

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Year Ended December 31, 2009



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

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2009

Office	Name	Term Expires
Board of County Commissioners		
District 1	Glen Mathiason	January 2013
District 2	Daniel Belshan	January 2011
District 3	James Nelson	January 2013
District 4	Christopher Shoff*	January 2011
District 5	Linda Tuttle	January 2013
County Officers		
Elected		
Attorney	Craig Nelson	January 2011
Auditor/Treasurer	Dennis A. Distad	January 2011
District Judge	John Chesterman	January 2011
District Judge	Steven Schwab	January 2011
Recorder	Kelly Callahan	January 2011
Registrar of Titles	Kelly Callahan	January 2011
Sheriff	Mark Harig	January 2011
Appointed		
Administrator	John Kluever	Indefinite
Assessor	Ryan Rasmussen	Indefinite
County Engineer	Susan Miller	Indefinite
Court Services	Tom Jensen	Indefinite
Court Administrator	Kristi Maiers	Indefinite
Finance Manager	William Helfritz	Indefinite
Veterans Service Officer	Jon Rhiger	Indefinite

*Chair

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

ORGANIZATION
(Continued)

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Human Services		
Board		
Chair	Daniel Belshan	January 2011
Vice Chair	Linda Tuttle	January 2013
Member	James Nelson	January 2013
Member	Christopher Shoff	January 2011
Member	Glen Mathiason	January 2013
Appointed		
Director	Brian Buhmann	Indefinite
Accountant	Alan Olson	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Freeborn County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Freeborn County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information as listed in the table of contents and the Management's Discussion and Analysis are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Freeborn County's basic financial statements. The supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Freeborn County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of Freeborn County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 3, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

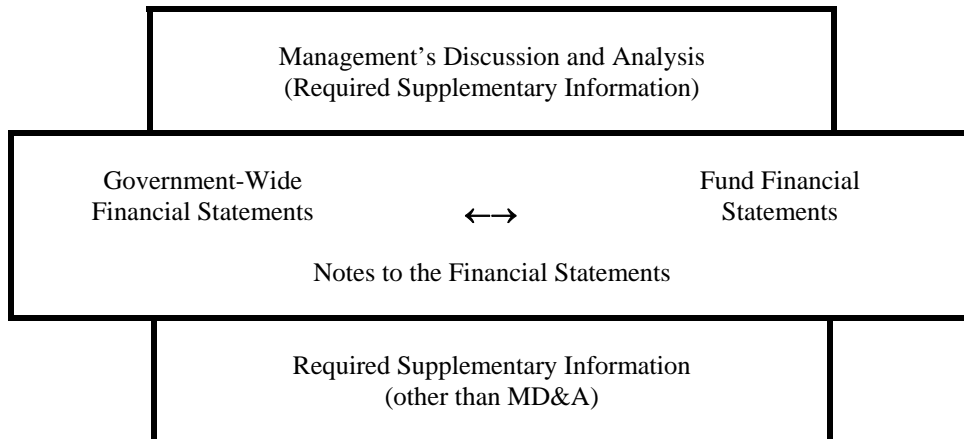
Freeborn County’s Management’s Discussion and Analysis (MD&A) provides an overview of the County’s financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the County’s financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities’ total net assets are \$75,980,909, of which \$57,788,446 is invested in capital assets, net of related debt, and \$4,972,742 is restricted to specific purposes.
- Freeborn County’s net assets increased by \$5,198,162 for the year ended December 31, 2009.
- The net cost of governmental activities was \$12,594,297 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$17,792,459.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

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

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

Fund Financial Statements

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

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

Reporting the County's Fiduciary Responsibilities

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

THE COUNTY AS A WHOLE

The County's combined net assets increased from \$70,782,747 to \$75,980,909. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Table 1
Net Assets
(in Millions)

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 26.4	\$ 24.0
Capital assets	78.6	76.1
Total Assets	<u>\$ 105.0</u>	<u>\$ 100.1</u>
Liabilities		
Long-term debt outstanding	\$ 25.8	\$ 26.7
Other liabilities	3.2	2.6
Total Liabilities	<u>\$ 29.0</u>	<u>\$ 29.3</u>
Net Assets		
Invested in capital assets, net of debt	\$ 57.8	\$ 55.6
Restricted	5.0	4.4
Unrestricted	13.2	10.8
Total Net Assets	<u><u>\$ 76.0</u></u>	<u><u>\$ 70.8</u></u>

Net assets of the County's governmental activities increased to (\$76.0 million compared to \$70.8 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from a \$10.8 million surplus at December 31, 2008, to \$13.2 million at the end of this year.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 5.3	\$ 5.2
Operating grants and contributions	12.6	13.1
Capital grants and contributions	4.7	-
General revenues		
Property taxes	14.2	14.7
Grants and contributions	3.3	3.0
Other general revenues	0.2	0.9
Total Revenues	\$ 40.3	\$ 36.9
Program Expenses		
General government	\$ 4.5	\$ 5.7
Public safety	6.1	5.6
Highways and streets	9.8	8.1
Human services	8.0	9.9
Health	3.4	3.5
Sanitation	0.4	0.4
Culture and recreation	0.4	0.3
Conservation of natural resources	1.4	2.1
Economic development	-	0.1
Interest	1.1	1.2
Total Program Expenses	\$ 35.1	\$ 36.9
Increase (Decrease) in Net Assets	\$ 5.2	\$ -

Governmental Activities

Revenues were \$40.3 million and expenses were \$35.1 million for the County's governmental activities. This resulted in an increase of \$5.2 million to net assets in the year ended December 31, 2009.

The amount that taxpayers ultimately financed for these activities through County taxes and other general sources was only \$17.8 million because some of the cost was paid by those who directly benefited from the programs (\$5.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$17.3 million). The County paid for the remaining "public benefit" portion of governmental activities with \$17.8 million in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the County’s six largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

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

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Highways and streets	\$ 9.8	\$ 0.3	\$ 8.1	\$ 3.2
Human services	8.1	3.5	9.9	5.4
Public safety	6.1	3.6	5.6	2.7
General government	4.5	3.5	5.7	4.0
Health	3.4	1.2	3.5	0.9
Conservation of natural resources	1.4	(0.6)	2.1	0.5
All others	1.9	1.1	2.0	1.9
Total	\$ 35.2	\$ 12.6	\$ 36.9	\$ 18.6

THE COUNTY’S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$16.3 million, which is \$2.5 million more than 2008. Included in this year’s total fund balance is a fund balance of \$6.1 million in the County’s General Fund, approximately \$0.5 million more than last year. The Ditch Special Revenue Fund’s change in fund balance, an increase of \$1.4 million from 2008, was caused by a \$1.1 million bond issuance at the end of 2009. The Social Services Special Revenue Fund has an increase of \$1.0 million. The Road and Bridge Special Revenue Fund shows a decrease of \$0.4 million.

General Fund Budgetary Highlights

During the year, the County made no budget amendments. The largest variance occurred in the Social Services Special Revenue Fund, where revenues were \$0.3 million higher than budget and expenses were \$1.3 million less than budget. Revenues were higher due to unbudgeted federal stimulus funds. Expenses were less than budget due to not filling vacancies and fewer out-of-home placements. The other large variance was the Ditch Special Revenue Fund \$1.4 million. This was the result of a bond issue in December 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the County had \$78.6 million invested in a broad range of capital assets including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net decrease (including additions and deductions) of \$1.1 million, or 1.4 percent, from last year. This came mainly from current year depreciation.

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

	Governmental Activities	
	2009	2008
Land	\$ 4.1	\$ 4.1
Land improvements	0.7	0.7
Construction in progress	3.6	0.4
Buildings and improvements	27.3	28.1
Machinery, vehicles, furniture, and equipment	2.0	2.2
Infrastructure	40.9	40.6
Total	<u>\$ 78.6</u>	<u>\$ 76.1</u>

Debt

At year-end, the County had \$24.5 million in bonds and notes outstanding, versus \$25.4 million last year, a decrease of 3.5 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End
(in Millions)

	Governmental Activities	
	2009	2008
General obligation bonds and notes (backed by the County)	\$ 7.5	\$ 8.3
Special assessment bonds	3.5	2.9
General obligation lease revenue	5.9	6.2
Lease revenue bonds	7.6	8.0
Total	<u>\$ 24.5</u>	<u>\$ 25.4</u>

The County's general obligation bond rating was "A+" at its last bond issuance in December 2009, and there has been no change since then. Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- County General Fund expenditures for 2010 are budgeted to increase 11.2 percent over 2009.
- The combined budget for 2009 increased \$436,532, or 1.2 percent, over the 2009 budget.
- The state decreased County aids for 2010 by \$85,000 and, in December 2009, unallotted \$225,000.
- Property tax levies have increased 3.7 percent for 2010.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$	16,459,720
Petty cash and change funds		2,275
Investment in joint venture		908,218
Taxes receivable		
Prior - net		611,796
Special assessments receivable		
Prior - net		63,011
Noncurrent - net		2,773,847
Accounts receivable - net		1,302,996
Accrued interest receivable		67,146
Loan receivable		461,273
Due from other governments		1,606,181
Inventories		167,935
Restricted assets		
Restricted cash and investments on deposit for debt service		1,054,400
Deferred charges		73,145
Leases receivable		810,000
Capital assets		
Non-depreciable		8,427,536
Depreciable - net of accumulated depreciation		70,180,588
		104,970,067
Total Assets	\$	104,970,067

Liabilities

Accounts payable	\$	775,382
Salaries payable		829,403
Contracts payable		10,264
Due to other governments		344,972
Accrued interest payable		452,699
Advances from other governments		756,443
Long-term liabilities		
Due within one year		1,662,494
Due in more than one year		24,157,501
		28,989,158
Total Liabilities	\$	28,989,158

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

Net Assets

Invested in capital assets - net of related debt	\$	57,788,446
Restricted for		
General government		396,579
Public safety		894,567
Highways and streets		523,933
Human services		690,600
Conservation of natural resources		1,273,119
Debt service		850,454
Economic development		208,251
Endowment - nonexpendable		135,239
Unrestricted		<u>13,219,721</u>
Total Net Assets	\$	<u><u>75,980,909</u></u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 2

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 4,517,111	\$ 860,546	\$ 202,354	\$ -	\$ (3,454,211)
Public safety	6,074,484	1,686,943	740,569	-	(3,646,972)
Highways and streets	9,783,266	148,153	4,616,625	4,679,024	(339,464)
Sanitation	408,694	1,785	357,238	-	(49,671)
Human services	8,045,315	989,438	3,579,259	-	(3,476,618)
Health	3,390,253	761,065	1,395,382	-	(1,233,806)
Culture and recreation	399,260	19,635	63,591	-	(316,034)
Conservation of natural resources	1,431,238	382,545	1,647,653	8,038	606,998
Economic development	35,000	464,400	-	-	429,400
Interest	1,113,919	-	-	-	(1,113,919)
Total Governmental Activities	\$ 35,198,540	\$ 5,314,510	\$ 12,602,671	\$ 4,687,062	\$ (12,594,297)
General Revenues					
Property taxes				\$ 14,226,146	
Gravel taxes				27,947	
Mortgage registry and deed tax				16,566	
Payments in lieu of tax				15,672	
Grants and contributions not restricted to specific programs				3,277,584	
Unrestricted investment earnings				176,194	
Miscellaneous				47,445	
Gain on sale of capital assets				4,905	
Total general revenues				\$ 17,792,459	
Change in net assets				\$ 5,198,162	
Net Assets - Beginning				70,782,747	
Net Assets - Ending				\$ 75,980,909	

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>						
Cash and pooled investments	\$ 5,384,807	\$ 2,710,934	\$ 4,854,076	\$ 2,314,463	\$ 1,195,440	\$ 16,459,720
Petty cash and change funds	2,275	-	-	-	-	2,275
Taxes receivable						
Prior	306,788	98,596	176,048	-	30,364	611,796
Special assessments						
Prior	35,080	-	-	25,674	2,257	63,011
Noncurrent	-	-	-	2,773,628	219	2,773,847
Accounts receivable	139,008	1,606	926,379	-	-	1,066,993
Accrued interest receivable	66,695	-	-	-	451	67,146
Loans receivable	280,764	-	-	-	180,509	461,273
Due from other funds	42,366	13,458	-	-	-	55,824
Due from other governments	313,330	555,867	734,955	2,029	-	1,606,181
Leases receivable	810,000	-	-	-	-	810,000
Inventories	-	167,935	-	-	-	167,935
Advances to other funds	558,503	-	-	-	-	558,503
Total Assets	<u>\$ 7,939,616</u>	<u>\$ 3,548,396</u>	<u>\$ 6,691,458</u>	<u>\$ 5,115,794</u>	<u>\$ 1,409,240</u>	<u>\$ 24,704,504</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 370,958	\$ 40,073	\$ 307,685	\$ 56,666	\$ -	\$ 775,382
Salaries payable	493,260	110,500	225,643	-	-	829,403
Contracts payable	-	10,264	-	-	-	10,264
Due to other funds	2,141	-	53,683	-	-	55,824
Due to other governments	91,452	2,578	237,863	9,819	3,260	344,972
Deferred revenue - unavailable	902,956	616,833	943,720	2,799,302	26,698	5,289,509
Advance from other governments	-	756,443	-	-	-	756,443
Advance from other funds	-	-	-	322,500	-	322,500
Total Liabilities	\$ 1,860,767	\$ 1,536,691	\$ 1,768,594	\$ 3,188,287	\$ 29,958	\$ 8,384,297
Fund Balances						
Reserved for						
Debt service	\$ -	\$ -	\$ -	\$ 1,042,221	\$ 967,139	\$ 2,009,360
Inventories	-	167,935	-	-	-	167,935
Advances to other funds	558,503	-	-	-	-	558,503
Law library	79,907	-	-	-	-	79,907
Recorder's technology compliance	124,112	-	-	-	-	124,112
Recorder's equipment	188,233	-	-	-	-	188,233
Enhanced 911	308,304	-	-	-	-	308,304
Attorney's forfeited property	4,327	-	-	-	-	4,327
Loans receivable	182,649	-	-	-	-	182,649
Endowments	-	-	-	-	135,239	135,239
Economic development	-	-	-	-	58,273	58,273
Health care	-	-	690,600	-	-	690,600
Unreserved						
Designated for						
Cash flows	3,241,194	544,862	2,445,878	-	-	6,231,934
Compensated absences	842,593	195,878	304,145	-	-	1,342,616
Contingencies	-	-	-	-	-	-
Future expenditures	-	1,103,030	-	-	-	1,103,030
Undesignated	549,027	-	1,482,241	885,286	-	2,916,554
Unreserved, reported in nonmajor						
Debt service funds	-	-	-	-	218,375	218,375
Permanent fund	-	-	-	-	256	256
Total Fund Balances	\$ 6,078,849	\$ 2,011,705	\$ 4,922,864	\$ 1,927,507	\$ 1,379,282	\$ 16,320,207
Total Liabilities and Fund Balances	\$ 7,939,616	\$ 3,548,396	\$ 6,691,458	\$ 5,115,794	\$ 1,409,240	\$ 24,704,504

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		\$ 16,320,207
Amounts reported for governmental activities in the statement of net assets are different because:		
Investment in joint venture is not reported in the governmental funds because it is not a current financial resource.		908,218
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		78,608,124
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,289,509
An Internal Service Fund is used by management to charge the cost of building facilities to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets. (See Exhibit 7.)		
Total Internal Service Fund net assets	\$ 2,798,503	
Net assets representing capital assets included above	(15,297,727)	
Net assets representing long-term debt included below	<u>13,626,769</u>	1,127,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (7,470,000)	
General obligation lease revenue bonds	(5,850,000)	
Lease revenue bonds	(7,585,000)	
Compensated absences	(1,342,616)	
Loans payable	(141,508)	
Special assessment debt payable	(3,535,000)	
Accrued interest payable	(452,699)	
Unamortized discount	<u>104,129</u>	<u>(26,272,694)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 75,980,909</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 5

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,820,659	\$ 2,726,546	\$ 4,848,245	\$ -	\$ 754,462	\$ 14,149,912
Special assessments	355,490	-	-	1,558,782	123,369	2,037,641
Licenses and permits	106,666	20,175	-	-	-	126,841
Intergovernmental	4,780,630	6,502,063	4,649,010	20,403	-	15,952,106
Charges for services	2,595,138	11,813	618,290	-	-	3,225,241
Fines and forfeits	33,520	-	1,170	-	-	34,690
Gifts and contributions	12,516	-	36,176	-	22,400	71,092
Investment earnings	169,931	-	-	-	6,263	176,194
Miscellaneous	498,867	147,694	671,002	14,862	464,400	1,796,825
Total Revenues	\$ 14,373,417	\$ 9,408,291	\$ 10,823,893	\$ 1,594,047	\$ 1,370,894	\$ 37,570,542
Expenditures						
Current						
General government	\$ 5,056,887	\$ -	\$ -	\$ -	\$ -	\$ 5,056,887
Public safety	5,697,026	-	248,273	-	-	5,945,299
Highways and streets	6,687	9,767,665	-	-	-	9,774,352
Sanitation	393,711	-	-	-	-	393,711
Human services	3,751	-	7,754,417	-	-	7,758,168
Health	1,510,898	-	1,869,220	-	-	3,380,118
Culture and recreation	399,260	-	-	-	-	399,260
Conservation of natural resources	589,767	-	-	828,707	970	1,419,444
Economic development	35,000	-	-	-	-	35,000
Capital outlay	165,498	-	-	-	-	165,498
Debt service						
Principal	-	-	-	310,459	1,003,860	1,314,319
Interest	-	-	-	89,206	365,109	454,315
Administrative (fiscal) charges	-	-	-	620	2,341	2,961
Total Expenditures	\$ 13,858,485	\$ 9,767,665	\$ 9,871,910	\$ 1,228,992	\$ 1,372,280	\$ 36,099,332
Excess of Revenues Over (Under) Expenditures	\$ 514,932	\$ (359,374)	\$ 951,983	\$ 365,055	\$ (1,386)	\$ 1,471,210

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

*EXHIBIT 5
(Continued)*

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Other Financing Sources (Uses)						
Bonds and notes issued	\$ -	\$ -	\$ -	\$ 1,060,000	\$ -	\$ 1,060,000
Discount on bonds/notes issued	-	-	-	(8,480)	-	(8,480)
Proceeds from sale of capital assets	4,905	-	-	-	-	4,905
Total Other Financing Sources (Uses)	<u>\$ 4,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051,520</u>	<u>\$ -</u>	<u>\$ 1,056,425</u>
Net Change in Fund Balance	\$ 519,837	\$ (359,374)	\$ 951,983	\$ 1,416,575	\$ (1,386)	\$ 2,527,635
Fund Balance - January 1	5,559,012	2,376,047	3,970,881	510,932	1,380,668	13,797,540
Increase (decrease) in reserved for inventories	<u>-</u>	<u>(4,968)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,968)</u>
Fund Balance - December 31	<u><u>\$ 6,078,849</u></u>	<u><u>\$ 2,011,705</u></u>	<u><u>\$ 4,922,864</u></u>	<u><u>\$ 1,927,507</u></u>	<u><u>\$ 1,379,282</u></u>	<u><u>\$ 16,320,207</u></u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,527,635

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

In the funds, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenues. In the statement of net assets, an asset is reported for the equity interest in joint ventures, and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in the net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture. (268,850)

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	\$ 5,289,509	
Deferred revenue - January 1	<u>(5,748,976)</u>	(459,467)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 1,946,172	
Contributed infrastructure asset	3,283,081	
Net book value of assets disposed	(35,879)	
Current year depreciation	<u>(2,296,506)</u>	2,896,868

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets. 262,005

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

Change in accrued interest payable	\$ 26,787	
Change in OPEB asset	(15,610)	
Change in compensated absences	(57,597)	
Change in inventories	<u>(4,968)</u>	(51,388)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Fund are reported with governmental activities. 291,359

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 5,198,162

PROPRIETARY FUND

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET ASSETS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
DECEMBER 31, 2009**

Assets

Restricted assets

Cash and pooled investments on deposit for debt service	\$ <u>1,054,400</u>
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Noncurrent assets

Deferred debt issuance costs	\$ 73,145
Capital assets	
Depreciable - net	<u>15,297,727</u>

Total noncurrent assets	\$ <u>15,370,872</u>
--------------------------------	-----------------------------

Total Assets	\$ <u>16,425,272</u>
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Liabilities

Current liabilities payable from restricted assets

Interest payable	\$ 277,093
Revenue bonds payable - current	<u>720,000</u>

Total current liabilities payable from restricted assets	\$ 997,093
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Noncurrent liabilities

Revenue bonds payable - long-term	<u>12,629,676</u>
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Total Liabilities	\$ <u>13,626,769</u>
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Net Assets

Invested in capital assets - net of related debt	\$ 1,948,049
Restricted for debt service	<u>850,454</u>

Total Net Assets	\$ <u><u>2,798,503</u></u>
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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues	
Rental income	\$ 1,400,724
Operating Expenses	
Depreciation	<u>426,729</u>
Operating Income (Loss)	<u>\$ 973,995</u>
Nonoperating Revenues (Expenses)	
Interest expense	\$ (670,525)
Bond issuance expense	<u>(12,111)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (682,636)</u>
Change in Net Assets	\$ 291,359
Net Assets - January 1	<u>2,507,144</u>
Net Assets - December 31	<u><u>\$ 2,798,503</u></u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	<u>\$ 1,400,724</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (695,000)
Interest paid on long-term debt	<u>(682,285)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (1,377,285)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 23,439</u>
Cash and Cash Equivalents at January 1	<u>1,030,961</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,054,400</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 973,995
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	<u>426,729</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,400,724</u></u>

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FIDUCIARY FUNDS

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 10

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

	Private-Purpose Trust	Agency Funds
<u>Assets</u>		
Cash and pooled investments	\$ 11,885	\$ 724,508
Due from other governments	-	36,645
	\$ 11,885	\$ 761,153
<u>Liabilities</u>		
Due to other governments	\$ -	\$ 525,150
Advance from General Fund	-	236,003
	\$ -	\$ 761,153
<u>Net Assets</u>		
Net assets, held in trust for other purposes	\$ 11,885	

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Investment earnings	
Interest	\$ 700
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>-</u>
Change in Net Assets	\$ 700
Net Assets - January 1	<u>11,185</u>
Net Assets - December 31	<u>\$ 11,885</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Freeborn County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Freeborn County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

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

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$169,931.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

All receivables are shown net of an allowance for uncollectibles.

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

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

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

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

7. Compensated Absences

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

8. Deferred Revenue

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

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

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

10. Fund Equity

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

11. Use of Estimates

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

For the year ended December 31, 2009, expenditures exceeded budgeted amounts in the following funds:

	Final Budget	Expenditures	Excess
Road and Bridge Special Revenue Fund	\$ 9,614,363	\$ 9,767,665	\$ 153,302

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	\$ 16,459,720
Petty cash and change funds	2,275
Internal Service Fund	
Cash and pooled investments on deposit for debt service	1,054,400
Fiduciary funds	
Cash and pooled investments	
Private-Purpose Trust Fund	11,885
Agency funds	724,508
Total Cash and Investments	\$ 18,252,788

a. Deposits

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have custodial credit risk as of December 31, 2009.

b. Investments

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

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

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.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County will minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed SIPC coverage's shall be transferred to the County custodian.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	AAA	S&P	39%	10/30/2012	\$ 501,405
Federal Home Loan Mortgage Corporation	AAA	S&P	39%	06/24/2013	494,335
Total U.S. government agency securities			78%		\$ 995,740

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
Negotiable certificates of deposit					
American Express Bank	N/A	N/A	7%	01/14/2010	\$ 95,061
GE Money Bank	N/A	N/A	7%	07/05/2011	95,512
Goldman Sachs Bank	N/A	N/A	7%	01/14/2011	96,301
Total negotiable certificates of deposit			22%		\$ 286,874
Total investments					\$ 1,282,614
Deposits					16,967,899
Petty cash					2,275
Total Cash and Investments					\$ 18,252,788

N/A - Not Applicable

N/R - Not Rated

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

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable, gross	\$ 2,181,858
Less: allowance for uncollectible Human Services Special Revenue Fund	<u>(878,862)</u>
Net Accounts Receivables	<u>\$ 1,302,996</u>

Receivables are expected to be collected within the next year.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 625,953	\$ -	\$ -	\$ 625,953
Highway infrastructure	3,534,332	-	-	3,534,332
Improvements other than buildings	700,490	-	-	700,490
Construction in progress				
Highway infrastructure	428,784	3,566,761	428,784	3,566,761
Total capital assets not depreciated	<u>\$ 5,289,559</u>	<u>\$ 3,566,761</u>	<u>\$ 428,784</u>	<u>\$ 8,427,536</u>
Capital assets depreciated				
Buildings and improvements	\$ 31,886,633	\$ -	\$ -	\$ 31,886,633
Other land improvements	110,838	-	-	110,838
Machinery, furniture, and equipment	5,633,333	371,111	265,865	5,738,579
Infrastructure - sewer	391,579	-	-	391,579
Infrastructure - highway	82,645,386	1,720,165	67,317	84,298,234
Total capital assets depreciated	<u>\$ 120,667,769</u>	<u>\$ 2,091,276</u>	<u>\$ 333,182</u>	<u>\$ 122,425,863</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,909,440	\$ 799,363	\$ -	\$ 4,708,803
Other land improvements	6,004	5,542	-	11,546
Machinery, furniture, and equipment	3,398,520	568,535	255,046	3,712,009
Infrastructure - sewer	137,301	15,833	-	153,134
Infrastructure - highway	42,368,078	1,333,962	42,257	43,659,783
Total accumulated depreciation	<u>\$ 49,819,343</u>	<u>\$ 2,723,235</u>	<u>\$ 297,303</u>	<u>\$ 52,245,275</u>
Total capital assets depreciated, net	<u>\$ 70,848,426</u>	<u>\$ (631,959)</u>	<u>\$ 35,879</u>	<u>\$ 70,180,588</u>
Capital Assets, Net	<u>\$ 76,137,985</u>	<u>\$ 2,934,802</u>	<u>\$ 464,663</u>	<u>\$ 78,608,124</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government	\$	840,530
Public safety		87,828
Highways and streets, including depreciation of infrastructure assets		1,770,121
Human services		7,928
Health		1,845
Sanitation		14,983
Total Depreciation Expense - Governmental Activities	\$	2,723,235

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Description	Amount
General Fund	Social Services Special Revenue Fund	Services provided	\$ 42,366
Road and Bridge Special Revenue Fund	Social Services Special Revenue Fund General Fund	Services provided Services provided	\$ 11,317 2,141
Total due to Road and Bridge Special Revenue Fund			\$ 13,458
Total Due To/From Other Funds			\$ 55,824

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 322,500
	Motor Vehicle Agency Fund	25,000
	Payroll Clearing Agency Fund	21,300
	Insurance Agency Fund	116,703
	Turtle Creek Watershed Agency Fund	73,000
Total Advances To/From Other Funds		<u>\$ 558,503</u>

C. Liabilities

1. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General Obligation Bonds					
2002 G.O. Criminal Justice Bonds	2023	\$255,000 - \$695,000	3.00 - 5.00	<u>\$ 9,600,000</u>	<u>\$ 7,470,000</u>
Ditch Series 2006 G.O. Special Assessment Bonds	2022	\$325,000 - \$35,000	3.625 - 4.15	\$ 3,020,000	\$ 2,370,000
Ditch Series 2009 G.O. Special Assessment Bonds	2022	\$85,000 - \$90,000	1.15 - 3.75	<u>1,060,000</u>	<u>1,060,000</u>
Total G.O. Special Assessment Bonds				<u>\$ 4,080,000</u>	<u>\$ 3,430,000</u>
Special Assessment Refunding Bonds with Government Commitment	2010	\$120,000 - \$105,000	2.25 - 3.35	<u>\$ 800,000</u>	<u>\$ 105,000</u>
2002 Law Enforcement Center G.O. Lease Revenue Bonds	2023	\$190,000 - \$550,000	3.25 - 5.00	<u>\$ 7,470,000</u>	\$ 5,850,000
Less: unamortized discount					<u>(22,975)</u>
Lease Revenue Bonds, Net					<u>\$ 5,827,025</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
2002 Criminal Justice Lease Revenue Bonds	2023	\$230,000 - \$720,000	3.50 - 5.50	\$ 9,630,000	\$ 7,585,000
Less: unamortized discount					(62,347)
Lease Revenue Bonds, Net					\$ 7,522,653
Minnesota Department of Employment and Economic Development loan	2013	\$6,007 - \$42,606	3.00	\$ 280,000	\$ 141,508

2. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds		Special Assessment Ditch Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 410,000	\$ 321,890	\$ 325,000	\$ 98,595
2011	425,000	305,703	365,000	97,456
2012	440,000	288,402	370,000	86,300
2013	455,000	270,502	340,000	75,363
2014	475,000	251,903	345,000	64,632
2015 - 2019	2,670,000	932,995	1,310,000	175,915
2020 - 2024	2,595,000	259,461	375,000	21,544
Total	\$ 7,470,000	\$ 2,630,856	\$ 3,430,000	\$ 619,805

Year Ending December 31	Law Enforcement G.O. Lease Revenue Bonds		Criminal Justice Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 315,000	\$ 252,354	\$ 405,000	\$ 397,144
2011	330,000	239,847	420,000	377,025
2012	340,000	226,447	435,000	355,650
2013	355,000	212,547	455,000	332,547
2014	370,000	198,048	475,000	307,553
2015 - 2019	2,090,000	734,795	2,710,000	1,121,787
2020 - 2024	2,050,000	205,382	2,685,000	304,013
Total	\$ 5,850,000	\$ 2,069,420	\$ 7,585,000	\$ 3,195,719

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Debt Service Requirements (Continued)

Year Ending December 31	Special Assessment Refunding Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2010	\$ 105,000	\$ 1,759	\$ 35,363	\$ 3,762
2011	-	-	36,438	2,686
2012	-	-	37,547	1,578
2013	-	-	32,160	444
Total	<u>\$ 105,000</u>	<u>\$ 1,759</u>	<u>\$ 141,508</u>	<u>\$ 8,470</u>

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	\$ 8,315,000	\$ -	\$ 845,000	\$ 7,470,000	\$ 410,000
Special assessment refunding bonds	215,000	-	110,000	105,000	105,000
Special assessment G.O. bond	2,695,000	1,060,000	325,000	3,430,000	325,000
G.O. lease revenue	6,155,000	-	305,000	5,850,000	315,000
Lease revenue bonds	7,975,000	-	390,000	7,585,000	405,000
Less: deferred amounts for issuance discounts	(102,964)	(8,480)	(7,316)	(104,128)	-
Total bonds payable	\$ 25,252,036	\$ 1,051,520	\$ 1,967,684	\$ 24,335,872	\$ 1,560,000
Loans payable	175,827	-	34,319	141,508	35,363
Compensated absences	1,285,019	57,596	-	1,342,615	67,131
Long-Term Liabilities	<u>\$ 26,712,882</u>	<u>\$ 1,109,116</u>	<u>\$ 2,002,003</u>	<u>\$ 25,819,995</u>	<u>\$ 1,662,494</u>

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County 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 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2009:

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 660,611	\$ 627,647	\$ 561,051
Public Employees Police and Fire Fund	166,107	145,276	127,340
Public Employees Correctional Fund	137,658	114,684	109,543

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

C. Defined Contribution Plan

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.0 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,615	\$ 8,615
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

D. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Freeborn County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with Southeast Service Cooperative, is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. Retirees hired prior to April 7, 1987, are entitled to

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

D. Other Postemployment Benefits (OPEB) (Continued)

a fixed County contribution of \$113.02 per month. This benefit can only be used with the County insurance plan. The premium is based on a Medicare Supplement rate determined on retiree population for all retirees 65 and older. As of January 1, 2008, there were 60 retirees receiving Medicare Supplements health benefits from the County's health plan. There were 9 retirees rated with the active employee plan.

As of year-end, the County has 63 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2009, the County expended \$78,729 for these benefits.

Elected Officials

The County offers the same benefit to elected officials. This benefit is funded on a pay-as-you-go basis. Freeborn County has 8 former elected officials eligible for this benefit. The County expended \$9,342 for this benefit in 2009.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The County has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 75,271
Interest on net OPEB obligation	-
Adjustment to ARC	<u>28,410</u>
Annual OBEB cost	\$ 103,681
Contribution during the year	<u>(88,071)</u>
Decrease in net OPEB obligation	\$ 15,610
Net OPEB Obligation - Beginning of Year	<u>(15,610)</u>
Net OBEB Obligation - End of Year	<u>\$ -</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

D. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2009, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 75,271	\$ 90,881	120.74%	\$ (15,610)
December 31, 2009	103,681	88,071	84.94	-

Funded Status and Funding Progress

As of June 30, 2008, the actuarial accrued liability for benefits was \$2,242,530, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$12,245,942, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.2 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

D. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for 36 active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the members would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the “Social Security On-Line” statistics. The 2008 Trustee Report Cohort Life Tables V.A4 for Males and for Females were used.

Turnover - Non-group-specific, age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Cost trend rate - The benefit is a fixed amount with no escalators.

Health insurance premiums - The benefit is fixed at \$113.02 per month. The actual health insurance premium has no bearing on the County’s future cost.

Inflation rate - The cost is fixed; there is no inflation rate.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

D. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008, was 30 years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 and \$450,000 per claim in 2009 and 2010, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Family Services Collaborative

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

Control of the Collaborative is vested in a Board of Directors. Freeborn County appoints 2 members to this 13-member Board. The Freeborn County Department of Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2005, Freeborn County provided no funding. In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the Minnesota Department of Education.

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Services Collaborative (Continued)

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

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2008, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. The agreement was in accordance with Section 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the nine participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2009, was \$908,218. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services expenses.

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

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

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

D. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Freeborn County expended \$100,836 to the Cooperative.

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. During the year, Freeborn County expended \$625 to the Project.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) was established to provide various health services to member counties. During the year, Freeborn County made no payments to the EMS.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board was established to provide regional water quality services to member counties. During the year, Freeborn County made no payments to the Board.

Southeastern Minnesota Library

The Southeastern Minnesota Library was established to provide library services to member counties. During the year, Freeborn County expended \$262,000 to the Library.

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force was established to provide drug investigation services to member counties. During the year, Freeborn County expended \$6,500 to the Task Force.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

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

E. Tax Increment Financing

The Freeborn County Housing and Redevelopment Authority is the administrative authority for the following tax increment financing district. This district was decertified as of February 17, 2009. This was in accordance with the original statutory maximum duration.

Tax Increment Financing District #1-1	
An Economic Development District	
Authorizing Law: Minn. Stat. §§ 469.174-469.179	
Year Established	1998
Duration of District	11 years
Original Net Tax Capacity	\$ 1,632
Current Net Tax Capacity	94,672
Captured Net Tax Capacity	-
Retained by Authority	42,555
Shared with Other Taxing Districts	52,117
Total General Obligation Bonds issued	\$ 3,220,000
Total loans incurred	-
Amounts redeemed (principal only)	<u>(3,220,000)</u>
Outstanding Bonds and Loans at December 31, 2009	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 1

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
June 30, 2008	\$ -	\$ 2,242,530	\$ 2,242,530	0.0%	\$ 12,245,942	18.4%

See Note 4.D., Other Postemployment Benefits, for more information.

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,900,333	\$ 5,900,333	\$ 5,820,659	\$ (79,674)
Special assessments	305,000	305,000	355,490	50,490
Licenses and permits	115,800	115,800	106,666	(9,134)
Intergovernmental	4,799,575	4,799,575	4,780,630	(18,945)
Charges for services	1,783,850	1,783,850	2,595,138	811,288
Fines and forfeits	32,500	32,500	33,520	1,020
Gifts and contributions	1,000	1,000	12,516	11,516
Investment earnings	801,000	801,000	169,931	(631,069)
Miscellaneous	976,950	976,950	498,867	(478,083)
Total Revenues	\$ 14,716,008	\$ 14,716,008	\$ 14,373,417	\$ (342,591)
Expenditures				
Current				
General government				
Commissioners	\$ 170,209	\$ 170,209	\$ 166,072	\$ 4,137
Courts	209,904	209,904	176,772	33,132
County administration	1,415,731	1,415,731	845,190	570,541
County auditor-treasurer	580,252	580,252	646,242	(65,990)
License bureau	251,519	251,519	234,000	17,519
County assessor	522,675	522,675	472,234	50,441
Elections	12,500	12,500	58,226	(45,726)
Data processing	383,141	383,141	377,708	5,433
Attorney	573,397	573,397	559,092	14,305
Law library	29,500	29,500	12,642	16,858
Recorder	364,901	364,901	448,172	(83,271)
Surveyor	15,000	15,000	8,915	6,085
Planning and zoning	129,605	129,605	159,671	(30,066)
Buildings and plant	954,679	954,679	721,818	232,861
Veterans service officer	152,038	152,038	145,028	7,010
Other general government	12,000	12,000	25,105	(13,105)
Total general government	\$ 5,777,051	\$ 5,777,051	\$ 5,056,887	\$ 720,164

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 2
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,896,103	\$ 1,896,103	\$ 2,130,683	\$ (234,580)
Boat and water safety	5,291	5,291	4,653	638
Ambulance	3,500	3,500	3,500	-
Coroner	80,243	80,243	80,243	-
E-911 system	64,520	64,520	9,805	54,715
County jail	2,187,415	2,187,415	2,503,604	(316,189)
Law enforcement center	154,500	154,500	44,234	110,266
Community corrections	702,580	702,580	810,578	(107,998)
Civil defense	63,486	63,486	103,226	(39,740)
Other public safety	11,300	11,300	6,500	4,800
Total public safety	\$ 5,168,938	\$ 5,168,938	\$ 5,697,026	\$ (528,088)
Highways and streets				
Administration	\$ 8,000	\$ 8,000	\$ 6,687	\$ 1,313
Sanitation				
Recycling	\$ 407,270	\$ 407,270	\$ 393,711	\$ 13,559
Human services				
Income maintenance	\$ 16,500	\$ 16,500	\$ 1,876	\$ 14,624
Social services	16,500	16,500	1,875	14,625
Total human services	\$ 33,000	\$ 33,000	\$ 3,751	\$ 29,249
Health				
Community health	\$ 365,123	\$ 365,123	\$ 379,124	\$ (14,001)
Administration	296,474	296,474	287,219	9,255
Health education	56,661	56,661	70,358	(13,697)
WIC	56,950	56,950	87,910	(30,960)
Maternal and child health	84,409	84,409	56,437	27,972
Disease prevention	47,100	47,100	53,657	(6,557)
Child and teen checkups	48,098	48,098	41,591	6,507
Home health	425,513	425,513	534,602	(109,089)
Total health	\$ 1,380,328	\$ 1,380,328	\$ 1,510,898	\$ (130,570)

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

*Schedule 2
(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Parks	\$ 70,900	\$ 70,900	\$ 106,427	\$ (35,527)
Museum	33,000	33,000	29,558	3,442
County/regional library	262,000	262,000	262,000	-
Other culture and recreation	1,275	1,275	1,275	-
Total culture and recreation	\$ 367,175	\$ 367,175	\$ 399,260	\$ (32,085)
Conservation of natural resources				
County extension	\$ 186,173	\$ 186,173	\$ 171,496	\$ 14,677
Soil and water conservation	141,000	141,000	141,000	-
Agricultural inspection	54,980	54,980	32,840	22,140
Agricultural society/County fair	65,000	65,000	56,943	8,057
Water planning	113,736	113,736	65,651	48,085
Water quality	22,600	22,600	47,563	(24,963)
Environmental services	79,966	79,966	74,274	5,692
Total conservation of natural resources	\$ 663,455	\$ 663,455	\$ 589,767	\$ 73,688
Economic development				
Community development	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Tourism	1,600	1,600	-	1,600
Other economic development	30,000	30,000	20,000	10,000
Total economic development	\$ 46,600	\$ 46,600	\$ 35,000	\$ 11,600
Capital outlay				
General government	\$ 55,000	\$ 55,000	\$ 44,175	\$ 10,825
Public safety	43,500	43,500	66,689	(23,189)
Highways and streets	50,000	50,000	54,634	(4,634)
Health	10,000	10,000	-	10,000
Total capital outlay	\$ 158,500	\$ 158,500	\$ 165,498	\$ (6,998)
Total Expenditures	\$ 14,010,317	\$ 14,010,317	\$ 13,858,485	\$ 151,832

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 2
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ 705,691	\$ 705,691	\$ 514,932	\$ (190,759)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	4,905	4,905
Net Change in Fund Balance	\$ 705,691	\$ 705,691	\$ 519,837	\$ (185,854)
Fund Balance - January 1	<u>5,559,012</u>	<u>5,559,012</u>	<u>5,559,012</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 6,264,703</u>	<u>\$ 6,264,703</u>	<u>\$ 6,078,849</u>	<u>\$ (185,854)</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,781,522	\$ 2,781,522	\$ 2,726,546	\$ (54,976)
Licenses and permits	-	-	20,175	20,175
Intergovernmental	6,375,000	6,375,000	6,502,063	127,063
Charges for services	-	-	11,813	11,813
Miscellaneous	56,750	56,750	147,694	90,944
Total Revenues	\$ 9,213,272	\$ 9,213,272	\$ 9,408,291	\$ 195,019
Expenditures				
Current				
Highways and streets				
Administration	\$ 342,382	\$ 342,382	\$ 343,932	\$ (1,550)
Maintenance	3,291,411	3,291,411	2,955,933	335,478
Construction	5,319,000	5,319,000	5,727,769	(408,769)
Equipment maintenance and shop	661,570	661,570	394,395	267,175
Other	-	-	345,636	(345,636)
Total Expenditures	\$ 9,614,363	\$ 9,614,363	\$ 9,767,665	\$ (153,302)
Excess of Revenues Over (Under) Expenditures	\$ (401,091)	\$ (401,091)	\$ (359,374)	\$ 41,717
Fund Balance - January 1	2,376,047	2,376,047	2,376,047	-
Increase (decrease) in reserved for inventories	-	-	(4,968)	(4,968)
Fund Balance - December 31	\$ 1,974,956	\$ 1,974,956	\$ 2,011,705	\$ 36,749

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 4

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,891,755	\$ 4,891,755	\$ 4,848,245	\$ (43,510)
Intergovernmental	4,884,189	4,884,189	4,649,010	(235,179)
Charges for services	705,700	705,700	618,290	(87,410)
Fines and forfeits	4,000	4,000	1,170	(2,830)
Gifts and contributions	40,300	40,300	36,176	(4,124)
Miscellaneous	1,000	1,000	671,002	670,002
Total Revenues	\$ 10,526,944	\$ 10,526,944	\$ 10,823,893	\$ 296,949
Expenditures				
Current				
Public safety				
Victim crisis	\$ 241,957	\$ 241,957	\$ 248,273	\$ (6,316)
Human services				
Income maintenance	\$ 2,322,163	\$ 2,322,163	\$ 2,338,230	\$ (16,067)
Social services	6,836,224	6,836,224	5,416,187	1,420,037
Total human services	\$ 9,158,387	\$ 9,158,387	\$ 7,754,417	\$ 1,403,970
Health				
Mental health center	\$ 1,780,403	\$ 1,780,403	\$ 1,869,220	\$ (88,817)
Total Expenditures	\$ 11,180,747	\$ 11,180,747	\$ 9,871,910	\$ 1,308,837
Excess of Revenues Over (Under)				
Expenditures	\$ (653,803)	\$ (653,803)	\$ 951,983	\$ 1,605,786
Fund Balance - January 1	3,970,881	3,970,881	3,970,881	-
Fund Balance - December 31	\$ 3,317,078	\$ 3,317,078	\$ 4,922,864	\$ 1,605,786

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 5

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 1,356,000	\$ 1,356,000	\$ 1,558,782	\$ 202,782
Intergovernmental	-	-	20,403	20,403
Miscellaneous	-	-	14,862	14,862
Total Revenues	\$ 1,356,000	\$ 1,356,000	\$ 1,594,047	\$ 238,047
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 925,000	\$ 925,000	\$ 828,707	\$ 96,293
Debt service				
Principal	325,000	325,000	310,459	14,541
Interest	106,000	106,000	89,206	16,794
Administrative (fiscal) charges	-	-	620	(620)
Total Expenditures	\$ 1,356,000	\$ 1,356,000	\$ 1,228,992	\$ 127,008
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 365,055	\$ 365,055
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,060,000	\$ 1,060,000
Proceeds from sale of capital assets	-	-	(8,480)	(8,480)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 1,051,520	\$ 1,051,520
Change in Fund Balance	\$ -	\$ -	\$ 1,416,575	\$ 1,416,575
Fund Balance - January 1	510,932	510,932	510,932	-
Fund Balance - December 31	\$ 510,932	\$ 510,932	\$ 1,927,507	\$ 1,416,575

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, all special revenue funds other than the Revolving Loan Fund, and all debt service funds other than the Tax Increment District #1 Fund and the Turtle Creek Watershed District Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (for example, purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the Road and Bridge Special Revenue Fund by \$153,302.

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

3. Other Postemployment Benefits

Beginning in 2008, Freeborn County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-actuarial-valuation data requirement as the information becomes available.

See Note 4.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

SUPPLEMENTARY INFORMATION

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

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

DEBT SERVICE FUNDS

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

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

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

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

PERMANENT FUND

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

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

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Statement 1

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

	<u>Special Revenue</u>	<u>Debt Service</u>			<u>Permanent Fund</u>	<u>Total (Exhibit 3)</u>
	<u>Revolving Loan</u>	<u>TIF #1</u>	<u>Courthouse Improvement</u>	<u>Turtle Creek Watershed District</u>	<u>U.S. Fish and Wildlife</u>	
<u>Assets</u>						
Cash and pooled investments	\$ 30,551	\$ 2,942	\$ 580,121	\$ 446,331	\$ 135,495	\$ 1,195,440
Taxes receivable						
Prior	-	-	30,364	-	-	30,364
Special assessments receivable						
Noncurrent	-	-	-	219	-	219
Prior	-	-	-	2,257	-	2,257
Accrued interest receivable	451	-	-	-	-	451
Loans receivable	180,509	-	-	-	-	180,509
Total Assets	\$ 211,511	\$ 2,942	\$ 610,485	\$ 448,807	\$ 135,495	\$ 1,409,240
<u>Liabilities and Fund Balances</u>						
Liabilities						
Due to other governments	\$ 3,260	\$ -	\$ -	\$ -	\$ -	\$ 3,260
Deferred revenue - unavailable	-	-	24,222	2,476	-	26,698
Total Liabilities	\$ 3,260	\$ -	\$ 24,222	\$ 2,476	\$ -	\$ 29,958
Fund Balances						
Reserved for debt service	\$ 149,978	\$ -	\$ 586,263	\$ 230,898	\$ -	\$ 967,139
Reserved for endowments	-	-	-	-	135,239	135,239
Reserved for economic development	58,273	-	-	-	-	58,273
Unreserved						
Undesignated	-	2,942	-	215,433	256	218,631
Total Fund Balances	\$ 208,251	\$ 2,942	\$ 586,263	\$ 446,331	\$ 135,495	\$ 1,379,282
Total Liabilities and Fund Balances	\$ 211,511	\$ 2,942	\$ 610,485	\$ 448,807	\$ 135,495	\$ 1,409,240

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Statement 2

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

	<u>Special Revenue Revolving Loan</u>	<u>Debt Service TIF #1</u>	<u>Courthouse Improvement</u>	<u>Turtle Creek Watershed District</u>	<u>Permanent Fund U.S. Fish and Wildlife</u>	<u>Total (Exhibit 3)</u>
Revenues						
Taxes	\$ -	\$ -	\$ 754,462	\$ -	\$ -	\$ 754,462
Special assessments	-	-	-	123,369	-	123,369
Investment earnings	6,007	-	-	-	256	6,263
Gifts and contributions	-	-	-	-	22,400	22,400
Miscellaneous	-	464,400	-	-	-	464,400
Total Revenues	\$ 6,007	\$ 464,400	\$ 754,462	\$ 123,369	\$ 22,656	\$ 1,370,894
Expenditures						
Current						
Conservation of natural resources	\$ -	\$ -	\$ -	\$ -	\$ 970	\$ 970
Debt service						
Principal	34,319	450,000	395,000	124,541	-	1,003,860
Interest	4,805	14,400	336,490	9,414	-	365,109
Administrative (fiscal) charges	-	1,050	600	691	-	2,341
Total Expenditures	\$ 39,124	\$ 465,450	\$ 732,090	\$ 134,646	\$ 970	\$ 1,372,280
Excess of Revenues Over (Under) Expenditures	\$ (33,117)	\$ (1,050)	\$ 22,372	\$ (11,277)	\$ 21,686	\$ (1,386)
Fund Balance - January 1	241,368	3,992	563,891	457,608	113,809	1,380,668
Fund Balance - December 31	\$ 208,251	\$ 2,942	\$ 586,263	\$ 446,331	\$ 135,495	\$ 1,379,282

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 758,000	\$ 758,000	\$ 754,462	\$ (3,538)
Expenditures				
Debt service				
Principal	\$ 395,000	\$ 395,000	\$ 395,000	\$ -
Interest	353,000	353,000	336,490	16,510
Administrative (fiscal) charges	1,500	1,500	600	900
Total Expenditures	\$ 749,500	\$ 749,500	\$ 732,090	\$ 17,410
Net Change in Fund Balance	\$ 8,500	\$ 8,500	\$ 22,372	\$ 13,872
Fund Balance - January 1	563,891	563,891	563,891	-
Fund Balance - December 31	\$ 572,391	\$ 572,391	\$ 586,263	\$ 13,872

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Collections Fund accounts for the following:

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

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

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

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

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

The Refunding Section accounts for the refunding of property taxes.

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

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

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

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

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS
(Continued)

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

The Payroll Clearing Fund accounts for payroll withholdings.

The Insurance Fund accounts for insurance payments.

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

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

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Statement 3

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY COLLECTIONS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>48,651</u>	\$ <u>3,994,316</u>	\$ <u>3,966,337</u>	\$ <u>76,630</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>48,651</u>	\$ <u>3,994,316</u>	\$ <u>3,966,337</u>	\$ <u>76,630</u>
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>199,352</u>	\$ <u>281,078</u>	\$ <u>378,363</u>	\$ <u>102,067</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>199,352</u>	\$ <u>281,078</u>	\$ <u>378,363</u>	\$ <u>102,067</u>
 <u>RECORDER'S - CLEARING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>3,900</u>	\$ <u>35,936</u>	\$ <u>36,279</u>	\$ <u>3,557</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>3,900</u>	\$ <u>35,936</u>	\$ <u>36,279</u>	\$ <u>3,557</u>

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Statement 3
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAX COLLECTION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 298,835	\$ 41,033,807	\$ 40,989,746	\$ 342,896
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 17,784,745	\$ 17,784,745	\$ -
Due to other governments	298,835	23,249,062	23,205,001	342,896
Total Liabilities	\$ 298,835	\$ 41,033,807	\$ 40,989,746	\$ 342,896
 <u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 128,184	\$ 128,184	\$ -
Due from other governments	25,053	21,300	25,053	21,300
Total Assets	\$ 25,053	\$ 149,484	\$ 153,237	\$ 21,300
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 128,184	\$ 128,184	\$ -
Advance from governmental funds	25,053	21,300	25,053	21,300
Total Liabilities	\$ 25,053	\$ 149,484	\$ 153,237	\$ 21,300

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Statement 3
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>INSURANCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 115,014	\$ 1,689	\$ -	\$ 116,703
Due from other governments	1,689	-	1,689	-
	\$ 116,703	\$ 1,689	\$ 1,689	\$ 116,703
<u>Liabilities</u>				
Advance from governmental funds	\$ 116,703	\$ -	\$ -	\$ 116,703
 <u>MOTOR VEHICLE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 6,175,403	\$ 6,150,403	\$ 25,000
<u>Liabilities</u>				
Advance from governmental funds	\$ -	\$ 6,175,403	\$ 6,150,403	\$ 25,000

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

***Statement 3
(Continued)***

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TURTLE CREEK WATERSHED</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 95,789	\$ 172,487	\$ 210,621	\$ 57,655
Due from other governments	-	15,345	-	15,345
Total Assets	\$ 95,789	\$ 187,832	\$ 210,621	\$ 73,000
<u>Liabilities</u>				
Due to other governments	\$ 36,989	\$ 99,487	\$ 136,476	\$ -
Advance from governmental funds	58,800	73,000	58,800	73,000
Total Liabilities	\$ 95,789	\$ 172,487	\$ 195,276	\$ 73,000
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 761,541	\$ 51,822,900	\$ 51,859,933	\$ 724,508
Due from other governments	26,742	36,645	26,742	36,645
Total Assets	\$ 788,283	\$ 51,859,545	\$ 51,886,675	\$ 761,153
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 128,184	\$ 128,184	\$ -
Due to other funds	-	17,784,745	17,784,745	-
Due to other governments	587,727	27,659,879	27,722,456	525,150
Advance from governmental funds	200,556	6,269,703	6,234,256	236,003
Total Liabilities	\$ 788,283	\$ 51,842,511	\$ 51,869,641	\$ 761,153

OTHER SCHEDULE

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 7

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

Shared Revenue

State

Highway users tax	\$ 5,277,942
PERA rate reimbursement	44,126
Disparity reduction aid	46,422
Police aid	135,023
County program aid	1,698,627
Market value credit	1,488,409
Enhanced 911	113,571

Total shared revenue \$ 8,804,120

Reimbursement for Services

State

Minnesota Department of Human Services	<u>\$ 535,205</u>
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Payments

Local

Local contributions	\$ 115,500
Payments in lieu of taxes	15,672

Total payments \$ 131,172

Grants

State

Minnesota Department of	
Agriculture	\$ 600
Public Safety	47,879
Health	157,923
Natural Resources	67,495
Human Services	1,710,849
Corrections	173,511
Transportation	969,866
Board of Water and Soil Resources	82,965
Pollution Control Agency	83,768
Peace Officer Standards and Training Board	8,721

Total state \$ 3,303,577

Federal

Department of	
Agriculture	\$ 383,598
Justice	83,863
Health and Human Services	2,371,899
Homeland Security	97,233
Transportation	241,439

Total federal \$ 3,178,032

Total state and federal grants \$ 6,481,609

Total Intergovernmental Revenue \$ 15,952,106

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FREEBORN COUNTY
ALBERT LEA, MINNESOTA

Schedule 8

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Freeborn County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Freeborn County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Freeborn County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Freeborn County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Freeborn County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Medical Assistance Program	CFDA #93.778

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

I. Freeborn 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

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we proposed audit adjustments, which 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.

The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

Client's Response:

We will make every attempt to meet the recommendation of the State Auditor.

07-4 Segregation of Duties - Payroll

During our review of the County's payroll function, we noted those who process payroll also have the ability to change pay rates and add new employees. The County has implemented compensating controls by having the Audit Logging File reviewed by someone independent of this function, but we were unable to determine if this control was being performed. We also noted there should be segregation of duties between those who input/process payroll and those disbursing payroll. During our review of the County's payroll function, we noted the employee who inputs and processes payroll also disburses payroll and that the direct deposit confirmation is sent to this same employee.

We recommend the County document review procedures being performed and also that the County evaluate whether payroll/input can be segregated from the disbursing of payroll. Consideration should also be given to having the payroll direct deposit confirmation returned to someone other than the person disbursing payroll for review. If this is not practical, someone independent of the payroll processing function should review or monitor payroll input/processing before payroll disbursements are made.

Client's Response:

The Personnel Department is reviewing payroll runs and changes.

08-2 Departmental Internal Accounting Controls

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction. Due to the limited number of personnel within some County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Freeborn County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend when it is not feasible to segregate certain duties, Freeborn County's department management should implement monitoring procedures to verify that all collections received are immediately receipted and deposited in the County treasury on a timely basis. Monitoring procedures should also include the reviewing of the department's monthly collection reports to determine that the monthly collections meet budgetary expectations and is consistent with the prior years' monthly and year to date collections. Unexpected variance in the monthly collection should be investigated by the department management.

Client's Response:

We will make every attempt to meet the recommendation of the State Auditor.

ITEMS ARISING THIS YEAR

09-1 Disbursement Internal Controls

One basic objective of internal controls is to provide for segregation of incompatible duties so that no single individual can establish a vendor, authorize a transaction, record a transaction, and obtain custody of the asset resulting from the transaction. When it is not possible to limit an employee's incompatible duties, mitigating controls, such as independent review, should be implemented to ensure that transactions are authorized and appropriate.

We noted two employees have the ability to enter new vendors, create disbursements, print the warrants, and access the check stock. The County has procedures in place for the review of new vendors created, but the review was done only yearly. We also noted for the Social Service Information System Fiscal Payment disbursement process, several employees can create disbursements, approve disbursements, modify payments, and submit payment batch requests.

We recommend the County segregate the disbursement duties where possible. If this is not feasible, monitoring procedures should be established and be conducted in a timely manner.

Client's Response:

New vendor review will be done more timely.

Monitoring procedures exist that prevents anyone other than Dawn from having a payment batch processed in SSIS. Jane does not process the SSIS payment batch until she receives approval from Dawn. Dawn can see the payment batches created. Dawn would not give Jane the approval to process a batch she did not create. Before the warrant is mailed Al Olson compares the vendor invoices to the warrant register. For example: Even if computer personnel gave themselves the administrative rights to create a payment batch, procedures would prevent the batch from being processed and procedures prevent a warrant from being mailed before it has been reviewed against a valid vendor invoice.

09-2 Data Processing Policies and Procedures

The County does not have any written policies and procedures in place to address the following for their information technology systems: information security, operations development, termination of employees, risk assessments of the systems, and email encryption methods. All major policies and procedures related to the information technology systems should be documented so that employees are aware of the County's policies and procedures relating to security, operations development, and termination of employees.

We recommend the County Information Systems Department establish the policies and procedures relating to information technology systems.

Client's Response:

We will make every attempt to meet the recommendation of the State Auditor.

09-3 Payroll Policies

Payroll disbursements for individual employees did not always follow County policy. County policy states overtime hours are paid only for hours in excess of 40 hours per work week. Holiday hours, vacation time, or sick leave are not to be used in calculating overtime. Two of the 40 payroll disbursements tested included pay for vacation hours in the same week the employee was paid overtime.

We recommend that payments to employees be made based on hours worked, per County policy.

Client's Response:

The County has no response for this finding at this time.

PREVIOUSLY REPORTED ITEMS RESOLVED

Preparation of Financial Statements (07-2)

The County did not either prepare its own financial statements nor identify and train individuals to review, understand, and approve the County's financial statements, including the notes.

Resolution

The County has identified and trained individuals to review, understand, and approve the County's financial statements, including the notes.

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

The County Auditor/Treasurer has the ability to purchase, exchange, and sell investments. No other County employee reviewed or monitored County investments.

Resolution

The County has established review and monitoring procedures

Social Services Disbursement Internal Controls (08-1)

Disbursement duties were not properly segregated to prevent or detect misstatements. Also, no independent comparison of checks to the original documentation was made prior to the checks being disbursed and mailed. We also noted during the walkthrough of the process that signatures of approval were not being obtained for the child care vouchers.

Resolution

The County has established monitoring controls over the disbursement process.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

COMPLIANCE

ITEM ARISING THIS YEAR

09-4 Temporary Assistance for Needy Families Grant Reporting (CFDA #93.558)

Questioned Cost: \$44,268

The TANF Grant Guidelines for the Federal Temporary Assistance for Needy Families block grant indicates program costs can include salary and fringe benefits for staff directly involved in program activities. The County is charging \$46 per visit to this grant

that is not direct charges for salary and fringe. The \$46 is from the Freeborn County Public Health Nursing Service fee schedule. Therefore, there is \$44,268 of estimated questioned costs reported on the Local Public Health Grant - TANF Funds Report.

We recommend the County calculate program and administrative costs in accordance with the TANF Grant Guidelines. These guidelines require program costs to be actual costs to the County.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Lois Ahern, Director/CHS Administrator, Freeborn County Public Health.

Corrective Action Planned:

Freeborn County Public Health will use TANF Grant Guidelines to calculate program costs that are submitted for reimbursement. The guidelines require program costs to be actual costs to the County. The method used for claims submitted since January 1, 2010, is the following:

- a. Public health staff members who visit TANF eligible clients complete an electronic report that includes date of visit, direct and indirect time with the clients and mileage for the visit.*
- b. Public health accountant runs a quarterly report by employee and TANF activity to obtain hours worked in the TANF program. Our accountant determines the amount of the claim by multiplying the hours worked by each employee times that employee's current salary and fringe rate.*

Anticipated Completion Date:

Corrective action completed first quarter 2010.

PREVIOUSLY REPORTED ITEMS RESOLVED

Monitoring and Review of Case Files (CFDA #93.575/93.596, Child Care Block Grant) (08-3)

The case files for the Child Care Block Grant were not being reviewed by an employee independent of the data entry to determine that proper information was obtained for eligibility requirements, redeterminations are conducted, and information is accurately input into the state MAXIS system (prior to October 2008) or the state MEC² system (October 2008 and after) by the County financial workers.

Resolution

The County has established review and monitoring procedures

Social Services Disbursement Internal Controls (CFDA #93.575/93.596, Child Care Block Grant) (08-4)

During the review of the Social Services disbursement process, which includes the Child Care Block Grant, we noted that the disbursement duties were not properly segregated to prevent or detect misstatements. There is no independent review of checks to the original documentation prior to being disbursed and mailed.

Resolution

The County has established monitoring controls over the disbursement process.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Declaration Statement (08-5)

The declaration statement required by Minn. Stat. § 471.38 was not present on the County's disbursement claims and warrants reviewed.

Resolution

The County now has a declaration statement present on claims and warrants.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-5 Disaster Recovery Plan

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

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

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

We recommend the County continue to work on developing, implementing, and testing a disaster recovery plan. The Board should approve the formal plan. A copy should be stored at an off-site facility and with the leader of each recovery team. We also recommend the County periodically determine if the alternative computer system is compatible with the County's system.

Client's Response:

A Disaster Recovery Plan that encompasses the auditor's recommendations has been started.

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

During the review of the disbursements made in the Social Welfare Special Revenue Fund, we noted 7 of the 25 disbursements tested did not have documentation to support the checks written for individual clients. We also noted ten clients had checks issued resulting in a negative account balance during 2009.

We recommend the Social Services Department obtain proper supporting documentation before disbursement checks are written on behalf of clients. We also recommend checks only be issued when the client has a sufficient balance to cover the disbursement.

Client's Response:

We will make every attempt to meet the recommendation of the State Auditor.

PREVIOUSLY REPORTED ITEM RESOLVED

Investment Policy (07-9)

The County's investment policy did not address the various risks identified in Governmental Accounting Standards Board (GASB) Statement 40.

Resolution

The County investment policy now addresses the various risks identified in GASB Statement 40.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

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

Fund Balance Reporting

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

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

Governmental Fund Type Definitions

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

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



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

Board of County Commissioners
Freeborn County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-4, 08-2, and 09-1 through 09-3 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

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

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

During the course of our audit, we were notified of possible malfeasance, misfeasance, or nonfeasance by a County employee. In compliance with Minn. Stat. § 6.48, a separate report containing not public information has been filed with the Freeborn County Attorney to institute such proceedings as the law and public interest require.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 3, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Freeborn County

Compliance

We have audited the compliance of Freeborn County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Freeborn 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 Freeborn County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Freeborn County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as item 09-4.

Internal Control Over Compliance

Management of Freeborn County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freeborn County as of and for the year ended December 31, 2009, and have issued our report thereon dated December 3, 2010. Our audit was performed for the purpose of forming opinions on Freeborn County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by

OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 3, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 9

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

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	\$ 208,058
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program (SNAP) Cluster State Administrative Matching Grants for SNAP	10.561	169,229
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>6,311</u>
Total U.S. Department of Agriculture		\$ <u>383,598</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	\$ <u>83,863</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 228,773
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	7,517
Interagency Hazardous Material Public Sector Training and Planning Grants	20.703	<u>5,149</u>
Total U.S. Department of Transportation		\$ <u>241,439</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	\$ 40,027
Temporary Assistance for Needy Families	93.283	26,110
Maternal and Child Health Services Block Grant to the States	93.558	44,268
	93.994	37,915
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	493,555
Child Support Enforcement Cluster Child Support Enforcement	93.563	506,058
Child Support Enforcement - ARRA	93.563	90,628

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

Schedule 9
(Continued)

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services (Continued)		
Refugee and Entrant Assistance - State Administered Programs Child Care Cluster	93.566	473
Child Care Development Block Grant	93.575	2,930
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	27,989
Refugee and Entrant Assistance - State-Administered Programs	93.576	1,945
Child Welfare Services - State Grants	93.645	12,477
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	138,676
Foster Care Title IV-E - ARRA	93.658	8,147
Social Services Block Grant	93.667	223,190
Chafee Foster Care Independence Program	93.674	7,354
Medical Assistance Program	93.778	600,428
Block Grants for Community Mental Health Services	93.958	1,247
Passed Through National Association of Counties and Cities Health Officials		
Medical Reserve Corps Small Grant Program	93.008	10,000
Passed Through Mayo Foundation		
National Bioterrorism Hospital Preparedness Program	93.889	74,229
		<hr/>
Total U.S. Department of Health and Human Services		\$ 2,347,646
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		\$
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	62,233
Emergency Management Performance Grants	97.042	31,974
Homeland Security Grant Program	97.067	20,000
		<hr/>
Total U.S. Department of Homeland Security		\$ 114,207
		<hr/>
Total Federal Awards		\$ 3,170,753
		<hr/> <hr/>

FREEBORN COUNTY
ALBERT LEA, MINNESOTA

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,178,032
Grants received more than 60 days after year-end, deferred in 2009	
Child Support Enforcement (CFDA #93.563)	26,100
Emergency Management Performance Grants (CFDA #97.042)	16,974
Deferred in 2008, recognized as revenue in 2009	
Chafee Foster Care Independence Program (CFDA #93.674)	(41,222)
Foster Care Title IV-E (CFDA #93.658)	(811)
Medical Assistance Program (CFDA #93.778)	(8,320)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 3,170,753

**FREEBORN COUNTY
ALBERT LEA, MINNESOTA**

5. Subrecipients

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

6. American Recovery and Reinvestment Act

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