

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NICOLLET COUNTY
ST. PETER, 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Year Ended December 31, 2007



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

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2007**

Office	Name	Term Expires
Commissioners		
1st District	Judy Hanson	January 2011
2nd District	James Stenson*	January 2009
3rd District	Jack Kolars	January 2011
4th District	David Haack	January 2009
5th District	Bruce Beatty	January 2011
Officers Elected		
Attorney	Michael K. Riley	January 2011
Auditor/Treasurer**	Bridgette Kennedy	January 2011
County Judge	Allison Krehbiel	January 2011
County Judge	Todd Westphal	January 2009
County Recorder	Kathryn Conlon	January 2011
Registrar of Titles	Kathryn Conlon	January 2011
Sheriff	David Lange	January 2011
Officers Appointed		
Assessor	Doreen Pehrson	December 2008
Court Administrator	Shirley Eken	Indefinite
Highway Engineer	Michael Wagner	May 2008
Probation Officer (Court Services Director)	Stephen Kley	Indefinite
Surveyor	Peter Blethen	Indefinite
Veterans Service Officer	Charles Dempewolf	May 2008
Coroner	Dr. William Shores	Indefinite
Administrator	Robert Podhradsky	Indefinite
Human Services Director	Joan Tesdahl	Indefinite
Public Health Nursing Director	Nita Aasen	Indefinite
Environmental Services Director	Tina Rosenstein	Indefinite
Extension Director	Pat Morreim, Interim	Indefinite

*Chair

** Auditor/Treasurer to be an appointed position in January 2011.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nicollet County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet 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 the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Nicollet County as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund 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 Nicollet 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 Nicollet County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of Nicollet 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet 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 Nicollet County exceeded its liabilities by \$77,512,898 at the close of 2007. Of this amount, \$16,145,725 (unrestricted net assets) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.
- Nicollet County's total net assets increased by \$4,027,554 in 2007. This is attributable primarily to increases in cash, infrastructure and equipment, and special assessments receivable.
- At the close of 2007, Nicollet County's governmental funds reported combined ending fund balances of \$16,972,918, an increase of \$704,594, in comparison with the prior year before restatement. Of the total fund balance, \$5,304,313 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2007, unreserved, undesignated fund balance for the General Fund was \$2,220,717, or 19 percent, of total General Fund expenditures.
- Nicollet County's total debt decreased by \$750,000 or seven percent, during 2007. The key factor in the decrease was the repayment of general obligation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Nicollet County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of Nicollet 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 Nicollet 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 result in cash flows only in future fiscal periods (uncollected taxes and earned but unused vacation leave).

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenues. The governmental activities of Nicollet County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

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

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Nicollet 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 Nicollet County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-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 a government's near-term financing requirements.

Nicollet County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, and the Ditch Special Revenue Fund, all of which are considered to be major funds. The Debt Service Fund is considered to be a nonmajor fund. Governmental fund financial statements are on Exhibits 3 to 7.

- Proprietary funds--Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 to 10.
- 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. Nicollet County's fiduciary funds consist of five 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 government-wide financial statements because those resources are not available to support the County's programs. Fiduciary funds are on Exhibit 11.

Notes to the Financial Statements

The 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, Nicollet County also provides supplementary information on Nicollet County's intergovernmental revenues (Schedule 1).

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the nonmajor Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Nicollet County's assets exceeded liabilities by \$77,512,898 at the close of 2007. The largest portion of Nicollet County's net assets (76 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 22,560,107	\$ 20,972,858
Capital assets	<u>69,364,200</u>	<u>67,568,574</u>
Total Assets	<u>\$ 91,924,307</u>	<u>\$ 88,541,432</u>
Long-term liabilities outstanding	\$ 10,990,603	\$ 12,028,432
Other liabilities	<u>3,420,806</u>	<u>3,027,656</u>
Total Liabilities	<u>\$ 14,411,409</u>	<u>\$ 15,056,088</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 59,124,801	\$ 57,439,614
Restricted	2,242,372	1,736,673
Unrestricted	<u>16,145,725</u>	<u>14,309,057</u>
Total Net Assets	<u>\$ 77,512,898</u>	<u>\$ 73,485,344</u>

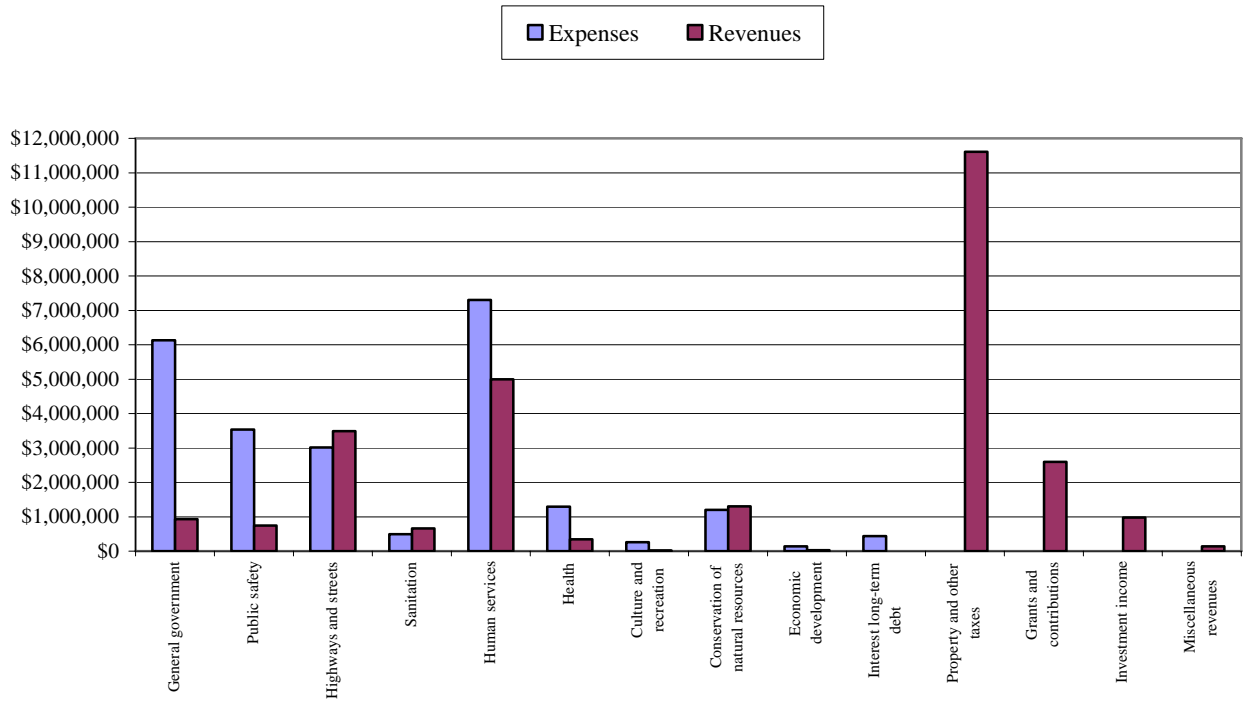
The unrestricted net asset amount of \$16,145,725 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors.

GOVERNMENTAL ACTIVITIES

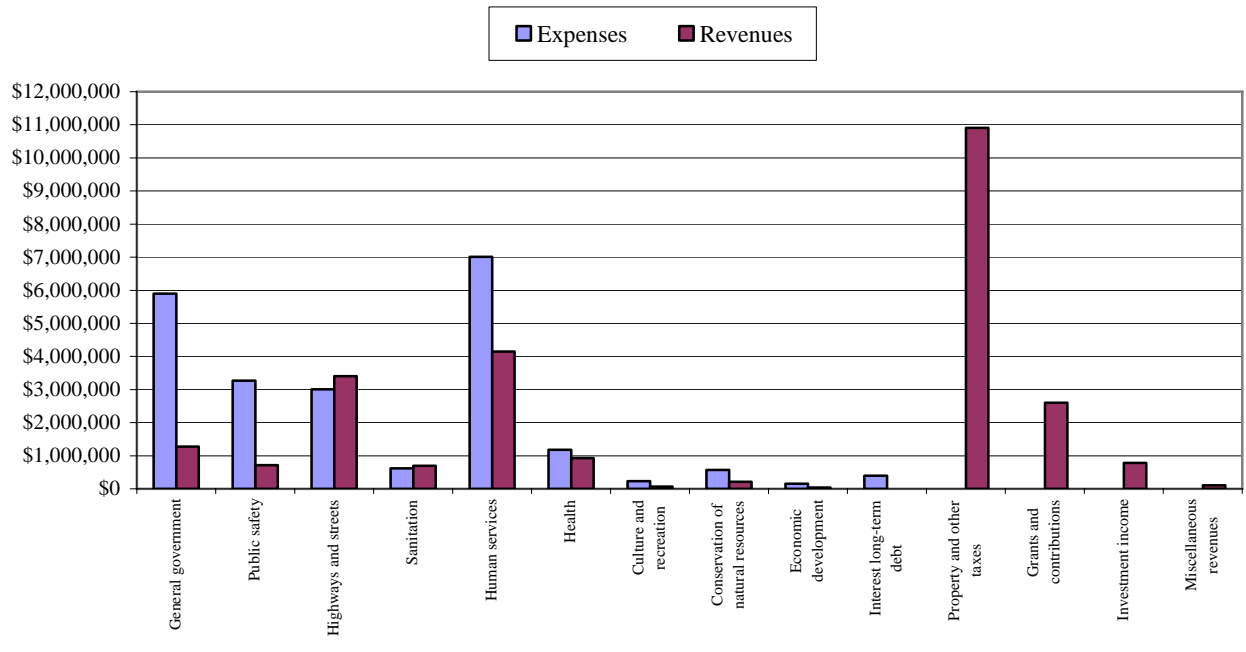
Nicollet County's activities increased net assets by \$4,027,554, or five percent, over the 2006 net assets. The key element of the increase was due to additional cash, infrastructure, and equipment.

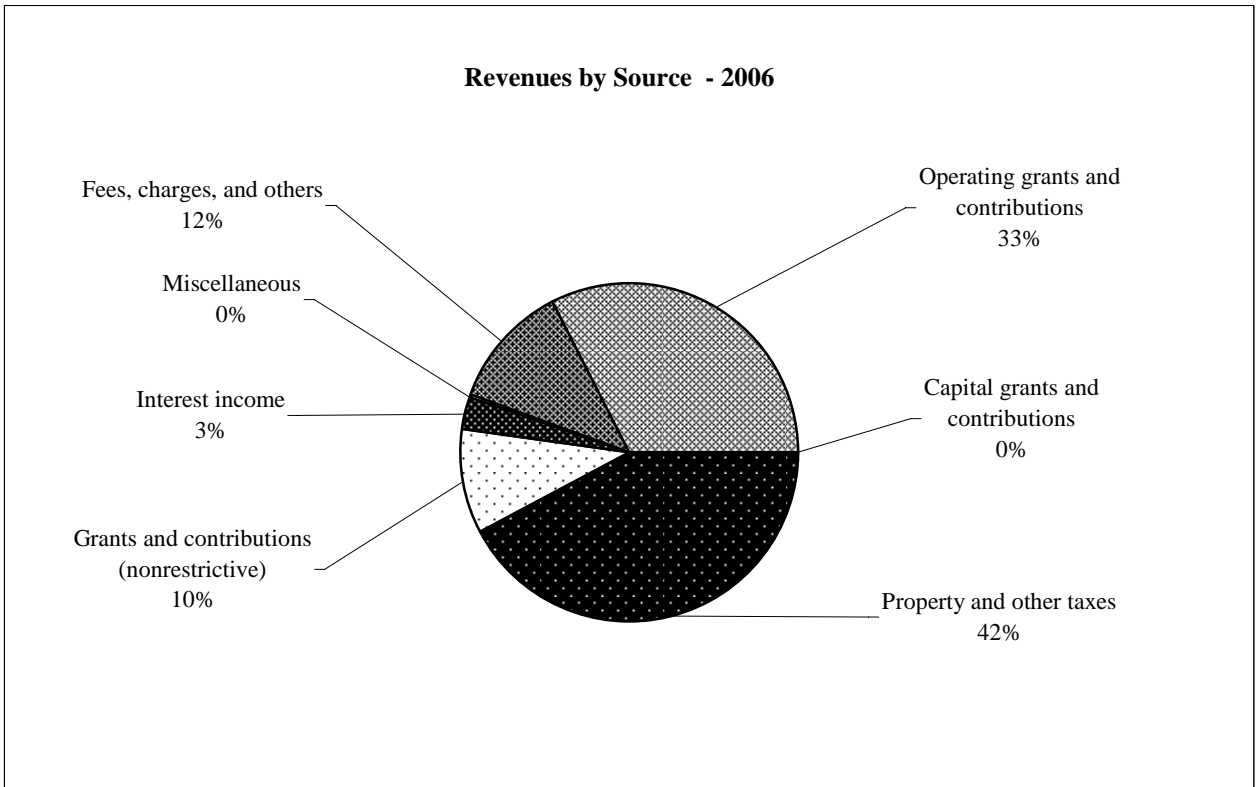
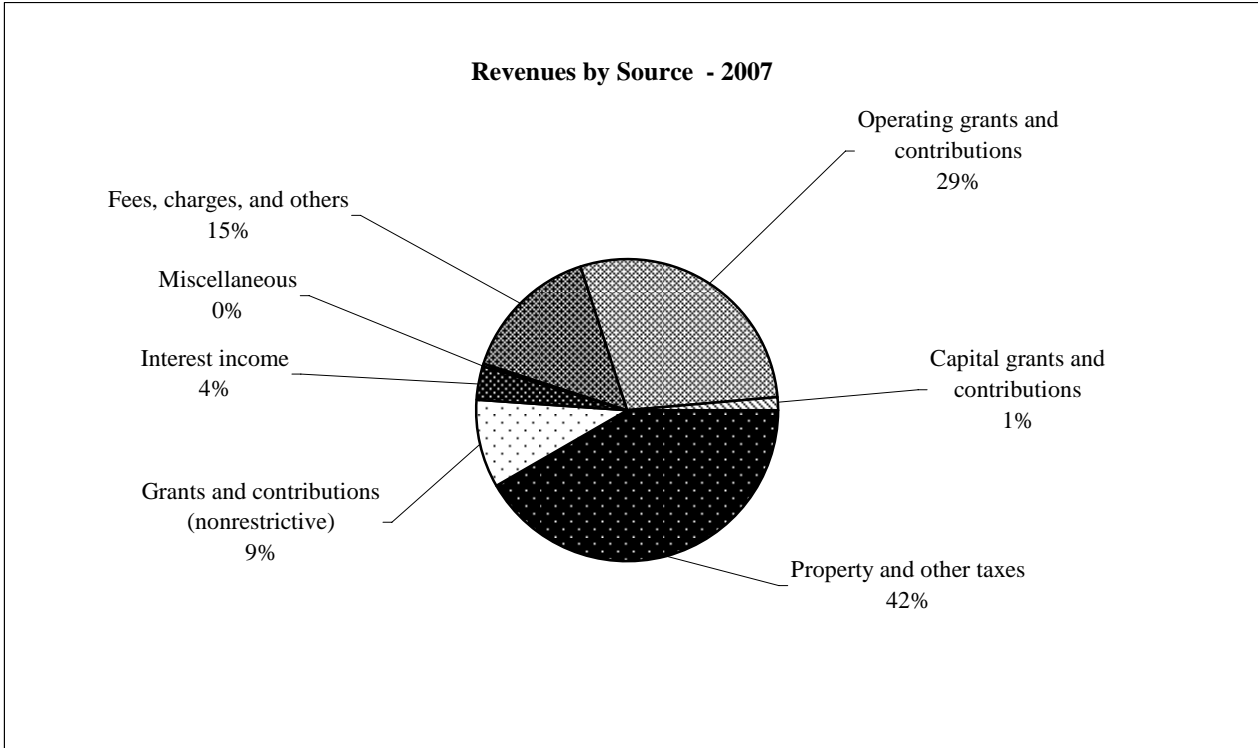
	Changes in Net Assets	
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues		
Charges for services	\$ 4,144,733	\$ 3,041,449
Operating grants and contributions	7,931,243	7,784,943
Capital grants and contributions	415,000	658,960
General revenues		
Property taxes	11,559,477	10,862,227
Other	<u>3,768,947</u>	<u>3,537,709</u>
Total Revenues	<u>\$ 27,819,400</u>	<u>\$ 25,885,288</u>
Expenses		
General government	\$ 6,129,651	\$ 5,895,015
Public safety	3,530,234	3,266,310
Highways and streets	3,011,641	3,011,968
Sanitation	490,770	618,599
Human services	7,299,091	7,012,230
Health	1,292,767	1,182,022
Culture and recreation	261,347	235,235
Conservation of natural resources	1,198,248	567,479
Economic development	144,160	154,899
Interest	<u>433,937</u>	<u>398,560</u>
Total Expenses	<u>\$ 23,791,846</u>	<u>\$ 22,342,317</u>
Increase in Net Assets	\$ 4,027,554	\$ 3,542,971
Net Assets, January 1	<u>73,485,344</u>	<u>69,942,373</u>
Net Assets, December 31	<u>\$ 77,512,898</u>	<u>\$ 73,485,344</u>

Expenses and Revenues - 2007



Expenses and Revenues - 2006





FINANCIAL ANALYSIS OF THE GOVERNMENT'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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,972,918, an increase of \$704,594 in comparison with the prior year before restatement. The majority of this amount (\$14,599,651) 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 Nicollet County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,690,372, while total fund balance was \$10,566,597. 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 85 percent of total General Fund expenditures, while total fund balance represents 93 percent of that same amount. In 2007, the fund balance amount in the General Fund increased by \$1,146,917. The primary reason for this increase was that revenues remained relatively the same while the expenditures decreased by one percent over 2006.

The Road and Bridge Special Revenue Fund's fund balance decreased \$68,956 in 2007. The main reason for this decrease was the completion and payments of the construction of infrastructure financed by the general obligation bonds issued in 2006.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget included an adjustment of \$86,704 reclassifying the expenditure to the County Offices building capital lease. The actual revenues exceeded budgeted revenues by \$719,671. This was due largely to the higher than expected rate of return on investments. The actual expenditures were less than budgeted expenditures by \$281,495. The most significant variances were due to lower than expected expenditures of insurance premiums, Law Library, and Auditor/Treasurer areas.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2007, is \$69,364,200 (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 three percent. The major capital asset event in 2007 was additional infrastructure additions.

	<u>2007</u>	<u>2006</u>
Land	\$ 1,889,650	\$ 1,880,195
Construction in progress	843,027	195,018
Land improvements	228,353	245,767
Building	11,100,884	11,760,290
Machinery, vehicles, furniture, and equipment	1,281,095	1,088,411
Infrastructure	<u>54,021,191</u>	<u>52,398,893</u>
Totals	<u>\$ 69,364,200</u>	<u>\$ 67,568,574</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 bonded debt outstanding of \$10,090,000 which is backed by the full faith and credit of the government.

	<u>2007</u>	<u>2006</u>
General Obligation Bonds	<u>\$ 10,090,000</u>	<u>\$ 10,840,000</u>

The County's debt related to general obligation bonds decreased by \$750,000 (seven percent) during the fiscal year. The main reason for the decrease was the repayment of general obligation bonds.

Nicollet 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, Nicollet County is 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

- Nicollet County's unemployment rate was 3.6 percent as of the end of 2007. This is moderately below the statewide rate of 4.9 percent.
- Nicollet County's population continues to grow, industries are maintaining, and property values continue to grow.

At the end of 2007, Nicollet 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 Nicollet County Auditor/Treasurer, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$	17,998,921
Taxes receivable		
Prior		221,178
Special assessments receivable		
Prior		9,734
Noncurrent		1,766,220
Accounts receivable		763,980
Accrued interest receivable		225,192
Loan receivable		47,982
Due from other governments		1,141,212
Inventories		317,694
Prepaid items		8,410
Deferred charges		59,584
Capital assets		
Non-depreciable		2,732,677
Depreciable - net of accumulated depreciation		66,631,523
		66,631,523
Total Assets	\$	91,924,307

Liabilities

Accounts payable	\$	632,323
Salaries payable		213,714
Contracts payable		101,848
Due to other governments		112,917
Accrued interest payable		157,298
Unearned revenue		27,749
Long-term liabilities		
Due within one year		2,174,957
Due in more than one year		10,990,603
		10,990,603
Total Liabilities	\$	14,411,409

Net Assets

Invested in capital assets - net of related debt	\$	59,124,801
Restricted for		
General government		496,788
Public safety		331,455
Highways and streets		468,474
Conservation of natural resources		102,709
Debt service		842,946
Unrestricted		16,145,725
		16,145,725
Total Net Assets	\$	77,512,898

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 2

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

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 6,129,651	\$ 663,436	\$ 264,327	\$ -
Public safety	3,530,234	245,071	495,233	-
Highways and streets	3,011,641	35,054	3,049,918	400,000
Sanitation	490,770	584,225	74,120	-
Human services	7,299,091	1,255,170	3,738,383	-
Health	1,292,767	61,366	280,971	-
Culture and recreation	261,347	-	-	15,000
Conservation of natural resources	1,198,248	1,300,411	-	-
Economic development	144,160	-	28,291	-
Interest and administrative charges	433,937	-	-	-
	\$ 23,791,846	\$ 4,144,733	\$ 7,931,243	\$ 415,000
Total Governmental Activities	\$ 23,791,846	\$ 4,144,733	\$ 7,931,243	\$ 415,000
 General Revenues				
Property taxes				\$ 11,559,477
Mortgage registry and deed tax				42,859
Payments in lieu of tax				10,384
Grants and contributions not restricted to specific programs				2,596,792
Unrestricted investment earnings				981,124
Miscellaneous				123,093
Gain on sale of capital assets				14,695
				\$ 15,328,424
Total general revenues				\$ 15,328,424
Change in net assets				\$ 4,027,554
Net Assets - Beginning				73,485,344
Net Assets - Ending				\$ 77,512,898

FUND FINANCIAL STATEMENTS

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 9,422,577	\$ 1,708,269
Taxes receivable		
Delinquent	123,653	29,120
Special assessments		
Delinquent	6,387	-
Deferred	5,160	-
Accounts receivable	72,756	995
Accrued interest receivable	225,192	-
Loans receivable	47,982	-
Interfund receivable	933,033	-
Due from other funds	424,070	22,027
Due from other governments	183,073	498,741
Prepaid expense	12,615	-
Inventories	-	317,694
	\$ 11,456,498	\$ 2,576,846
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 231,054	\$ 32,914
Salaries payable	142,298	21,313
Contracts payable	88,817	13,031
Interfund payable	-	-
Due to other funds	59,264	81
Due to other governments	33,837	-
Deferred revenue - unavailable	318,576	509,620
Deferred revenue - unearned	16,055	3,396
	\$ 889,901	\$ 580,355

EXHIBIT 3

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 3,357,832	\$ 433,547	\$ -	\$ 1,750,026	\$ 16,672,251
47,586	-	-	20,819	221,178
-	3,311	36	-	9,734
-	723,509	1,037,551	-	1,766,220
648,956	41,273	-	-	763,980
-	-	-	-	225,192
-	-	-	-	47,982
-	-	-	-	933,033
-	41,273	-	-	487,370
459,190	-	-	-	1,141,004
-	-	-	-	12,615
-	-	-	-	317,694
<u>\$ 4,513,564</u>	<u>\$ 1,242,913</u>	<u>\$ 1,037,587</u>	<u>\$ 1,770,845</u>	<u>\$ 22,598,253</u>
\$ 207,263	\$ -	\$ 5,066	\$ -	\$ 476,297
50,103	-	-	-	213,714
-	-	-	-	101,848
-	-	933,033	-	933,033
23,989	-	4,036	400,000	487,370
62,142	-	16,938	-	112,917
666,325	725,052	1,037,587	15,247	3,272,407
5,646	-	-	2,652	27,749
<u>\$ 1,015,468</u>	<u>\$ 725,052</u>	<u>\$ 1,996,660</u>	<u>\$ 417,899</u>	<u>\$ 5,625,335</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
(Continued)		
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 317,694
Loans receivable	47,982	-
Law library	85,697	-
Recorder's equipment purchases	352,212	-
Enhanced 911	259,077	-
Handgun permit fees	18,118	-
Boat and water safety	3,658	-
Offroad highway grant	4,273	-
Sheriff's contingency	8,212	-
Sheriff's forfeited property	19,051	-
Attorney's forfeited property	20,265	-
Highway projects	-	204,855
ISTS loans	-	-
Donations	57,680	-
Capital improvements	-	-
Building maintenance	-	-
Unreserved		
Designated for cash flows	3,069,425	665,600
Designated for capital improvements	200,000	-
Designated for long-term improvements	450,230	-
Designated for contingencies	1,200,000	-
Designated for emergency	100,000	-
Designated for court costs	500,000	-
Designated for elections	50,000	-
Designated for septic/sewer loans	-	-
Designated for insurance	1,900,000	-
Undesignated	2,220,717	808,342
Unreserved, reported in nonmajor Debt Service Fund	-	-
Total Fund Balances	\$ 10,566,597	\$ 1,996,491
Total Liabilities and Fund Balances	\$ 11,456,498	\$ 2,576,846

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 317,694
-	-	-	-	47,982
-	-	-	-	85,697
-	-	-	-	352,212
-	-	-	-	259,077
-	-	-	-	18,118
-	-	-	-	3,658
-	-	-	-	4,273
-	-	-	-	8,212
-	-	-	-	19,051
-	-	-	-	20,265
-	-	-	-	204,855
-	464,493	-	-	464,493
-	-	-	-	57,680
-	-	-	310,000	310,000
-	-	-	200,000	200,000
1,106,715	-	-	-	4,841,740
-	-	-	-	200,000
-	-	-	-	450,230
-	-	-	-	1,200,000
-	-	-	-	100,000
-	-	-	-	500,000
-	-	-	-	50,000
-	53,368	-	-	53,368
-	-	-	-	1,900,000
2,391,381	-	(959,073)	-	4,461,367
-	-	-	842,946	842,946
<u>\$ 3,498,096</u>	<u>\$ 517,861</u>	<u>\$ (959,073)</u>	<u>\$ 1,352,946</u>	<u>\$ 16,972,918</u>
<u>\$ 4,513,564</u>	<u>\$ 1,242,913</u>	<u>\$ 1,037,587</u>	<u>\$ 1,770,845</u>	<u>\$ 22,598,253</u>

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 3A

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

Fund balances - total governmental funds (Exhibit 3) \$ 16,972,918

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 funds. 69,364,200

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Deferred revenue	\$ 3,272,407	
Deferred charges reported on Exhibit 1	59,584	
Less: prepaid interest reported as fund assets	<u>(4,205)</u>	3,327,786

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (10,090,000)	
Less: unamortized discount on bonds payable	14,421	
Unamortized premium on bonds payable	(3,259)	
Accrued interest payable	(157,298)	
Capital leases payable	(425,000)	
Loans payable	(774,657)	
Compensated absences payable	<u>(1,887,065)</u>	(13,322,858)

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net assets. 1,170,852

Net Assets of Governmental Activities (Exhibit 1) \$ 77,512,898

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 6,514,891	\$ 1,480,009
Special assessments	288,859	-
Licenses and permits	6,640	-
Intergovernmental	2,811,469	3,765,202
Charges for services	1,521,273	100,821
Fines and forfeits	64,565	-
Gifts and contributions	58,666	3,158
Investment earnings	868,406	-
Miscellaneous	327,957	34,670
	<u>12,462,726</u>	<u>5,383,860</u>
Total Revenues	\$ 12,462,726	\$ 5,383,860
Expenditures		
Current		
General government	\$ 5,496,002	\$ -
Public safety	3,436,545	-
Highways and streets	-	5,263,473
Sanitation	271,883	-
Human services	-	-
Health	1,346,416	-
Culture and recreation	132,538	22,813
Conservation of natural resources	319,480	-
Economic development	144,160	-
Intergovernmental	104,035	-
Capital outlay	90,541	-
Debt service		
Principal	55,000	205,000
Interest	14,210	66,008
Administrative (fiscal) charges	750	431
	<u>11,411,560</u>	<u>5,557,725</u>
Total Expenditures	\$ 11,411,560	\$ 5,557,725
Excess of Revenues Over (Under)		
Expenditures	<u>\$ 1,051,166</u>	<u>\$ (173,865)</u>

EXHIBIT 4

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ 2,406,802	\$ -	\$ -	\$ 1,176,982	\$ 11,578,684
-	203,236	355,026	-	847,121
-	-	-	-	6,640
4,309,491	-	-	114,991	11,001,153
242,565	-	-	-	1,864,659
-	-	-	-	64,565
-	-	-	-	61,824
-	-	-	-	868,406
217,242	41,273	3,921	-	625,063
\$ 7,176,100	\$ 244,509	\$ 358,947	\$ 1,291,973	\$ 26,918,115
\$ -	\$ -	\$ -	\$ -	\$ 5,496,002
-	-	-	-	3,436,545
-	-	-	-	5,263,473
-	218,887	-	-	490,770
7,173,035	-	-	-	7,173,035
-	-	-	-	1,346,416
-	-	-	-	155,351
-	-	962,053	-	1,281,533
-	-	-	-	144,160
-	-	-	-	104,035
-	-	-	-	90,541
-	96,141	-	545,000	901,141
-	3,614	-	359,995	443,827
-	-	-	1,294	2,475
\$ 7,173,035	\$ 318,642	\$ 962,053	\$ 906,289	\$ 26,329,304
\$ 3,065	\$ (74,133)	\$ (603,106)	\$ 385,684	\$ 588,811

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 300,000	\$ 60,000
Transfers out	(101,273)	-
Loans issued	-	-
	\$ 198,727	\$ 60,000
Net Change in Fund Balances	\$ 1,249,893	\$ (113,865)
Fund Balances - January 1, as previously reported	\$ 9,419,680	\$ 2,065,447
Restatement (Note 1.E.)	(102,976)	-
	\$ 9,316,704	\$ 2,065,447
Fund Balances - January 1, as restated		
Increase (decrease) in reserved for inventories	\$ -	\$ 44,909
Fund Balances - December 31	\$ 10,566,597	\$ 1,996,491

EXHIBIT 4
(Continued)

<u>Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Nonmajor Debt Service Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 41,273	\$ -	\$ -	\$ 401,273
-	-	-	(300,000)	(401,273)
-	173,850	-	-	173,850
<u>\$ -</u>	<u>\$ 215,123</u>	<u>\$ -</u>	<u>\$ (300,000)</u>	<u>\$ 173,850</u>
<u>\$ 3,065</u>	<u>\$ 140,990</u>	<u>\$ (603,106)</u>	<u>\$ 85,684</u>	<u>\$ 762,661</u>
\$ 3,495,031	\$ 376,871	\$ (355,967)	\$ 1,267,262	\$ 16,268,324
-	-	-	-	(102,976)
<u>\$ 3,495,031</u>	<u>\$ 376,871</u>	<u>\$ (355,967)</u>	<u>\$ 1,267,262</u>	<u>\$ 16,165,348</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,909</u>
<u><u>\$ 3,498,096</u></u>	<u><u>\$ 517,861</u></u>	<u><u>\$ (959,073)</u></u>	<u><u>\$ 1,352,946</u></u>	<u><u>\$ 16,972,918</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 4A

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

Net change in fund balances - total governmental funds (Exhibit 4) \$ 762,661

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

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

Deferred revenue - December 31	\$ 3,272,407	
Deferred revenue - January 1, restated (Note 1.E.)	<u>(2,113,258)</u>	1,159,149

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.

Expenditures for general capital assets and infrastructure	\$ 4,165,200	
Current year depreciation	<u>(2,369,574)</u>	1,795,626

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

Proceeds of new debt		
Loans payable		(173,850)
Principal repayments		901,141
Amortization of premium/discount on bonds		(9,630)

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

Change in inventories	\$ 44,909	
Change in accrued interest payable and prepaid interest	21,995	
Change in compensated absences payable	<u>(100,370)</u>	(33,466)

The net revenue of the Internal Service Fund is reported with governmental activities.		<u>(374,077)</u>
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Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,027,554

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,181,756	\$ 6,552,076	\$ 6,514,891	\$ (37,185)
Special assessments	269,000	269,000	288,859	19,859
Licenses and permits	7,000	7,000	6,640	(360)
Intergovernmental	2,101,654	2,731,334	2,811,469	80,135
Charges for services	1,459,900	1,459,900	1,521,273	61,373
Fines and forfeits	60,000	60,000	64,565	4,565
Gifts and contributions	12,150	12,150	58,666	46,516
Investment earnings	506,000	506,000	868,406	362,406
Miscellaneous	145,595	145,595	327,957	182,362
Total Revenues	\$ 11,743,055	\$ 11,743,055	\$ 12,462,726	\$ 719,671
Expenditures				
Current				
General government				
Commissioners	\$ 255,663	\$ 255,663	\$ 236,449	\$ 19,214
Courts	55,306	55,306	96,377	(41,071)
Law library	134,791	134,791	57,417	77,374
County administrator	281,807	281,807	282,141	(334)
Auditor/treasurer	657,841	657,841	559,634	98,207
Accounting and auditing	60,000	60,000	88,159	(28,159)
Assessor	498,025	498,025	499,972	(1,947)
Office of technologies	874,829	874,829	829,198	45,631
Machine room	68,500	68,500	64,722	3,778
Elections	30,000	30,000	12,231	17,769
Other general government	600,328	600,328	438,568	161,760
County attorney	698,578	698,578	726,149	(27,571)
County attorney forfeited property proceeds	-	-	21,233	(21,233)
Recorder/abstractor	372,471	372,471	352,262	20,209
Recorder - future equipment	62,500	62,500	12,792	49,708
Surveyor	10,000	10,000	29,467	(19,467)
Telephone	156,392	156,392	105,058	51,334
Courthouse operations	485,564	485,564	521,472	(35,908)
County offices building	91,604	4,900	9,272	(4,372)
Building fund department	50,000	50,000	-	50,000
Veterans service	111,371	111,371	129,082	(17,711)
Environmental services	424,045	424,045	424,347	(302)
Total general government	\$ 5,979,615	\$ 5,892,911	\$ 5,496,002	\$ 396,909

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,035,486	\$ 2,035,486	\$ 2,051,160	\$ (15,674)
Boat and water safety	1,770	1,770	127	1,643
Prisoner commissions account	10,000	10,000	8,554	1,446
Sheriff - snowmobile safety enforcement	3,454	3,454	175	3,279
Enhanced 911 system	50,000	50,000	22,983	27,017
Sheriff - offroad highway grant	-	-	31	(31)
Coroner	12,000	12,000	24,848	(12,848)
Jail/prisoners	318,250	318,250	381,774	(63,524)
Probation department	761,332	761,332	726,792	34,540
Court services	79,623	79,623	84,348	(4,725)
Nicollet collaborative	35,471	35,471	24,996	10,475
Emergency services	128,798	128,798	110,757	18,041
Total public safety	\$ 3,436,184	\$ 3,436,184	\$ 3,436,545	\$ (361)
Sanitation				
Solid waste management fund	\$ 317,200	\$ 317,200	\$ 271,883	\$ 45,317
Health				
Public health nurse	\$ 420,727	\$ 420,727	\$ 420,360	\$ 367
WIC program	111,630	111,630	110,736	894
Maternal child health	168,608	168,608	170,281	(1,673)
Bioterrorism grant	35,000	35,000	37,190	(2,190)
Waivered programs	465,863	465,863	497,033	(31,170)
Loan closet account	1,040	1,040	639	401
Core function - nursing department	33,000	33,000	32,057	943
Senior citizen transportation	83,137	83,137	78,120	5,017
Total health	\$ 1,319,005	\$ 1,319,005	\$ 1,346,416	\$ (27,411)
Culture and recreation				
Historical society	\$ 102,047	\$ 102,047	\$ 102,047	\$ -
Wayside rest	-	-	30,491	(30,491)
Total culture and recreation	\$ 102,047	\$ 102,047	\$ 132,538	\$ (30,491)

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*EXHIBIT 5
(Continued)*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Agriculture society	\$ 49,100	\$ 49,100	\$ 56,118	\$ (7,018)
County extension	170,459	170,459	164,462	5,997
Soil and water conservation district	85,769	85,769	85,769	-
Tri-county fair	700	700	700	-
Agricultural inspection	13,250	13,250	12,431	819
Total conservation of natural resources	\$ 319,278	\$ 319,278	\$ 319,480	\$ (202)
Economic development				
Economic development	\$ 29,092	\$ 29,092	\$ 48,170	\$ (19,078)
Housing and redevelopment authority	95,990	95,990	95,990	-
Total economic development	\$ 125,082	\$ 125,082	\$ 144,160	\$ (19,078)
Intergovernmental				
Culture and recreation - regional library	\$ 94,644	\$ 94,644	\$ 104,035	\$ (9,391)
Capital outlay				
General government	\$ -	\$ -	\$ 90,541	\$ (90,541)
Debt service				
Principal	\$ -	\$ 55,000	\$ 55,000	\$ -
Interest	-	30,954	14,210	16,744
Administrative charges	-	750	750	-
Total debt service	\$ -	\$ 86,704	\$ 69,960	\$ 16,744
Total Expenditures	\$ 11,693,055	\$ 11,693,055	\$ 11,411,560	\$ 281,495
Excess of Revenues Over (Under) Expenditures	\$ 50,000	\$ 50,000	\$ 1,051,166	\$ 1,001,166

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*EXHIBIT 5
(Continued)*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 87,500	\$ 87,500	\$ 300,000	\$ 212,500
Transfers out	(137,500)	(137,500)	(101,273)	36,227
Total Other Financing Sources (Uses)	\$ (50,000)	\$ (50,000)	\$ 198,727	\$ 248,727
Net Change in Fund Balance	\$ -	\$ -	\$ 1,249,893	\$ 1,249,893
Fund Balance - January 1, as previously reported	\$ 9,419,680	\$ 9,419,680	\$ 9,419,680	\$ -
Restatement (Note 1.E.)	(102,976)	(102,976)	(102,976)	-
Fund Balance - January 1, as restated	\$ 9,316,704	\$ 9,316,704	\$ 9,316,704	\$ -
Fund Balance - December 31	\$ 9,316,704	\$ 9,316,704	\$ 10,566,597	\$ 1,249,893

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 6

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
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>		
Revenues				
Taxes	\$ 1,632,000	\$ 1,488,997	\$ 1,480,009	\$ (8,988)
Intergovernmental	3,021,577	3,164,580	3,765,202	600,622
Charges for services	-	-	100,821	100,821
Gifts and contributions	-	-	3,158	3,158
Miscellaneous	-	-	34,670	34,670
Total Revenues	\$ 4,653,577	\$ 4,653,577	\$ 5,383,860	\$ 730,283
Expenditures				
Current				
Highways and streets				
Administration	\$ 285,598	\$ 285,598	\$ 201,808	\$ 83,790
Maintenance	1,519,439	1,442,431	1,252,751	189,680
Construction	2,466,053	2,261,053	3,138,322	(877,269)
Equipment maintenance and shop	382,487	382,487	670,592	(288,105)
Total highways and streets	\$ 4,653,577	\$ 4,371,569	\$ 5,263,473	\$ (891,904)
Culture and recreation				
Parks	\$ -	\$ -	\$ 22,813	\$ (22,813)
Debt service				
Principal	\$ -	\$ 205,000	\$ 205,000	\$ -
Interest	-	66,008	66,008	-
Administrative (fiscal) charges	-	-	431	(431)
Total debt service	\$ -	\$ 271,008	\$ 271,439	\$ (431)
Total Expenditures	\$ 4,653,577	\$ 4,642,577	\$ 5,557,725	\$ (915,148)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 11,000	\$ (173,865)	\$ (184,865)

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*EXHIBIT 6
(Continued)*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
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>		
Other Financing Sources (Uses)				
Transfers in	\$ 61,000	\$ 50,000	\$ 60,000	\$ 10,000
Transfers out	<u>(61,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 60,000</u>	<u>\$ 10,000</u>
Net Change in Fund Balance	\$ -	\$ 61,000	\$ (113,865)	\$ (174,865)
Fund Balance - January 1	2,065,447	2,065,447	2,065,447	-
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>44,909</u>	<u>44,909</u>
Fund Balance - December 31	<u><u>\$ 2,065,447</u></u>	<u><u>\$ 2,126,447</u></u>	<u><u>\$ 1,996,491</u></u>	<u><u>\$ (129,956)</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 7

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,653,781	\$ 2,418,773	\$ 2,406,802	\$ (11,971)
Intergovernmental	4,189,279	4,424,287	4,309,491	(114,796)
Charges for services	225,400	225,400	242,565	17,165
Miscellaneous	370,300	370,300	217,242	(153,058)
Total Revenues	\$ 7,438,760	\$ 7,438,760	\$ 7,176,100	\$ (262,660)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,471,806	\$ 2,471,806	\$ 2,232,241	\$ 239,565
Social services	5,141,954	5,141,954	4,940,794	201,160
Total Expenditures	\$ 7,613,760	\$ 7,613,760	\$ 7,173,035	\$ 440,725
Excess of Revenues Over (Under)				
Expenditures	\$ (175,000)	\$ (175,000)	\$ 3,065	\$ 178,065
Fund Balance - January 1	3,495,031	3,495,031	3,495,031	-
Fund Balance - December 31	\$ 3,320,031	\$ 3,320,031	\$ 3,498,096	\$ 178,065

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 8

**STATEMENT OF FUND NET ASSETS
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2007**

Assets

Current assets	
Cash and pooled investments	\$ 1,326,670
Due from other governments	<u>208</u>
Total Assets	\$ 1,326,878

Liabilities

Current liabilities	
Accounts payable	<u>156,026</u>

Net Assets

Unrestricted	<u><u>\$ 1,170,852</u></u>
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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 9

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

Operating Revenues	
Charges for services	\$ 2,275,244
Operating Expenses	
Professional services	<u>2,649,321</u>
Income (Loss)	\$ (374,077)
Net Assets - January 1	<u>1,544,929</u>
Net Assets - December 31	<u><u>\$ 1,170,852</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 10

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

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,278,036
Payments to suppliers	<u>(2,638,562)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (360,526)
Cash and Cash Equivalents at January 1	<u>1,687,196</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,326,670</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ (374,077)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in due from other funds	\$ 1,000
(Increase) decrease in due from other governments	1,792
Increase (decrease) in accounts payable	<u>10,759</u>
Total adjustments	<u>\$ 13,551</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (360,526)</u></u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

EXHIBIT 11

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

<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,160,739</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 1,160,739</u>

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Nicollet County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities column 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. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual funds, with each displayed as separate columns in the fund financial statements. The remaining governmental fund is reported as a nonmajor fund.

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

The Revolving Loan Special Revenue Fund accounts for financial transactions resulting from loans for the replacement of existing septic systems.

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

Additionally, the County reports the following funds:

The Debt Service Fund is used to account for revenues and expenditures related to the County's debt activity.

The Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the Self-Insurance Program.

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. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Nicollet County considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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. Cash and Cash Equivalents

The County's cash and pooled investments are considered to be cash equivalents.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2007 were \$868,406.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. 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.

Investments of the County are reported at fair value.

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as an “interfund receivable/payable.” All other outstanding balances between funds are reported as “due to/from other funds.”

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

All accounts and taxes receivable are shown net of an allowance for uncollectibles. Accounts receivable are individually analyzed to arrive at the accounts receivable allowance for uncollectibles. The taxes receivable allowance is equal to 1/4 percent of outstanding property taxes at year-end.

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.

Special assessments receivable consist of delinquent special assessments payable in the years 1998 through 2007 and deferred special assessments payable in 2008 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

4. Inventories and Prepaid Items

Supplies inventories are valued at cost using the first in/first out (FIFO) method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Land improvements	20 - 30
Infrastructure	50 - 75
Machinery and equipment	5 - 15

6. Compensated Absences

It is Nicollet County's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net assets reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

9. Fund Equity

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

E. Restatement of Fund Balance

At January 1, 2007, the fund balance of the General Fund was restated to correct for interest revenue that was recognized in 2006 that should have been deferred to 2007. The following table summarizes the change:

	<u>General Fund</u>
Fund Balance - January 1, as previously reported	\$ 9,419,680
Restatement	<u>(102,976)</u>
Fund Balance - January 1, as restated	<u>\$ 9,316,704</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Road and Bridge, and Human Services major governmental funds and the nonmajor Debt Service Fund. All annual appropriations lapse at year-end.

On or before mid-July of each year, all departments submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before September 15, 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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.

B. Excess of Expenditures Over Budget

The Road and Bridge Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2007.

Expenditures	Budget	Excess
\$ 5,557,725	\$ 4,642,577	\$ 915,148

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

C. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2007, as follows:

Fund Balance - modified accrual basis	\$ (959,073)
Deferred revenue - unavailable	1,037,587
Fund Balance - full accrual basis	\$ 78,514

The deficit will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

55 ditches with positive balances	\$ 162,978
31 ditches with deficit balances	(84,464)
Net Fund Balance	\$ 78,514

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental funds	
Cash and pooled investments	\$ 16,672,251
Internal Service Fund	
Cash and pooled investments	1,326,670
Fiduciary funds - agency funds	
Cash and pooled investments	<u>1,160,739</u>
 Total Cash and Investments	 <u>\$ 19,159,660</u>

a. Deposits

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

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

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. At December 31, 2007, the County did 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing 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 necessary to provide the cash flow and liquidity required for operations. At December 31, 2007, the County does not have a policy on interest rate risk.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2007, 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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. At December 31, 2007, the County does not have a policy on concentration of credit risk. The following table presents the County's investment balances at December 31, 2007:

Investment Type	Concentration Risk Percent of Portfolio	Carrying (Fair) Value
Mutual fund	59.5%	\$ 3,728,203
Negotiable certificates of deposit	17.0%	1,067,000
Government securities	23.5%	1,470,122
Total		\$ 6,265,325

2. Receivables

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

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 221,178	\$ -
Special assessments - delinquent	9,734	-
Special assessments - deferred	1,766,220	1,518,543
Accounts	763,980	-
Accrued interest	225,192	-
Loans receivable	47,982	40,683
Due from other governments	1,141,212	-
Total Governmental Activities	\$ 4,175,498	\$ 1,559,226

**NICOLLET COUNTY
ST. PETER, 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:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,880,195	\$ 9,455	\$ -	\$ 1,889,650
Construction in progress	195,018	692,936	44,927	843,027
Total capital assets not depreciated	\$ 2,075,213	\$ 702,391	\$ 44,927	\$ 2,732,677
Capital assets depreciated				
Buildings	\$ 16,607,377	\$ 7,500	\$ 268,800	\$ 16,346,077
Land improvements	439,656	-	-	439,656
Machinery and equipment	5,118,157	543,759	151,564	5,510,352
Infrastructure	66,135,779	2,956,477	-	69,092,256
Total capital assets depreciated	\$ 88,300,969	\$ 3,507,736	\$ 420,364	\$ 91,388,341
Less: accumulated depreciation for				
Buildings	\$ 4,847,087	\$ 666,906	\$ 268,800	\$ 5,245,193
Land improvements	193,889	17,414	-	211,303
Machinery and equipment	4,029,746	351,075	151,564	4,229,257
Infrastructure	13,736,886	1,334,179	-	15,071,065
Total accumulated depreciation	\$ 22,807,608	\$ 2,369,574	\$ 420,364	\$ 24,756,818
Total capital assets depreciated, net	\$ 65,493,361	\$ 1,138,162	\$ -	\$ 66,631,523
Governmental Activities				
Capital Assets, Net	\$ 67,568,574	\$ 1,840,553	\$ 44,927	\$ 69,364,200

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

General government	\$ 697,024
Public safety	123,770
Highways and streets, including depreciation of infrastructure assets	1,514,386
Human services	32,433
Culture and recreation	1,961
Total Depreciation Expense	\$ 2,369,574

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Road and Bridge	\$ 81	Utilities
	Human Service	23,989	Utilities
	Debt Service	400,000	Remodel and building upkeep
Road and Bridge	General	17,991	Wayside rest expenses
	Ditch	4,036	Labor and equipment
Revolving Loan	General	41,273	Payments for loans
Total Due To/From Other Funds		<u>\$ 487,370</u>	

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Receivable/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 933,033</u>

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments. The balance due from the Ditch Special Revenue Fund is not expected to be repaid within the year.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

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

Transfer to General Fund from Debt Service Fund	\$ 300,000	Various building upkeep projects
Transfer to Road and Bridge Special Revenue Fund from General Fund	60,000	Appropriation for County parks
Transfer to Revolving Loan Special Revenue Fund from General Fund	<u>41,273</u>	Septic loan payments
Total Interfund Transfers	<u>\$ 401,273</u>	

C. Liabilities

1. Other Postemployment Benefits - Retirees

Nicollet County provides postemployment health care benefits for early retirees and elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans.

As of December 31, 2007, two retirees were receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2007, the County recognized \$10,764 of expenditures.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

The County has entered into a capital lease agreement to provide facilities for Human Services. This lease qualifies as a capital lease for accounting purposes and is recorded by the County as a capital asset at the present value of the future minimum payments as of the inception of the lease. The capital lease consists of the following at December 31, 2007:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Human Services Building	2013	Semi-annual	\$60,000 - \$80,000	\$ 940,000	<u>\$ 425,000</u>

Lease payments are made by the General Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

<u>Year Ending December 31</u>	
2008	\$ 84,210
2009	85,523
2010	86,540
2011	87,262
2012	82,800
2013	<u>83,150</u>
Total minimum lease payments	\$ 509,485
Less: amount representing interest and fiscal fees	<u>(84,485)</u>
Present Value of Minimum Lease Payments	<u>\$ 425,000</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

<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					
1999A G.O. Capital Improvement Bonds	2014	\$320,000 - \$415,000	4.25 - 4.65	\$ 4,000,000	\$ 2,560,000
2002A G.O. State-Aid Road Bonds	2014	\$200,000 - \$205,000	4.00 - 4.60	2,450,000	1,430,000
2004A G.O. Capital Improvement Bonds	2015	\$240,000 - \$295,000	2.75 - 3.70	2,605,000	2,130,000
2006A G.O. Capital Improvement Bonds	2017	\$335,000 - \$470,000	4.00	<u>3,970,000</u>	<u>3,970,000</u>
Total General Obligation Bonds				<u>\$ 13,025,000</u>	\$ 10,090,000
Less: unamortized discount					(14,421)
Plus: unamortized premium					<u>3,259</u>
Total General Obligation Bonds, Net					<u>\$ 10,078,838</u>

Capital improvement bonds are being retired by the Debt Service Fund, and state-aid road bonds are paid by the Road and Bridge Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects. The loans are secured by special assessments.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Full Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
1995 Groundwater Implementation CWP Project	2014	\$12,067	-	\$ 362,000	\$ 156,867
1997 Groundwater Protection CWP Project	2010	\$25,875	-	517,500	129,375
2002 Seven Mile Creek CWP Project	2015	\$11,936	2.00	215,392	165,493
2005 Seven Mile Creek Watershed Continuation CWP Project	2019	\$21,935	2.00	147,327	147,327
2006 Rush River Watershed	2018	\$5,245	2.00	91,000	91,000
2007 Middle Minnesota	2021	\$6,916	2.00	46,071	46,071
2007 Rush River Watershed	2020	\$9,605	2.00	38,524	38,524
Totals				<u>\$ 1,417,814</u>	<u>\$ 774,657</u>

Payments on the loans are made by the Revolving Loan Special Revenue Fund.

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Loans*	
	Principal	Interest	Principal	Interest
2008	\$ 1,100,000	\$ 383,658	\$ 96,548	\$ 3,207
2009	1,130,000	340,671	96,964	2,792
2010	1,170,000	295,416	71,512	2,368
2011	1,200,000	248,237	46,070	1,936
2012	1,240,000	198,866	46,511	1,495
2013 - 2017	4,250,000	328,228	94,130	1,749
Total	<u>\$ 10,090,000</u>	<u>\$ 1,795,076</u>	<u>\$ 451,735</u>	<u>\$ 13,547</u>

*The debt service requirements for the loans from the Minnesota Pollution Control Agency of \$147,327, \$91,000, \$46,071, and \$38,524 are not known as of December 31, 2007.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. 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	\$ 10,840,000	\$ -	\$ 750,000	\$ 10,090,000	\$ 1,100,000
Less: deferred amounts for issuance discounts	(16,543)	-	(2,122)	(14,421)	-
Plus: deferred amounts for issuance premium	3,618	-	359	3,259	-
Total bonds payable	\$ 10,827,075	\$ -	\$ 748,237	\$ 10,078,838	\$ 1,100,000
Capital leases	480,000	-	55,000	425,000	60,000
Loans payable	696,948	173,850	96,141	774,657	96,548
Compensated absences	1,786,695	100,370	-	1,887,065	918,409
Long-Term Liabilities	\$ 13,790,718	\$ 274,220	\$ 899,378	\$ 13,165,560	\$ 2,174,957

D. 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. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

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

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$100,000 stop-loss per family per year (\$2,128,800 aggregate) for the health plan. There is a maximum claim limit of \$750 per person per year for the dental plan.

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

	Year Ended December 31	
	2007	2006
Unpaid claims, January 1	\$ 145,267	\$ 124,039
Incurred claims (including IBNRs)	2,271,043	1,919,118
Claims payments	(2,260,284)	(1,897,890)
Unpaid Claims, December 31	\$ 156,026	\$ 145,267

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

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

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

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

Funding Policy

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

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

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

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

	2007	2006	2005
Public Employees Retirement Fund	\$ 455,199	\$ 417,022	\$ 365,621
Public Employees Police and Fire Fund	75,379	64,407	49,632
Public Employees Correctional Fund	53,042	42,919	44,139

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,476	\$ 5,476
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

B. 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 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. For the year ended December 31, 2007, the Health Services Board had net assets of \$687,627.

Complete financial statements for the Health Services Board can be obtained at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

Tri-County Solid Waste

Nicollet County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$90,863 in 2007. Sibley County is the fiscal agent. Current financial statements are not available.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services Joint Powers Board is a joint powers organization founded by nine counties including: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan. The primary function of the joint venture is to implement and administer a regional emergency medical services program in Southern Minnesota. The Board receives funding from local, state, and federal government sources.

During the year, the County made no contributions to the South Central Minnesota Emergency Medical Services Joint Powers Board.

C. Jointly-Governed Organizations

South Central Children's Project Collaborative

Nicollet County, in conjunction with other local governments, formed the South Central Children's Project Collaborative. The Collaborative was established to protect the health and welfare of its citizens. It plans and develops policies pertaining to implementing, directly managing, or contracting for the operation of services for the Family Services Collaborative grant programs and the Children's Mental Health Collaborative grant programs. The goal of the South Central Children's Project Collaborative is to ensure the availability of comprehensive services designed to enhance or strengthen family functioning and the mental health of children. Blue Earth County is the fiscal agent of the Collaborative. Nicollet County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited.

Sentence to Serve

Nicollet County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Sentence to Serve (Continued)

various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Nicollet County has no operational or financial control over the STS program, Nicollet County budgets for a percentage of this program.

Nicollet County Family Services Collaborative

Nicollet County entered into the Nicollet County Family Services Collaborative. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication. The Collaborative started in 1998 and consists of Nicollet County Social Services, Nicollet County Public Health, Nicollet County Court Services, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. Nicollet County is the fiscal agent for the Collaborative. Financing is provided by various grants. Activities of the Collaborative are accounted for in an agency fund of Nicollet County.

South Central Regional Immtrack Collaborative

Nicollet County, in conjunction with Blue Earth, Brown, Le Sueur, Waseca, and Watonwan Counties, formed the South Central Regional Immtrack Collaborative. The purpose of the Collaborative is to protect the health and welfare of its citizens. The Collaborative plans and develops policies pertaining to implementing, directly managing, or contracting for the operation of a regional immunization information system. The goal of the Collaborative is to ensure age-appropriate immunizations and reduce the occurrence of vaccine-preventable diseases by maintaining complete and accurate immunization records. Blue Earth County is the fiscal agent of the Collaborative. Nicollet County has no operational or financial control over the Collaborative. Currently, the Collaborative is not required to be audited.

Brown-Nicollet-Cottonwood Water Quality Joint Powers Board

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.

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

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

D. Subsequent Event

In February 2008, the County Board issued \$7,800,000 general obligation bonds--\$6,985,000 for road reconstruction and \$815,000 for a ditch project construction. The road reconstruction bonds are to pay for reconstructing a portion of CSAH #5, more commonly known as the "Fort Road." The average annual debt service of \$623,290 will be paid for with a property tax levy over a period of 15 years. The ditch construction bonds are to pay for the construction of County Ditch 29. The average annual debt service of \$68,570 will be paid for by special assessments by the landowners who are benefited by the County Ditch 29 ditch system.

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2007 is \$95,990. The proportionate shares of the counties may change for years 2008 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

B. 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.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for and the payment of the principal, interest, and related costs of the general obligation bonds.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Statement 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
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>		
Revenues				
Taxes	\$ 1,299,533	\$ 1,184,542	\$ 1,176,982	\$ (7,560)
Intergovernmental	-	114,991	114,991	-
Total Revenues	\$ 1,299,533	\$ 1,299,533	\$ 1,291,973	\$ (7,560)
Expenditures				
Debt service				
Principal	\$ 1,299,533	\$ 939,538	\$ 545,000	\$ 394,538
Interest	-	359,995	359,995	-
Administrative - fiscal charges	-	-	1,294	(1,294)
Total Expenditures	\$ 1,299,533	\$ 1,299,533	\$ 906,289	\$ 393,244
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 385,684	\$ 385,684
Other Financing Sources (Uses)				
Transfers out	-	-	(300,000)	(300,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 85,684	\$ 85,684
Fund Balance - January 1	1,267,262	1,267,262	1,267,262	-
Fund Balance - December 31	\$ 1,267,262	\$ 1,267,262	\$ 1,352,946	\$ 85,684

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

AGENCY FUNDS

The Agency Fund is used to account for all assets not accounted for by other agency funds and held by the County as an agent for individuals, private organizations, other governments, or other funds.

The Settlement Fund accounts for all taxes and penalties collected and the distribution of the taxes.

The State Revenue Fund accounts for collections for and disbursements to the State of Minnesota.

The Community Health Service Fund accounts for collections and disbursements for Brown-Nicollet Community Health Services.

The Family Services Collaborative Fund accounts for collections and disbursements for the Family Services Collaborative.

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Statement 2

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>80,866</u>	\$ <u>676,178</u>	\$ <u>739,557</u>	\$ <u>17,487</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>80,866</u>	\$ <u>676,178</u>	\$ <u>739,557</u>	\$ <u>17,487</u>
 <u>SETTLEMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>329,218</u>	\$ <u>47,079,065</u>	\$ <u>47,121,501</u>	\$ <u>286,782</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>329,218</u>	\$ <u>47,079,065</u>	\$ <u>47,121,501</u>	\$ <u>286,782</u>
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>94,156</u>	\$ <u>3,361,798</u>	\$ <u>3,397,823</u>	\$ <u>58,131</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>94,156</u>	\$ <u>3,361,798</u>	\$ <u>3,397,823</u>	\$ <u>58,131</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

*Statement 2
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY HEALTH SERVICE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>331,100</u>	\$ <u>1,354,183</u>	\$ <u>1,239,421</u>	\$ <u>445,862</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>331,100</u>	\$ <u>1,354,183</u>	\$ <u>1,239,421</u>	\$ <u>445,862</u>
 <u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>517,741</u>	\$ <u>190,351</u>	\$ <u>355,615</u>	\$ <u>352,477</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>517,741</u>	\$ <u>190,351</u>	\$ <u>355,615</u>	\$ <u>352,477</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>1,353,081</u>	\$ <u>52,661,575</u>	\$ <u>52,853,917</u>	\$ <u>1,160,739</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>1,353,081</u>	\$ <u>52,661,575</u>	\$ <u>52,853,917</u>	\$ <u>1,160,739</u>

**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 1

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

Shared Revenue

State

Highway users tax	\$	3,420,673
County program aid		1,431,860
PERA rate reimbursement		34,276
Disparity reduction aid		11,670
Police aid		56,349
Enhanced 911		109,665
Market value credit		1,100,171
Market value credit - manufactured homes		18,815
		18,815

Total Shared Revenue

\$ 6,183,479

Reimbursement for Services

State

Minnesota Department of Human Services	\$	2,151,022
		2,151,022

Payments

Local

Payments in lieu of taxes	\$	10,384
		10,384

Grants

State

Minnesota Department/Board of		
Public Safety	\$	35,129
Health		183,475
Employment and Economic Development		7,200
Natural Resources		35,893
Human Services		1,146,610
Veterans Affairs		14,360
Corrections		255,570
Water and Soil Resources		94,772
Pollution Control Agency		74,120
Peace Officer Standards and Training Board		5,628
		5,628

Total State

\$ 1,852,757

Federal

Department of		
Agriculture	\$	98,980
Transportation		26,400
Health and Human Services		664,091
Homeland Security		14,040
		14,040

Total Federal

\$ 803,511

Total State and Federal Grants

\$ 2,656,268

Total Intergovernmental Revenue

\$ 11,001,153

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 2

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Nicollet County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Nicollet County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Nicollet County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs 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 programs for Nicollet 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 programs are:

Temporary Assistance for Needy Families (TANF)	CFDA #93.558
Social Services Block Grant Title XX	CFDA #93.667
- H. The threshold for distinguishing between Type A and B programs was \$300,000.
- I. Nicollet County was not determined to be a low risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-1 Preparation of Financial Statements

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

The County has upgraded its accounting system to accommodate the modified and full accrual bases of accounting in separate ledgers to allow for the preparation of annual financial statements in accordance with GAAP. Some summary information exhibiting the level of detail necessary for preparation of the annual financial statements was included in this upgrade. However, some accounting services were provided by us in compiling complete financial statements, including the summary of infrastructure information.

We recommend the County continue to work toward internally preparing complete annual financial statements in accordance with GAAP.

Client's Response:

Nicollet County will continue the efforts toward compiling a complete statement in accordance with GAAP.

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the correction of a material misstatement or identification by the auditor of a material misstatement in the financial statements that

Schedule 2
(Continued)

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:

- adjustments of \$41,273 to record septic loan payments erroneously receipted into the General Fund rather than the Revolving Loan Special Revenue Fund and subsequently recorded as special assessment revenue rather than miscellaneous revenue;
- to record transfers of \$300,000 to the General Fund from the Debt Service Fund for various building upkeep projects and remodeling of the dispatch center based on the County's Capital Improvement Plan;
- to record \$5,805,378 fund balance designations and reservations (\$395,684 in the Debt Service Fund, \$1,106,715 in the Human Services Special Revenue Fund, \$3,120,184 in the General Fund, \$312,340 in the Revolving Loan Special Revenue Fund, and \$870,455 in the Road and Bridge Special Revenue Fund);
- to record and reclassify a \$933,033 interfund transfer to the County Ditch Special Revenue Fund from the General Fund to cover a deficit cash balance;
- to reclassify \$271,883 from general government expenditures to sanitation expenditures in the General Fund;
- to reclassify \$173,850 from intergovernmental revenue to other financing sources for loan proceeds in the Revolving Loan Special Revenue Fund;
- to record \$1,761,060 in special assessments receivable (\$1,037,551 in the County Ditch Special Revenue Fund and \$723,509 in the Revolving Loan Special Revenue Fund); and
- to record additional receivables and deferred revenue of \$487,708 in the Road and Bridge Special Revenue Fund based on grant analysis.

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

We recommend the County 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:

Nicollet County will continue to provide training to appropriate staff in the effort to reduce audit adjustments.

06-3 Budgeting

The County has a budget policy that includes the procedures for adopting the budget and reporting a budgetary comparison statement to demonstrate compliance with the budget. The policy is good, but missing a few items we would recommend it address. A formal written budget policy should include elements such as:

- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted, and
- the procedures for monitoring the budget.

The ability to modify the budget during the year for new circumstances makes the budget more valuable because budgetary differences are not distorted by the new circumstances. Although the County does have some procedures to monitor the budget, they are not included in the budget policy.

During the year, the County department heads receive budget to actual reports either monthly or quarterly--the County Administrator receives the reports monthly, and the County Board receives the reports quarterly. However, the extent to which anyone reviews these reports is not known. The Auditor/Treasurer's Office assumes there are no issues if it does not hear from the department heads.

We recommend the County Board amend its budget policy to include the elements recommended above. Department heads and the County Board should monitor budgets on an ongoing basis. As budget to actual reports are reviewed, reviewers should indicate their review by signing off on them.

Client's Response:

The recommendations are recognized, will be reviewed and determine if any changes are necessary.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Fund Deficit Cash Balances

Minn. Stat. § 103E.655, subd. 2, authorizes loans from ditch systems with a surplus or from the General Fund to a ditch system with insufficient cash to pay expenditures. This statute requires that the fund from which the funds were borrowed be repaid with interest. Allowing a ditch fund to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other funds of the County and, as such, is in noncompliance with Minnesota Law.

At December 31, 2007, 42 ditch systems had negative cash balances totaling \$1,027,207, and 31 ditch systems had negative fund balances totaling \$84,464.

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

Client's Response:

The past 2 years show an aggressive attempt to bring all ditch systems into a positive balance. It is the intention to continue this process until all ditches in the County carry positive balances.

PREVIOUSLY REPORTED ITEM RESOLVED

Security for Deposits (99-1A)

County funds deposited at ProGrowth Bank of Nicollet in excess of provided federal deposit insurance were not adequately protected by surety bond or pledged collateral as required by Minn. Stat. § 118A.03, subd. 3.

Resolution

Our review indicated that County deposits were adequately protected.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Business Continuity Plan (02-1)

The County did not have a formal business continuity plan in the event of a disaster or major computer breakdown.

Resolution

In 2007, the County completed an emergency operation plan which included continuity of operations procedures.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when

accumulated sick leave is used to pay for retiree medical insurance. Under GASB Statement 45, 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 revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits 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 a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities to be recognized, the County Board will have to decide whether to hire an actuary.

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Nicollet County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet 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 March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2, and 06-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Nicollet 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 Nicollet 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, Nicollet County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 96-1.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 17, 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Nicollet County

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nicollet 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, Nicollet County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Nicollet 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 the 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, each major fund, and the aggregate remaining fund information of Nicollet 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 March 17, 2009. Our audit was performed for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures 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 Nicollet County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

March 17, 2009

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**NICOLLET COUNTY
ST. PETER, MINNESOTA**

Schedule 3

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 88,337
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	3,698
Total U.S. Department of Agriculture		\$ 92,035
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention Temporary Assistance for Needy Families (TANF) Maternal and Child Health Services Block Grant	93.283 93.558 93.994	\$ 38,596 20,744 31,773
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF) Child Care Mandatory and Matching Funds Child Welfare Service Foster Care Title IV-E Social Services Block Grant Title XX Independent Living Community Mental Health Service Block Grant	93.558 93.596 93.645 93.658 93.667 93.674 93.958	303,060 19,074 7,071 75,198 156,285 3,313 8,977
Total U.S. Department of Health and Human Services		\$ 664,091
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grant	97.042	\$ 14,040
Total Federal Awards		\$ 770,166

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 Nicollet 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 revenues 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.