049,207	
Depreciation expense	(2,047,793)	4,001,414

The net effect of various miscellaneous transactions involving capital assets (such as sales, trade-ins, and retirements) is to decrease net assets.

Net book value of capital assets disposed of		(30,000)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue for taxes and special assessments	\$ 99,493	
Decrease in deferred revenue for grants and allotments	(1,360,543)	(1,261,050)

The issuance of long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Proceeds of new debt	\$ (139,869)	
Principal payments on debt	435,809	295,940

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.

Increase in inventories	\$ 22,293	
Decrease in accrued interest payable	1,168	
Increase in compensated absences payable	(90,286)	
Increase in landfill postclosure care costs	(128,564)	(195,389)

Transactions to record investment in joint venture

Equity distribution		(688,568)

**Change in Net Assets of Governmental Activities (Exhibit 2)** **\$ 2,569,868**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 5*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,337,015	\$ 4,841,370	\$ 4,891,153	\$ 49,783
Special assessments	182,129	182,129	213,672	31,543
Licenses and permits	35,850	35,850	43,331	7,481
Intergovernmental	1,441,315	2,936,960	2,911,485	(25,475)
Charges for services	1,737,554	1,737,554	1,904,116	166,562
Fines and forfeits	11,600	11,600	5,409	(6,191)
Gifts and contributions	100	100	3,600	3,500
Investment earnings	544,900	544,900	761,347	216,447
Miscellaneous	366,650	366,650	956,926	590,276
<b>Total Revenues</b>	<b>\$ 10,657,113</b>	<b>\$ 10,657,113</b>	<b>\$ 11,691,039</b>	<b>\$ 1,033,926</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 214,145	\$ 214,145	\$ 209,122	\$ 5,023
Courts	39,412	39,412	50,665	(11,253)
Law library	20,000	20,000	26,063	(6,063)
County auditor/treasurer	507,187	507,187	483,620	23,567
License bureau	138,198	138,198	136,131	2,067
County assessor	417,878	417,878	375,100	42,778
Elections	2,200	2,200	7,292	(5,092)
Accounting and auditing	45,000	45,000	74,697	(29,697)
Data processing	281,729	281,729	277,180	4,549
Central services	145,938	145,938	146,284	(346)
Personnel administration	136,103	136,103	143,420	(7,317)
Attorney	334,711	334,711	348,127	(13,416)
Recorder	397,770	397,770	384,423	13,347
Planning and zoning	78,961	78,961	129,559	(50,598)
Buildings and plant	502,697	502,697	487,106	15,591
Veterans service officer	120,101	120,101	110,093	10,008
Other	410,314	410,314	60,543	349,771
<b>Total general government</b>	<b>\$ 3,792,344</b>	<b>\$ 3,792,344</b>	<b>\$ 3,449,425</b>	<b>\$ 342,919</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 5  
(Continued)*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,545,391	\$ 1,545,391	\$ 1,527,851	\$ 17,540
Boat and water safety	6,551	6,551	7,430	(879)
Emergency services	21,482	21,482	36,739	(15,257)
Coroner	10,400	10,400	7,449	2,951
E-911 system	108,500	108,500	70,236	38,264
County jail	1,457,350	1,457,350	1,343,194	114,156
Juvenile detention	100,000	100,000	96,506	3,494
Probation and parole	1,247,224	1,247,224	1,191,891	55,333
Sheriff's contingency	9,000	9,000	8,000	1,000
Snowmobile safety	3,561	3,561	513	3,048
<b>Total public safety</b>	<b>\$ 4,509,459</b>	<b>\$ 4,509,459</b>	<b>\$ 4,289,809</b>	<b>\$ 219,650</b>
<b>Health</b>				
Nursing service	\$ 1,688,898	\$ 1,688,898	\$ 1,657,320	\$ 31,578
<b>Culture and recreation</b>				
Historical society	\$ 99,612	\$ 99,612	\$ 99,612	\$ -
County/regional library	75,662	75,662	75,662	-
Snowmobile trails	-	-	33,641	(33,641)
Other	23,632	23,632	23,632	-
<b>Total culture and recreation</b>	<b>\$ 198,906</b>	<b>\$ 198,906</b>	<b>\$ 232,547</b>	<b>\$ (33,641)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 103,780	\$ 103,780	\$ 98,236	\$ 5,544
Soil and water conservation	95,822	95,822	83,409	12,413
Agricultural society/County fair	34,500	34,500	34,500	-
Water planning	23,718	23,718	24,174	(456)
Wetlands	22,930	22,930	23,283	(353)
Septic loan program	187,179	187,179	241,327	(54,148)
Area flood control	-	-	12,412	(12,412)
<b>Total conservation of natural resources</b>	<b>\$ 467,929</b>	<b>\$ 467,929</b>	<b>\$ 517,341</b>	<b>\$ (49,412)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 5  
(Continued)*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 5,820	\$ 5,820	\$ 5,823	\$ (3)
Housing and redevelopment authority	10,175	10,175	9,809	366
<b>Total economic development</b>	<u>\$ 15,995</u>	<u>\$ 15,995</u>	<u>\$ 15,632</u>	<u>\$ 363</u>
<b>Capital outlay</b>				
Capital outlay - general government	\$ -	\$ -	\$ 598,284	\$ (598,284)
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 115,809	\$ (115,809)
Interest	\$ -	\$ -	\$ 21,654	\$ (21,654)
<b>Total Expenditures</b>	<u>\$ 10,673,531</u>	<u>\$ 10,673,531</u>	<u>\$ 10,897,821</u>	<u>\$ (224,290)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (16,418)</u>	<u>\$ (16,418)</u>	<u>\$ 793,218</u>	<u>\$ 809,636</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (1,934,692)	\$ (1,934,692)
Proceeds from loans	-	-	139,869	139,869
<b>Total Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,794,823)</u>	<u>\$ (1,794,823)</u>
<b>Net Change in Fund Balance</b>	\$ (16,418)	\$ (16,418)	\$ (1,001,605)	\$ (985,187)
<b>Fund Balance - January 1</b>	<u>5,161,634</u>	<u>5,161,634</u>	<u>5,161,634</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 5,145,216</u>	<u>\$ 5,145,216</u>	<u>\$ 4,160,029</u>	<u>\$ (985,187)</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 6*

**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	\$ 1,168,548	\$ 894,780	\$ 898,973	\$ 4,193
Intergovernmental	3,754,000	4,027,768	4,708,749	680,981
Investment earnings	52,500	-	-	-
Miscellaneous	285,000	285,000	273,094	(11,906)
<b>Total Revenues</b>	<b>\$ 5,260,048</b>	<b>\$ 5,207,548</b>	<b>\$ 5,880,816</b>	<b>\$ 673,268</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 242,525	\$ 242,525	\$ 410,782	\$ (168,257)
Maintenance	1,468,574	1,468,574	1,290,057	178,517
Construction	4,390,487	4,390,487	4,394,040	(3,553)
Equipment maintenance and shop	701,962	701,962	579,914	122,048
Materials and services for resale	216,500	216,500	315,532	(99,032)
<b>Total Expenditures</b>	<b>\$ 7,020,048</b>	<b>\$ 7,020,048</b>	<b>\$ 6,990,325</b>	<b>\$ 29,723</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,760,000)</b>	<b>\$ (1,812,500)</b>	<b>\$ (1,109,509)</b>	<b>\$ 702,991</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	52,500	1,524,117	1,471,617
<b>Net Change in Fund Balance</b>	<b>\$ (1,760,000)</b>	<b>\$ (1,760,000)</b>	<b>\$ 414,608</b>	<b>\$ 2,174,608</b>
<b>Fund Balance - January 1</b>	<b>481,454</b>	<b>481,454</b>	<b>481,454</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>22,293</b>	<b>22,293</b>
<b>Fund Balance - December 31</b>	<b>\$ (1,278,546)</b>	<b>\$ (1,278,546)</b>	<b>\$ 918,355</b>	<b>\$ 2,196,901</b>



**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 7*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY 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	\$ 2,723,021	\$ 2,085,080	\$ 2,094,724	\$ 9,644
Intergovernmental	4,245,069	4,883,010	5,023,615	140,605
Charges for services	406,824	406,824	722,159	315,335
Gifts and contributions	7,000	7,000	10,100	3,100
Miscellaneous	438,905	438,905	966,121	527,216
<b>Total Revenues</b>	<b>\$ 7,820,819</b>	<b>\$ 7,820,819</b>	<b>\$ 8,816,719</b>	<b>\$ 995,900</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,036,347	\$ 2,036,347	\$ 2,263,657	\$ (227,310)
Social services	5,331,427	5,331,427	5,483,330	(151,903)
Heartland express	568,545	568,545	605,394	(36,849)
Capital outlay	-	-	64,984	(64,984)
<b>Total Expenditures</b>	<b>\$ 7,936,319</b>	<b>\$ 7,936,319</b>	<b>\$ 8,417,365</b>	<b>\$ (481,046)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (115,500)</b>	<b>\$ (115,500)</b>	<b>\$ 399,354</b>	<b>\$ 514,854</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	115,500	115,500	112,400	(3,100)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 511,754</b>	<b>\$ 511,754</b>
<b>Fund Balance - January 1</b>	<b>2,949,149</b>	<b>2,949,149</b>	<b>2,949,149</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,949,149</b>	<b>\$ 2,949,149</b>	<b>\$ 3,460,903</b>	<b>\$ 511,754</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 8*

**BUDGETARY COMPARISON SCHEDULE  
LANDFILL 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	\$ 335,000	\$ 335,000	\$ 337,120	\$ 2,120
Licenses and permits	320	320	280	(40)
Intergovernmental	-	48,200	61,921	13,721
Charges for services	208,800	208,800	319,905	111,105
Miscellaneous	64,250	16,050	3,589	(12,461)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Revenues</b>	<b>\$ 608,370</b>	<b>\$ 608,370</b>	<b>\$ 722,815</b>	<b>\$ 114,445</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	599,363	599,363	596,399	2,964
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 9,007</b>	<b>\$ 9,007</b>	<b>\$ 126,416</b>	<b>\$ 117,409</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	100,000	100,000	243,201	143,201
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net Change in Fund Balance</b>	<b>\$ 109,007</b>	<b>\$ 109,007</b>	<b>\$ 369,617</b>	<b>\$ 260,610</b>
<b>Fund Balance - January 1</b>	<b>4,705,224</b>	<b>4,705,224</b>	<b>4,705,224</b>	<b>-</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balance - December 31</b>	<b>\$ 4,814,231</b>	<b>\$ 4,814,231</b>	<b>\$ 5,074,841</b>	<b>\$ 260,610</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 9*

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

<b><u>Assets</u></b>	
Cash and pooled investments	<b><u>\$ 398,141</u></b>
<b><u>Liabilities</u></b>	
Due to other governments	<b><u>\$ 398,141</u></b>

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**BROWN COUNTY  
NEW ULM, 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

Brown County was established February 11, 1856, 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 Brown County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component 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. Brown County has one blended component unit.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Housing and Redevelopment Authority (HRA)	County Commissioners are the members of the HRA Board.	Separate financial statements are not prepared.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the county-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Brown County is discretely presented:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Economic Development Partners, Inc.	The County appoints its governing board, and it is fiscally dependent on the County.	Brown County Economic Development Partners, Inc. c/o Brown County Administrator's Office 14 South State P. O. Box 248 New Ulm, Minnesota 56073-0248

Joint Ventures

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

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

In the county-wide statement of net assets, the governmental activities column: (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.

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 and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed in 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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

The Landfill Special Revenue Fund is used to account for the cost of County landfill and recycling operations.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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



**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled 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 are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2007 were \$761,347.

Brown County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

Activities between funds are reported as “due to/from other funds.”

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the county-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance reserve, to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the county-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant, and equipment 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 and improvements	50 - 150
Land improvements	3 - 150
Infrastructure	50 - 75
Machinery, furniture, and equipment	2 - 20

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the county-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.

6. Deferred Revenue

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

7. Long-Term Obligations

In the county-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds and the nonmajor special revenue funds. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor/Treasurer 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. Transfers of appropriations within a department and 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. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2007.

	Expenditures	Budget	Excess
General Fund	\$ 10,897,821	\$ 10,673,531	\$ 224,290
Special Revenue Funds			
Family Services	8,417,365	7,936,319	481,046
Building and Capital Improvements	6,509	6,218	291
County Ditch	227,811	210,434	17,377
Debt Service Fund	416,695	414,133	2,562

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government		
Cash and pooled investments	\$	15,118,470
Fiduciary funds		
Agency funds		
Cash and pooled investments		398,141
Total Cash and Investments	\$	15,516,611

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the county to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all county deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

b. Investments

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 operating funds primarily in short-term deposits 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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

necessary to provide the cash flow and liquidity required for operations. No more than 20 percent of the investment portfolio may be invested beyond 12 months, and the average maturity of the portfolio shall never exceed one year.

At December 31, 2007, the County had the following investments and maturities:

Investment Type	Maturity Dates		Weighted Average Maturity (Years)	Carrying (Fair) Value
	0 -1 Year	Over 1 Year		
MAGIC Fund	\$ 5,594,151	\$ -	N/A	\$ 5,594,151
Certificates of deposit	<u>7,257,000</u>	<u>94,000</u>	0.47	<u>7,351,000</u>
Total Investments	<u>\$ 12,851,151</u>	<u>\$ 94,000</u>		<u>\$ 12,945,151</u>

N/A - Not Applicable

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 the safest types of securities; pre-qualify the financial institutions, brokers/dealers, and advisors with which an entity will do business; and diversify the investment portfolio so that potential losses on individual securities are minimized. The investment types held by the County at December 31, 2007, are considered low risk and are not rated by a rating organization.



**BROWN COUNTY  
NEW ULM, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2007, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy limits investments with one institution to \$7,000,000. As of December 31, 2007, the County's investments were not exposed to concentration of credit risk.

2. Receivables

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

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes - prior	\$ 141,521	\$ -
Special assessments - prior	21,557	-
Special assessments - noncurrent	931,740	544,272
Accounts	629,992	-
Accrued interest	172,655	-
Loans receivable	17,000	8,500
Due from other governments	<u>1,824,440</u>	<u>427,312</u>
Total Governmental Activities	<u>\$ 3,738,905</u>	<u>\$ 980,084</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,106,170	\$ 35,045	\$ 30,000	\$ 1,111,215
Construction in progress	<u>4,020,630</u>	<u>3,678,335</u>	<u>3,720,497</u>	<u>3,978,468</u>
Total capital assets not depreciated	<u>\$ 5,126,800</u>	<u>\$ 3,713,380</u>	<u>\$ 3,750,497</u>	<u>\$ 5,089,683</u>
Capital assets depreciated				
Buildings and improvements	\$ 12,520,574	\$ 1,316,939	\$ 185,000	\$ 13,652,513
Land improvements	1,747,974	76,696	32,000	1,792,670
Machinery, furniture, and equipment	5,606,416	383,868	209,391	5,780,893
Infrastructure - highway	52,617,872	4,278,821	-	56,896,693
Infrastructure - dam	<u>2,098,857</u>	<u>-</u>	<u>-</u>	<u>2,098,857</u>
Total capital assets depreciated	<u>\$ 74,591,693</u>	<u>\$ 6,056,324</u>	<u>\$ 426,391</u>	<u>\$ 80,221,626</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 2,065,871	\$ 317,194	\$ 185,000	\$ 2,198,065
Land improvements	1,608,222	109,236	32,000	1,685,458
Machinery, furniture, and equipment	3,092,567	494,661	209,391	3,377,837
Infrastructure - highway	12,737,021	1,112,536	-	13,849,557
Infrastructure - dam	<u>184,559</u>	<u>14,166</u>	<u>-</u>	<u>198,725</u>
Total accumulated depreciation	<u>\$ 19,688,240</u>	<u>\$ 2,047,793</u>	<u>\$ 426,391</u>	<u>\$ 21,309,642</u>
Total capital assets depreciated, net	<u>\$ 54,903,453</u>	<u>\$ 4,008,531</u>	<u>\$ -</u>	<u>\$ 58,911,984</u>
Governmental Activities Capital Assets, Net	<u>\$ 60,030,253</u>	<u>\$ 7,721,911</u>	<u>\$ 3,750,497</u>	<u>\$ 64,001,667</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	160,422
Public safety		149,203
Highways and streets, including depreciation of infrastructure assets		1,582,646
Sanitation		70,354
Human services		53,786
Health		3,501
Culture and recreation, including depreciation of infrastructure assets		21,583
Conservation of natural resources		6,298
Total Depreciation Expense - Governmental Activities	\$	2,047,793

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Family Services	\$ 1,621	Records and nursing
Road and Bridge	General	\$ 716	Fuel
	Family Services	5,491	Fuel and service work
Total Due to Road and Bridge Fund		\$ 6,207	
Total Due To/From Other Funds		\$ 7,828	

**BROWN COUNTY  
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3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of transfers from the General Fund to allocate investment earnings. In addition, on June 21, 2007, the County Board approved a transfer of \$1,460,000 from the General Fund to the Road and Bridge Special Revenue Fund for highway construction projects. The following table summarizes the transfers from the General Fund for 2007:

<u>Fund</u>	<u>Investment Earnings</u>	<u>Board Approved</u>
Road and Bridge Special Revenue Fund	\$ 64,117	\$ 1,460,000
Family Services Special Revenue Fund	112,400	-
Landfill Special Revenue Fund	243,201	-
Other governmental funds	54,974	-
Totals	<u>\$ 474,692</u>	<u>\$ 1,460,000</u>

C. Liabilities

1. Long-Term Debt

Bonds Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General Obligation Bonds 2002A G.O. Capital Improvement Refunding Bonds	2010	\$85,000 - \$90,000	4.15 - 4.35	<u>\$ 655,000</u>	\$ 265,000
Revenue Bonds 2002 Jail Lease Revenue Refunding Bonds	2013	\$245,000 - \$300,000	4.30 - 4.75	<u>\$ 2,900,000</u>	<u>1,615,000</u>
Total Bonds Payable					<u>\$ 1,880,000</u>

Bond payments are made by the Debt Service Fund.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt (Continued)

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and a loan agreement with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
1997 Groundwater Protection CWP Project	2010	\$ 25,875	-	\$ 517,500	\$ 129,375
1998 Groundwater Protection CWP Project	2014	12,067	-	362,000	156,867
2001 Cottonwood River Restoration CWP Project	2013	4,447	2.00	80,244	46,102
2001 Little Cottonwood River Restoration CWP Project	2014	5,569	2.00	100,495	67,573
2001 Watonwan Watershed CWP Project	2014	3,543	2.00	63,932	42,988
2001 Septic System Replacement Project	2020	2,665	-	53,300	53,300
2003 Cottonwood River Restoration CWP Project	2017	16,973	2.00	306,293	292,382
2004 Watonwan Watershed Continuation CWP Project	2016	1,448	2.00	26,145	23,758
2004 Little Cottonwood River Restoration Continuation CWP Project	2018	7,026	2.00	121,414	121,414
2007 Middle Minnesota Watershed CWP Project	2021	6,340	2.00	55,908	55,908
2007 Cottonwood River Watershed Pollution Reduction Project	2020	6,340	2.00	42,236	42,236
Total Loans Payable					<u>\$ 1,031,903</u>

**BROWN COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 85,000	\$ 9,504	\$ 245,000	\$ 72,995
2009	90,000	5,828	250,000	62,460
2010	90,000	1,958	260,000	51,585
2011	-	-	275,000	40,015
2012	-	-	285,000	27,502
2013	-	-	300,000	14,250
Total	<u>\$ 265,000</u>	<u>\$ 17,290</u>	<u>\$ 1,615,000</u>	<u>\$ 268,807</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2008	\$ 130,661	\$ 9,183
2009	131,762	8,082
2010	107,011	6,959
2011	87,611	5,814
2012	88,780	4,645
2013 - 2017	250,530	8,453
2018 - 2021	15,990	-
Total	<u>\$ 812,345</u>	<u>\$ 43,136</u>

The debt service requirements for the loans from the Minnesota Pollution Control Agency in the amounts of \$121,414, \$55,908, and \$42,236 are not known as of December 31, 2007.

**BROWN COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 350,000	\$ -	\$ 85,000	\$ 265,000	\$ 85,000
Revenue bonds	1,850,000	-	235,000	1,615,000	245,000
Total bonds payable	\$ 2,200,000	\$ -	\$ 320,000	\$ 1,880,000	\$ 330,000
Landfill closure/postclosure liability	1,539,352	128,564	-	1,667,916	-
Loans payable	1,007,843	139,869	115,809	1,031,903	130,661
Compensated absences	1,126,710	90,286	-	1,216,996	67,189
Long-Term Liabilities	<u>\$ 5,873,905</u>	<u>\$ 358,719</u>	<u>\$ 435,809</u>	<u>\$ 5,796,815</u>	<u>\$ 527,850</u>

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,667,916 landfill closure and postclosure care liability at December 31, 2007, represents the cumulative amount reported to date based on the use of 80 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$411,564 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. The County expects the landfill to continue operation beyond 2027 through approved permitting processes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**BROWN COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities

4. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2007, investments of \$2,079,480 are held for these purposes. Accumulated annual contributions and any payments of landfill postclosure costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Brown 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.



**BROWN COUNTY  
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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**BROWN COUNTY  
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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from 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.

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

	<u>2007</u>	<u>2008</u>
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

**BROWN COUNTY  
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4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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	\$ 520,708	\$ 75,550	\$ 60,351
2006	472,754	68,014	59,723
2005	422,938	55,237	53,303

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate.

An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**BROWN COUNTY  
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4. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,027	\$ 1,027
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Conduit Debt

In 2004, the County issued variable rate demand purchase revenue bonds in the amount of \$7,500,000 to finance the acquisition and construction of higher education facilities at Martin Luther College in New Ulm, Minnesota, as authorized by the Municipal Industrial Development Act, Minn. Stat. §§ 469.152-469.1651. The bonds are secured by an irrevocable direct-pay letter of credit provided by Wells Fargo Bank, NA.

The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The outstanding balance at December 31, 2007, is \$6,775,000.

6. 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. 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.

**BROWN COUNTY  
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6. 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 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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.

C. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement, effective July 1, 1975. The Community Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 322 South Minnesota, St. Peter, Minnesota 56082.

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their share of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The governing body is composed of 11 members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2006, (the most current information available) amounted to \$6,145,000, and notes payable were \$5,259,310. The Water System's net assets increased by \$26,692 in 2006. Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County Family Services, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; River Bend Education District; and Minnesota Valley Action Council (MVAC). The mission of the Families First Collaborative is to provide leadership for the improvement of outcomes for children in Brown County through early intervention and prevention services. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is funded by Local Collaborative Time Study (LCTS) funds, and control of the Collaborative is vested in a Board of Directors consisting of ten members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2007, Brown County provided \$300 in funding to the Collaborative Integrated Fund (\$100 each from Family Services, Public Health, and Probation).

**BROWN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Families First Collaborative (Continued)

Any 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, the Families First Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for the disallowance, sanction, or audit exception attributable to the Families First Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements.

In the event of any such audit disallowance or sanction, the following participating partners, Brown County Family Services, Public Health, and Probation agencies; New Ulm, Sleepy Eye, and Springfield School Districts; and the River Bend Education District share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

Three Counties for Kids Collaborative

The Three Counties for Kids Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan County Independent School Districts; Human Services, Public Health and Probation agencies; River Bend Education District; and Sioux Trails Mental Health Center. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated and family-friendly system of intervention and care of families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

**BROWN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

The Collaborative is financed by LCTS funds, and control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2007, Brown County provided \$11,544 in funding to the Collaborative in support of Brown County I.S.D. No. 88 School Based Mental Health Program.

Any 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; the Three Counties for Kids Collaborative Board of Directors shall distribute all property, real and personal, at the time of the termination.

As the administrative county, Brown County Family Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative implementation of the LCTS or any of the other state and federal funding sources and their related requirements.

In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan County Human Services and the River Bend Education District share the liability. Financial information can be obtained by contacting the Brown County Family Services Department.

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 became members. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.



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6. 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 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 \$633,899. The County's share of the SCHA's net loss for 2007 was \$688,568. 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.

Complete financial statements can be obtained from the South Country Health Alliance, at 110 West Fremont Street, Owatonna, Minnesota 55060, or from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

D. Jointly-Governed Organizations

Brown County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed here:

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$12,412 to the Project.

The Minnesota River Valley Detention Center Joint Powers provides additional facilities for the detention of juveniles to several counties. During the year, the County paid \$96,506 to the Detention Center in grants received from the State of Minnesota.

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Brown-Lyon-Redwood Drug Task Force provides drug enforcement services for member organizations. During the year, the County paid \$8,000 to the Task Force.

The Brown-Nicollet-Cottonwood Water Quality Joint Powers Board helps implement, establish, and maintain a cooperative system of water quality implementation services. During the year, the County made no payments to the Joint Powers Board.

The Minnesota River Board promotes orderly water quality improvement and management for the Minnesota River watersheds. During the year, the County paid \$2,771 to the Board.

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for participating counties. During the year, the County paid \$7,638 to the RCRCA.

The South Central Emergency Medical Services provides various emergency medical services to several counties. During the year, the County made no payments to South Central Emergency Medical Services.

The South Central Minnesota County Comprehensive Water Planning Project provides the preparation of comprehensive water plans for the participating counties. During the year, the County made no payments to the Water Planning Project.

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$2,791 to the Joint Powers Board.

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

E. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2007.

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Brown County Economic Development Partners, Inc., (EDP) was organized on October 3, 1990, under Minn. Stat. ch. 317A, as a nonprofit corporation. The purpose is to promote the development and expansion of existing businesses within Brown County and to assist in the development of new businesses in Brown County, which will increase opportunities for employment. The Board of Directors consists of nine directors: one appointed from each of the County Commissioner Districts, two appointed at-large, and two appointed from the Brown County Board of Commissioners. Brown County Economic Development Partners, Inc., is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The EDP's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the EDP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Revenue

The EDP receives substantially all of its revenue from Brown County in the form of an annual appropriation.

Cash and Cash Equivalents

The EDP considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Loans Receivable

Loans receivable, totaling \$212,840 as of December 31, 2007, consist of 11 loans made for economic development.

C. Loans Payable

The EDP has an outstanding loan payable as of December 31, 2007, to the City of Sleepy Eye for \$5,000. Interest is at five percent. This loan can be paid at any time without penalty.

8. Subsequent Events

A. South Country Health Alliance

The joint venture, South Country Health Alliance, has recommended in 2008, a capital call from the County of \$678,267 payable in two installments. The first installment of \$339,133 was paid on May 22, 2008, by the County, and the second half installment of \$339,134 was paid on November 14, 2008.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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8. Subsequent Events (Continued)

B. Conduit Debt

In October 2008, the County authorized the issuance of a Health Care Facilities Revenue Note, Series 2008, to finance the Oak Hills Living Center Project in the aggregate amount not to exceed \$6,400,000. The County is not obligated in any manner for the repayment of the note. Accordingly, the note will not be reported as a liability in the financial statements.

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**COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Statement 1**

**BUDGETARY COMPARISON SCHEDULE  
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	\$ 329,357	\$ 252,177	\$ 253,485	\$ 1,308
Intergovernmental	84,776	161,956	161,956	-
<b>Total Revenues</b>	<b>\$ 414,133</b>	<b>\$ 414,133</b>	<b>\$ 415,441</b>	<b>\$ 1,308</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 414,133	\$ 318,300	\$ 320,000	\$ (1,700)
Interest	-	95,833	95,833	-
Administrative - fiscal charges	-	-	862	(862)
<b>Total Expenditures</b>	<b>\$ 414,133</b>	<b>\$ 414,133</b>	<b>\$ 416,695</b>	<b>\$ (2,562)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,254)</b>	<b>\$ (1,254)</b>
<b>Fund Balance - January 1</b>	<b>129,966</b>	<b>129,966</b>	<b>129,966</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 129,966</b>	<b>\$ 129,966</b>	<b>\$ 128,712</b>	<b>\$ (1,254)</b>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Building and Capital Improvements - to account for funds used for capital outlay and maintenance. Financing is provided by a tax levy.

County Parks - to account for the operations of the County parks. Financing is provided primarily by property taxes authorized by the County Board and state grants.

County Ditch - to account for the financing of maintenance and repairs to ditch systems.

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 2*

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

	<b>Building and Capital Improvements</b>	<b>County Parks</b>	<b>County Ditch</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 397,913	\$ 172,598	\$ 667,820	\$ 1,238,331
Taxes receivable				
Prior	41	1,670	-	1,711
Special assessments receivable				
Prior	-	-	234	234
Noncurrent	-	-	213,510	213,510
Due from other governments	-	-	40,929	40,929
Loans receivable	17,000	-	-	17,000
	<b>\$ 414,954</b>	<b>\$ 174,268</b>	<b>\$ 922,493</b>	<b>\$ 1,511,715</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 3,295	\$ 107,884	\$ 111,179
Salaries payable	-	2,038	47	2,085
Due to other governments	-	-	8,028	8,028
Deferred revenue - unavailable	36	1,128	208,263	209,427
Deferred revenue - unearned	35	64	-	99
	<b>\$ 71</b>	<b>\$ 6,525</b>	<b>\$ 324,222</b>	<b>\$ 330,818</b>
 <b>Fund Balances</b>				
Reserved for				
Loans receivable	\$ 17,000	\$ -	\$ -	\$ 17,000
Conservation of natural resources	-	-	598,271	598,271
Unreserved				
Undesignated	397,883	167,743	-	565,626
	<b>\$ 414,883</b>	<b>\$ 167,743</b>	<b>\$ 598,271</b>	<b>\$ 1,180,897</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 414,954</b>	<b>\$ 174,268</b>	<b>\$ 922,493</b>	<b>\$ 1,511,715</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

Statement 3

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

	<u>Building and Capital Improvements</u>	<u>County Parks</u>	<u>County Ditch</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 15	\$ 94,205	\$ -	\$ 94,220
Special assessments	-	-	198,271	198,271
Intergovernmental	-	40,383	-	40,383
Charges for services	-	12,274	-	12,274
Miscellaneous	132,992	-	-	132,992
<b>Total Revenues</b>	<b>\$ 133,007</b>	<b>\$ 146,862</b>	<b>\$ 198,271</b>	<b>\$ 478,140</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 6,509	\$ -	\$ -	\$ 6,509
Culture and recreation	-	144,393	-	144,393
Conservation of natural resources	-	-	227,811	227,811
<b>Total Expenditures</b>	<b>\$ 6,509</b>	<b>\$ 144,393</b>	<b>\$ 227,811</b>	<b>\$ 378,713</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 126,498</b>	<b>\$ 2,469</b>	<b>\$ (29,540)</b>	<b>\$ 99,427</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	17,602	7,661	29,711	54,974
<b>Net Change in Fund Balance</b>	<b>\$ 144,100</b>	<b>\$ 10,130</b>	<b>\$ 171</b>	<b>\$ 154,401</b>
<b>Fund Balance - January 1</b>	<b>270,783</b>	<b>157,613</b>	<b>598,100</b>	<b>1,026,496</b>
<b>Fund Balance - December 31</b>	<b>\$ 414,883</b>	<b>\$ 167,743</b>	<b>\$ 598,271</b>	<b>\$ 1,180,897</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Statement 4**

**BUDGETARY COMPARISON SCHEDULE  
BUILDING AND CAPITAL IMPROVEMENTS 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	\$ -	\$ -	\$ 15	\$ 15
Miscellaneous	7,597	7,597	132,992	125,395
<b>Total Revenues</b>	<b>\$ 7,597</b>	<b>\$ 7,597</b>	<b>\$ 133,007</b>	<b>\$ 125,410</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	\$ -	\$ -	\$ 242	\$ (242)
Veterans service officer	6,218	6,218	6,267	(49)
<b>Total Expenditures</b>	<b>\$ 6,218</b>	<b>\$ 6,218</b>	<b>\$ 6,509</b>	<b>\$ (291)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,379</b>	<b>\$ 1,379</b>	<b>\$ 126,498</b>	<b>\$ 125,119</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	11,500	11,500	17,602	6,102
<b>Net Change in Fund Balance</b>	<b>\$ 12,879</b>	<b>\$ 12,879</b>	<b>\$ 144,100</b>	<b>\$ 131,221</b>
<b>Fund Balance - January 1</b>	<b>270,783</b>	<b>270,783</b>	<b>270,783</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 283,662</b>	<b>\$ 283,662</b>	<b>\$ 414,883</b>	<b>\$ 131,221</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS 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	\$ 122,382	\$ 93,699	\$ 94,205	\$ 506
Intergovernmental	-	40,383	40,383	-
Charges for service	8,830	8,830	12,274	3,444
<b>Total Revenues</b>	<b>\$ 131,212</b>	<b>\$ 142,912</b>	<b>\$ 146,862</b>	<b>\$ 3,950</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	139,612	151,312	144,393	6,919
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (8,400)</b>	<b>\$ (8,400)</b>	<b>\$ 2,469</b>	<b>\$ 10,869</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,400	8,400	7,661	(739)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,130</b>	<b>\$ 10,130</b>
<b>Fund Balance - January 1</b>	<b>157,613</b>	<b>157,613</b>	<b>157,613</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 157,613</b>	<b>\$ 157,613</b>	<b>\$ 167,743</b>	<b>\$ 10,130</b>



**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 6*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY 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	\$ 190,434	\$ 190,434	\$ 198,271	\$ 7,837
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	210,434	210,434	227,811	(17,377)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ (29,540)</b>	<b>\$ (9,540)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	20,000	20,000	29,711	9,711
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 171</b>	<b>\$ 171</b>
<b>Fund Balance - January 1</b>	<b>598,100</b>	<b>598,100</b>	<b>598,100</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>598,100</u></b>	<b><u>598,100</u></b>	<b><u>598,271</u></b>	<b><u>171</u></b>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**AGENCY FUNDS**

Assurance - to account for the collection and payment to the state of assurance funds.

Mortgage Registry Tax - to account for the collection and distribution to the County and other governments of mortgage registry tax.

Prepaid Tax - to account for taxes paid in advance.

Region Nine - to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts - to account for the school districts' share of taxes collected by the County.

State Deed Tax - to account for the collection and distribution to the County and other governments of state deed tax.

Three Counties for Kids Collaborative - to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative - to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties - to account for the collection and payment to the various taxing districts of taxes and penalties collected.

Towns and Cities - to account for the collection and payment of taxes due to towns and cities.

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>ASSURANCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>1,649</u>	\$ <u>206</u>	\$ <u>278</u>	\$ <u>1,577</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>1,649</u>	\$ <u>206</u>	\$ <u>278</u>	\$ <u>1,577</u>
 <b><u>MORTGAGE REGISTRY TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>17,465</u>	\$ <u>319,817</u>	\$ <u>337,282</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>17,465</u>	\$ <u>319,817</u>	\$ <u>337,282</u>	\$ <u>-</u>
 <b><u>PREPAID TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>7,095</u>	\$ <u>73,742</u>	\$ <u>68,965</u>	\$ <u>11,872</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>7,095</u>	\$ <u>73,742</u>	\$ <u>68,965</u>	\$ <u>11,872</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>REGION NINE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>467</u>	\$ <u>35,880</u>	\$ <u>36,182</u>	\$ <u>165</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>467</u>	\$ <u>35,880</u>	\$ <u>36,182</u>	\$ <u>165</u>
 <b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>54,411</u>	\$ <u>5,164,168</u>	\$ <u>5,193,386</u>	\$ <u>25,193</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>54,411</u>	\$ <u>5,164,168</u>	\$ <u>5,193,386</u>	\$ <u>25,193</u>
 <b><u>STATE DEED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>18,273</u>	\$ <u>329,561</u>	\$ <u>347,834</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>18,273</u>	\$ <u>329,561</u>	\$ <u>347,834</u>	\$ <u>-</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
 <b><u>THREE COUNTIES FOR KIDS COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 162,146	\$ 162,531	\$ 155,330	\$ 169,347
<b><u>Liabilities</u></b>				
Due to other governments	\$ 162,146	\$ 162,531	\$ 155,330	\$ 169,347
 <b><u>FAMILIES FIRST FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 184,283	\$ 123,627	\$ 191,773	\$ 116,137
<b><u>Liabilities</u></b>				
Due to other governments	\$ 184,283	\$ 123,627	\$ 191,773	\$ 116,137
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 24,865,520	\$ 24,865,520	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 24,865,520	\$ 24,865,520	\$ -

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 88,524	\$ 10,617,725	\$ 10,632,399	\$ 73,850
<b><u>Liabilities</u></b>				
Due to other governments	\$ 88,524	\$ 10,617,725	\$ 10,632,399	\$ 73,850
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 534,313	\$ 41,692,777	\$ 41,828,949	\$ 398,141
<b><u>Liabilities</u></b>				
Due to other governments	\$ 534,313	\$ 41,692,777	\$ 41,828,949	\$ 398,141



## **SCHEDULES**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 1**

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

	<u>Interest Rate</u>	<u>Amount</u>
<b>Deposits and Investments</b>		
Checking accounts	4.23%	\$ 2,570,485
Cash on hand	None	975
Mutual funds (MAGIC)	Varies	5,594,151
Certificates of deposit	4.50% to 5.40%	<u>7,351,000</u>
<b>Total Deposits and Investments</b>		<b><u>\$ 15,516,611</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

Schedule 2

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

**Shared Revenue**

**State**

Highway users tax	\$	4,005,056
County program aid		1,373,234
PERA rate reimbursement		39,317
Disparity reduction aid		27,060
Police aid		68,014
Enhanced 911		105,693
Market value credit		1,087,073
Market value credit - manufactured homes		6,836

**Total Shared Revenue** **\$ 6,712,283**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	2,060,398
Minnesota Department of Transportation		3,414

**Total Reimbursements for Services** **\$ 2,063,812**

**Payments**

**Local**

City contributions	\$	84,776
Local contributions		305,079
Payments in lieu of taxes		21,653

**Total Payments** **\$ 411,508**

**Grants**

**State**

Minnesota Department of Corrections	\$	332,214
Public Safety		10,995
Transportation		275,464
Health		111,256
Natural Resources		36,548
Human Services		1,205,275
Veterans Affairs		19
Water and Soil Resources Board		83,696
Peace Officer Standards and Training Board		7,569
Pollution Control Agency		61,921

**Total State** **\$ 2,124,957**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 2**  
***(Continued)***

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

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 108,103
Justice	45,157
Transportation	660,040
Health and Human Services	765,593
Homeland Security	16,656

**Total Federal** \$ 1,595,549

**Total State and Federal Grants** \$ 3,720,506

**Total Intergovernmental Revenue** \$ 12,908,109

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Schedule 3*

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

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Brown County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Brown County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiency was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Brown County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Brown County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Highway Planning and Construction
  - CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Brown County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

07-1 Audit Adjustments

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

- to record amounts for the investment in the South Country Health Alliance (SCHA) joint venture (\$1,322,500 in the county-wide statements);
- to record changes in fund balance designations and reservations (\$253,000 in the General Fund, \$195,800 in the Road and Bridge Special Revenue Fund, and \$92,800 in the Landfill Special Revenue Fund);
- to reclassify receivables in the Family Services Special Revenue Fund (\$643,500);
- to reclassify revenue in the Family Services Special Revenue Fund received from SCHA (\$393,300);
- to record additional receivable/deferred amounts in the Road and Bridge Special Revenue Fund (\$123,300); and
- to record interest income transferred out of the General Fund (\$474,700).

Accounting staff is relatively new to government and is still learning government accounting, as well as how to properly classify revenues. The inability to detect a material misstatement in the financial statement increases the likelihood that the financial statements would not be fairly presented.

We recommend the County continue its efforts in reducing the audit entries by establishing review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

*Brown County will continue its efforts in reducing the audit entries by establishing review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Use of Credit Cards (06-1)**

The County's credit card policy was unclear on when employees should use the County credit card and when they should use a personal credit card.

**Resolution**

The County updated their credit card policy to include clarification of credit card usage.

**Gifts to Volunteers and Interns (06-2)**

The County did not have a policy governing the use of volunteers and unpaid interns.

**Resolution**

The County updated their personnel policy to include the use of volunteers and unpaid interns.

**Travel Reimbursement Documentation (06-3)**

The County's expense reimbursement policy did not address the details to clarify the County's position regarding travel expenses.

**Resolution**

The County has updated the reimbursement expenses section of their personnel policy and has implemented the use of a detailed Brown County Mileage and Expense Report.

**Audit Adjustments (06-4)**

Adjustments were proposed that resulted in significant changes to the County's financial statements.

**Resolution**

Proposed adjustments were made to the County's financial statements.

**Preparation of Financial Statements (06-5)**

The County relied on the use of independent external auditors to assist in the preparation of the basic financial statements.

**Resolution**

The County prepared the 2007 annual financial statements and required notes.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 County Ditch Special Revenue Fund - Deficit Fund Balances

Eight of the 90 ditches in the County Ditch Special Revenue Fund had deficit fund balances as of December 31, 2007, totaling \$42,042. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County continue to levy assessments pursuant to Minnesota statutes which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*Brown County will continue to levy assessments pursuant to Minnesota statutes which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.*

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

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

- it allows counties 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 counties to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

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

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

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



REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Brown County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 27, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Brown County Economic Development Partners, Inc., as described in our report on Brown County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Brown County Economic Development Partners, Inc. were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 to be a significant deficiency in internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown 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, Brown County complied with the material terms and conditions of applicable legal provisions.

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

Brown County's written responses to the significant deficiency and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

February 27, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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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  
Brown County

#### Compliance

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

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

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

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

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 27, 2009. We did not audit the financial statements of Brown County Economic Development Partners, Inc., a discretely presented component unit of the County. Those statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Brown 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.

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

February 27, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Schedule 4*

**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	\$ 102,503
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>5,600</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 108,103</u></b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Juvenile Justice and Delinquency Prevention	16.540	<b><u>\$ 45,157</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 423,931
Public Transportation for Non-Urbanized Areas	20.509	219,602
Passed Through Minnesota Department of Public Safety Alcohol Traffic Safety and Drunk Driving	20.601	5,627
Passed Through City of New Ulm Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	<u>8,300</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 657,460</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Immunization Grant	93.268	\$ 1,200
Centers for Disease Control and Prevention	93.283	44,267
Temporary Assistance for Needy Families (TANF)	93.558	40,517
Maternal and Child Health Services Block Grant	93.994	31,773
Passed Through Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	110,879

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 4**  
**(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 Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	78,738
Temporary Assistance for Needy Families (TANF)	93.558	163,851
Child Care and Development Block Grant	93.575	6,237
Child Care Mandatory and Matching Funds	93.596	21,928
Child Welfare Services	93.645	68
Foster Care Title IV-E	93.658	86,129
Social Services Block Grant Title XX	93.667	167,223
Chafee Foster Care Independence Program	93.674	1,401
State Children's Insurance Program	93.767	336
Community Mental Health Services Block Grant	93.958	18,919
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 773,466</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 4,315
Passed Through United Way		
Emergency Food and Shelter Program	97.024	1,600
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	10,741
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 16,656</b>
<b>Total Federal Awards</b>		<b>\$ 1,600,842</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. In some instances, expenditures shown are different than reported revenues because some reimbursement receivables were not available.
3. During the year, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.