

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**YELLOW MEDICINE COUNTY**  
**GRANITE FALLS, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2007**

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Year Ended December 31, 2007**



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

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**TABLE OF CONTENTS**

|  | <u>Reference</u> | <u>Page</u> |
|--|------------------|-------------|
| <b>Introductory Section</b>  |                  |             |
| Organization   |                  | 1           |
| <b>Financial Section</b>   |                  |             |
| Independent Auditor's Report   |                  | 2           |
| Management's Discussion and Analysis   |                  | 4           |
| Basic Financial Statements   |                  |             |
| Government-Wide Financial Statements   |                  |             |
| Statement of Net Assets  | Exhibit 1        | 14          |
| Statement of Activities  | Exhibit 2        | 15          |
| Fund Financial Statements  |                  |             |
| Governmental Funds   |                  |             |
| Balance Sheet  | Exhibit 3        | 16          |
| Reconciliation of Governmental Funds Balance Sheet to the<br>Government-Wide Statement of Net Assets--Governmental<br>Activities   | Exhibit 4        | 18          |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances   | Exhibit 5        | 19          |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to the<br>Government-Wide Statement of Activities--Governmental<br>Activities | Exhibit 6        | 20          |
| Fiduciary Funds  |                  |             |
| Statement of Fiduciary Net Assets  | Exhibit 7        | 21          |
| Statement of Changes in Fiduciary Net Assets   | Exhibit 8        | 22          |
| Notes to the Financial Statements  |                  | 23          |
| <b>Required Supplementary Information</b>  |                  |             |
| Budgetary Comparison Schedules   |                  |             |
| General Fund   | Schedule 1       | 54          |
| Special Revenue Funds  |                  |             |
| Road and Bridge Fund   | Schedule 2       | 57          |
| Human Services Fund  | Schedule 3       | 58          |
| Ditch Fund   | Schedule 4       | 59          |
| Notes to the Required Supplementary Information  |                  | 60          |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**TABLE OF CONTENTS**

|   | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>Financial Section (Continued)</b>  |                  |             |
| Supplementary Information   |                  |             |
| Governmental Funds  |                  |             |
| Budgetary Comparison Schedule - Jail Bond Debt Service Fund   | Schedule 5       | 61          |
| Agency Funds  |                  |             |
| Combining Statement of Changes in Assets and Liabilities  | Statement 1      | 62          |
| Other Schedule  |                  |             |
| Schedule of Intergovernmental Revenue   | Schedule 6       | 63          |
| <b>Management and Compliance Section</b>  |                  |             |
| Schedule of Findings and Questioned Costs   | Schedule 7       | 64          |
| Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing<br/>    Standards</i> |                  | 71          |
| Report on Compliance with Requirements Applicable to Each<br>Major Program and Internal Control Over Compliance in<br>Accordance with OMB Circular A-133  |                  | 74          |
| Schedule of Expenditures of Federal Awards  | Schedule 8       | 77          |
| Notes to the Schedule of Expenditures of Federal Awards   |                  | 78          |



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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**ORGANIZATION  
2007**

| <u>Office</u>               | <u>Name</u>                   | <u>Term Expires</u> |
|-----------------------------|-------------------------------|---------------------|
| Commissioners               |                               |                     |
| 1st District                | Jane Remiger                  | January 2011        |
| 2nd District                | Dick Wambeke                  | January 2011        |
| 3rd District                | Gary Lee Johnson              | January 2009        |
| 4th District                | Ronald Antony <sup>1</sup>    | January 2011        |
| 5th District                | Louis Sherlin <sup>2</sup>    | January 2009        |
| Officers                    |                               |                     |
| Elected                     |                               |                     |
| Attorney                    | Keith Helgeson                | January 2011        |
| District Judge              | Bruce Christopherson          | January 2011        |
| County Recorder             | Kay Zempel                    | January 2011        |
| Sheriff                     | Bill Flaten                   | January 2011        |
| Appointed                   |                               |                     |
| Administrator               | Ryan Krosch                   | Indefinite          |
| Auditor-Treasurer           | Lois Bonde                    | Indefinite          |
| Assessor                    | Connie Erickson               | Indefinite          |
| Coroner                     | Kenneth Carter, M.D.          | Indefinite          |
| Highway Engineer            | Andrew Sander                 | Indefinite          |
| Planning and Zoning         | Randy Jacobson                | Indefinite          |
| Veterans Service Officer    | Michelle Gatz                 | Indefinite          |
| Family Service Center Board |                               |                     |
| Chair                       | Ronald Antony                 | January 2011        |
| Secretary                   | Catherine Thomas              | July 2011           |
| Member                      | Louis Sherlin                 | January 2009        |
| Member                      | Dick Wambeke                  | January 2011        |
| Member                      | Jane Remiger <sup>2</sup>     | January 2011        |
| Member                      | Gary Lee Johnson <sup>1</sup> | January 2009        |
| Member                      | Leona Smith                   | July 2010           |
| Director                    | Peggy Heglund                 | Indefinite          |

<sup>1</sup>Chair 2007

<sup>2</sup>Chair 2008

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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  
Yellow Medicine County

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic 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 Yellow Medicine County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules 1 through 4 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 conducted for the purpose of forming opinions on the basic financial statements of Yellow Medicine County. Schedules 5 through 7 and Statement 1 listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Yellow Medicine County. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2009, on our consideration of Yellow Medicine 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 12, 2009

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

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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

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

**FINANCIAL HIGHLIGHTS**

Governmental activities' total net assets are \$64,331,499, of which \$52,516,396 is invested in capital assets, net of related debt, and \$1,026,534 is restricted to specific purposes. The \$10,788,569 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$4,428,194 for the year ended December 31, 2007. A large part of the increase is attributable to the County's investing in capital assets funded by grants and contributions.

The net cost of governmental activities for the current fiscal year was \$3,759,762. General revenues and other items totaling \$8,187,956 funded the net cost.

The fund balances of the governmental funds increased by \$1,436,458. Most of the increase was due to the Highway revenues being \$643,740 more than expenditures. This increase, as well as less than anticipated costs in several departments, higher than anticipated jail fees received from other counties for boarding prisoners, insurance dividends for expenditures of prior years, and higher than anticipated investment earnings, accounted for the total increase in fund balance.

For the year ended December 31, 2007, the unreserved fund balance of the General Fund was \$4,221,092; or 82.2 percent of the total General Fund expenditures for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

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

The statement of net assets presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The statement of activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities or component units for which the County is legally accountable.

The government-wide statements can be found on Exhibits 1 and 2 of this report.

**Fund level statements** provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or 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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, and Jail Bond Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on Exhibits 7 and 8.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$64,331,499 at the close of 2007. The largest portion of the net assets (81.6 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

|   | Net Assets<br>(in thousands) |           |
|---|------------------------------|-----------|
|   | Governmental Activities      |           |
|   | 2007                         | 2006      |
| Assets  |                              |           |
| Current and other assets                        | \$ 16,192                    | \$ 15,009 |
| Capital assets                                  | 55,326                       | 52,201    |
| Total Assets                                    | \$ 71,518                    | \$ 67,210 |
| Liabilities                                     |                              |           |
| Long-term liabilities                           | \$ 6,145                     | \$ 6,360  |
| Other liabilities                               | 1,042                        | 947       |
| Total Liabilities                               | \$ 7,187                     | \$ 7,307  |
| Net Assets                                      |                              |           |
| Invested in capital assets, net of related debt | \$ 52,516                    | \$ 49,244 |
| Restricted                                      | 1,026                        | 1,091     |
| Unrestricted                                    | 10,789                       | 9,568     |
| Total Net Assets                                | \$ 64,331                    | \$ 59,903 |

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--is 16.8 percent of the net assets.

## Governmental Activities

The County's governmental activities increased net assets by 7.4 percent (\$64,331,499 for 2007 compared to \$59,903,305 for 2006). Key elements in this increase in net assets are as follows:

| <b>Changes in Net Assets</b><br><b>(in thousands)</b> |                                |                  |
|---|--------------------------------|------------------|
|   | <b>Governmental Activities</b> |                  |
|   | <b>2007</b>                    | <b>2006</b>      |
| Revenues  |                                |                  |
| Program revenues                                      |                                |                  |
| Charges for services                                  | \$ 1,518                       | \$ 1,422         |
| Operating grants and contributions                    | 5,344                          | 4,727            |
| Capital grants and contributions                      | 2,463                          | 1,862            |
| General revenue                                       |                                |                  |
| Property taxes  | 5,839                          | 5,457            |
| Other   | 2,349                          | 2,305            |
| Total Revenues  | <u>\$ 17,513</u>               | <u>\$ 15,773</u> |
| Expenses  |                                |                  |
| General government                                    | \$ 2,053                       | \$ 2,276         |
| Public safety   | 2,170                          | 2,120            |
| Highways and streets                                  | 3,988                          | 3,778            |
| Sanitation  | 81                             | 113              |
| Human services  | 3,563                          | 3,449            |
| Health  | 91                             | 91               |
| Culture and recreation                                | 260                            | 213              |
| Conservation of natural resources                     | 602                            | 605              |
| Economic development                                  | 29                             | 16               |
| Interest  | 248                            | 255              |
| Total Expenses  | <u>\$ 13,085</u>               | <u>\$ 12,916</u> |
| Excess of Revenues Over (Under) Expenses              | \$ 4,428                       | \$ 2,857         |
| Net Assets - January 1                                | <u>59,903</u>                  | <u>57,046</u>    |
| Net Assets - December 31                              | <u>\$ 64,331</u>               | <u>\$ 59,903</u> |

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

### Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,325,419, an increase of \$1,436,458 in comparison with the prior year. Of the combined ending fund balances, \$10,398,407 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$4,221,092. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund's unreserved fund balance represents 82.2 percent of total General Fund expenditures. During 2007, the ending fund balance increased by \$421,056. The primary reason for this increase was due to less than anticipated costs in several departments, revenues restricted for specific purposes not being used, higher than anticipated jail fees received from other counties for boarding prisoners, an increase in investment earnings, and insurance dividends for expenses of prior years.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$3,013,140 at fiscal year-end, representing 42.4 percent of its annual expenditures. The ending fund balance increased \$665,445 during 2007, primarily due to receiving intergovernmental revenues from a two-year road project completed partly in the prior year.

The Human Services Special Revenue Fund had an unreserved fund balance of \$2,687,823 at fiscal year-end, representing 75.1 percent of its annual expenditures. The ending fund balance increased \$391,175 during 2007, primarily due to lower than anticipated social service costs and an increase in interest earnings.

The Ditch Special Revenue Fund had an unreserved fund balance of \$476,352 at fiscal year-end. The ending fund balance decreased \$61,785 during 2007, primarily due to the 114 ditches needing more maintenance than was assessed to benefiting land owners.

The Jail Bond Debt Service Fund had a reserved fund balance of \$2,919,666 at fiscal year-end. The fund had fund balance reserved for debt service of \$383,546, representing 104.8 percent of its annual expenditures. The remaining reserved fund balance of \$2,536,120 is reserved in escrow for the refunding of the 1999 General Obligation Jail and Courthouse Bonds. The ending fund balance increased \$20,567 during 2007, primarily due to the bond covenant's requirement to levy 105 percent of the amount needed to make the subsequent years' principal and interest payments.

## Governmental Activities

The County's total revenues were \$17,512,894. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2007.

**Table 1**  
**Total County Revenues**

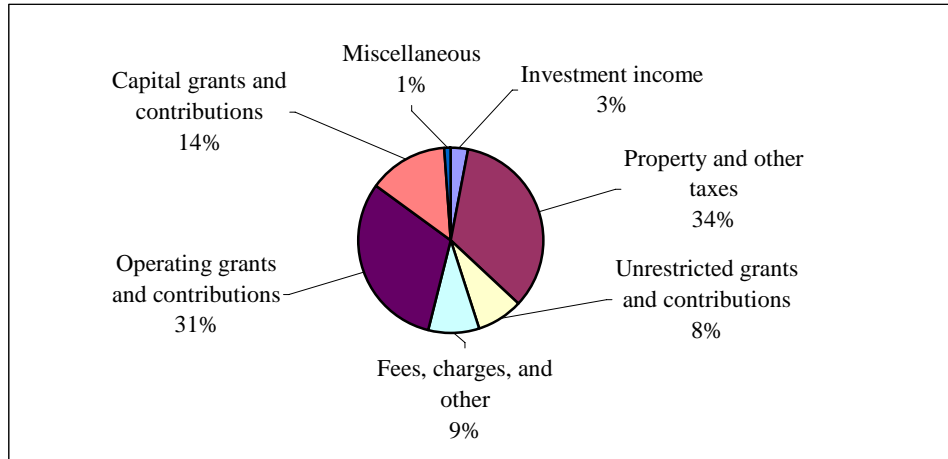
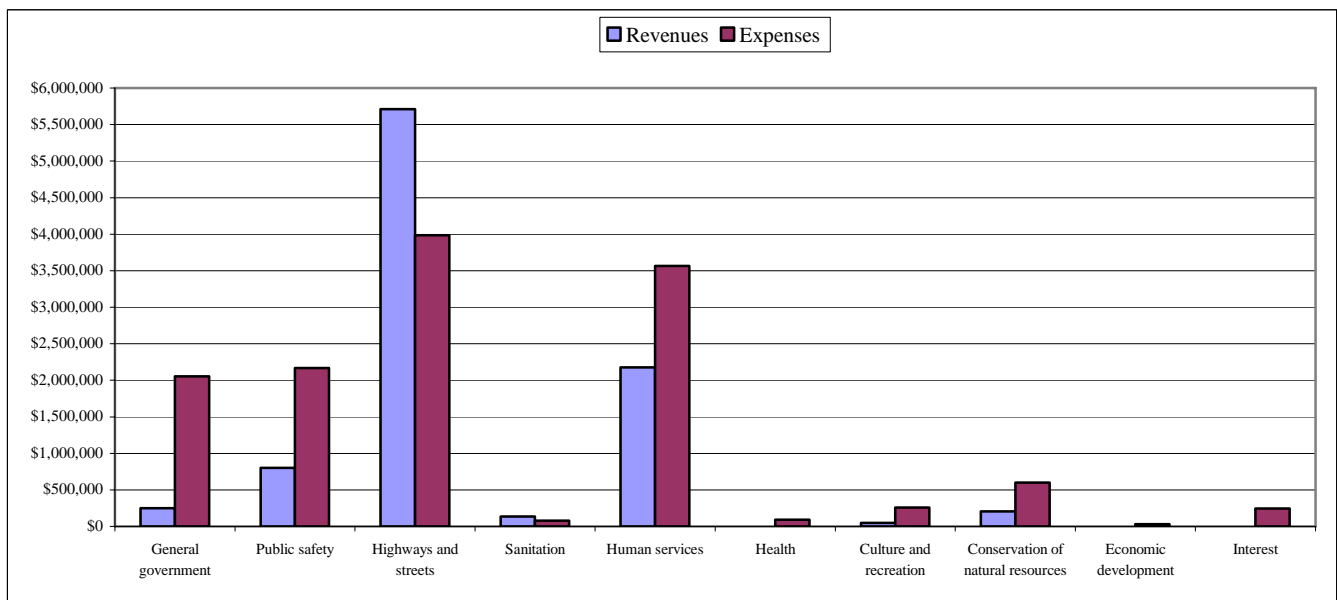


Table 2 presents the cost and revenue of each program as well as the County's general revenues. Total revenues for the County were \$17,512,894, while total expenses were \$13,084,700. This reflects a \$4,428,194 increase in net assets for the year ended December 31, 2007.

**Table 2**  
**Expenses and Program Revenues - 2007**



The costs of all governmental activities this year were \$13,084,700. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,838,537 because some of the costs were paid by those who directly benefited from the programs (\$1,518,446) or by other governments, and organizations, and individuals that subsidized certain programs with grants and contributions (\$7,806,492). The County paid for the remaining “public benefit” portion of governmental activities with \$8,187,956 in general revenues, primarily taxes (some of which could only be used for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and interest.

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

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

|                      | Total Cost of Services |                  | Net Cost of Services |                 |
|----------------------|------------------------|------------------|----------------------|-----------------|
|                      | 2007                   | 2006             | 2007                 | 2006            |
| Highways and streets | \$ 3,988               | \$ 3,778         | \$ (1,722)           | \$ (330)        |
| Human services       | 3,563                  | 3,449            | 1,388                | 1,400           |
| Public safety        | 2,170                  | 2,120            | 1,370                | 1,326           |
| General government   | 2,053                  | 2,276            | 1,803                | 1,654           |
| All others           | 1,311                  | 1,293            | 921                  | 854             |
| Totals               | <u>\$ 13,085</u>       | <u>\$ 12,916</u> | <u>\$ 3,760</u>      | <u>\$ 4,904</u> |

### **General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the General Fund budget. These budget amendments fall into three categories: new information changing original budget estimates, greater than anticipated revenues and/or costs, and new grant awards.

With these adjustments, the actual charges to appropriations (expenditures) were \$215,356 below the final budget amounts. The most significant positive variance (\$59,184) occurred in the Recorder’s Department where recording fees required to be used for Recorder equipment or land records were less than originally anticipated, which will result in revenues being reserved in fund balance. This variance resulted in a 1.1 percent reduction in expected expenditures. Reasons for other significant variances of actual expenditures to final budget include lower than anticipated payroll costs (\$54,918) in the Administrator Department, Auditor-Treasurer Department, and Restorative Justice Department due to staffing changes or employee vacancies; the Jail Department spent less than anticipated due to lower than anticipated prisoner food and medical services and youth prisoner boarding fees; several other departments also spent less than anticipated. The Sheriff’s Department had additional labor costs due to more illnesses and

injuries than anticipated, and the Veterans Service Department did not budget for the contributions approved to be spent on the Veterans Memorial Plaza, resulting in more than anticipated expenditures.

On the other hand, resources available for appropriation were \$401,948 above the final budgeted amount. The most significant positive variance (\$134,947) occurred in investment earnings revenue. Other significant increases came from an increase to jail boarding fees, an insurance dividend, and higher than anticipated contributions for the Veterans Memorial Plaza.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The County's capital assets for its governmental activities at December 31, 2007, totaled \$55,326,121 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets, net of depreciation, increased \$3,125,144, or 6.0 percent, from the previous year. The major capital asset events were:

- \$4,264,611 construction of highways and streets,
- 322,248 construction of highway buildings, and
- 205,165 purchase of highway equipment.

#### **Capital Assets at Year-End Net of Depreciation (in thousands)**

|                                   | 2007             | 2006             |
|-----------------------------------|------------------|------------------|
| Land                              | \$ 763           | \$ 672           |
| Infrastructure                    | 48,295           | 45,286           |
| Buildings                         | 4,562            | 4,402            |
| Improvements other than buildings | 325              | 336              |
| Machinery and equipment           | 1,227            | 1,206            |
| Construction in progress          | 154              | 299              |
| Total                             | <u>\$ 55,326</u> | <u>\$ 52,201</u> |

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

### **Long-Term Debt**

At the end of the current fiscal year, the County had total net outstanding debt of \$5,405,114, which was backed by the full faith and credit of the government.



**Outstanding Debt  
(in thousands)**

|                          | <u>2007</u>     | <u>2006</u>     |
|--------------------------|-----------------|-----------------|
| General obligation bonds | \$ 5,395        | \$ 5,519        |
| Capital leases           | <u>10</u>       | <u>32</u>       |
| Total                    | <u>\$ 5,405</u> | <u>\$ 5,551</u> |

The County's debt related to general obligation bonds decreased by \$125,000 (2.3 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to two percent of its total market value. At the end of 2007, the County's outstanding debt was 0.4 percent of its total estimated market value.

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

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

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

- The unemployment rate for Yellow Medicine County at the end of 2007 was 4.9 percent. This compares with the state unemployment rate of 4.9 percent but shows an increase from the County's 4.3 percent rate of one year ago. This could impact the level of services requested by County residents.
- New construction added to the County's base for spreading future taxes.
- The rapid rising cost of health insurance has a large impact on the budgeting process.
- The County General Fund expenditures for 2008 are budgeted to increase 7.3 percent (\$365,833) over the 2007 original budget. The 2008 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to increase 6.9 percent (\$339,923) over the 2007 original budget.
- The 2008 property tax levy for the County increased 5.5 percent (\$394,542) from 2007; but due to state aid decreases (\$52,475), the net tax levy (the amount spread to taxpayers) increased 7.0 percent (\$447,017) over the net tax levy for 2007.
- The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the State Legislature may decrease revenues or funding again.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Yellow Medicine County's finances. If you have questions concerning any of the information provided in this report or requests for additional financial information, address them to the County's Auditor-Treasurer, Lois M. Bonde, Yellow Medicine County Courthouse, 415 Ninth Avenue, Suite 102, Granite Falls, Minnesota 56241.

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

***EXHIBIT 1***

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

**Assets**

|   |           |                          |
|---|-----------|--------------------------|
| Cash and pooled investments                                     | \$        | 13,244,068               |
| Investments   |           | 1,096,031                |
| Receivables - net   |           | 1,551,993                |
| Inventories   |           | 137,694                  |
| Prepaid items   |           | 130,100                  |
| Deferred charges  |           | 32,204                   |
| Capital assets  |           |                          |
| Non-depreciable capital assets                                  |           | 916,954                  |
| Depreciable capital assets - net of<br>accumulated depreciation |           | <u>54,409,167</u>        |
| <b>Total Assets</b>   | <b>\$</b> | <b><u>71,518,211</u></b> |

**Liabilities**

|  |           |                         |
|--|-----------|-------------------------|
| Accounts payable and other current liabilities | \$        | 748,331                 |
| Accrued interest payable                       |           | 99,056                  |
| Long-term liabilities                          |           |                         |
| Due within one year                            |           | 194,797                 |
| Due in more than one year                      |           | <u>6,144,528</u>        |
| <b>Total Liabilities</b>                       | <b>\$</b> | <b><u>7,186,712</u></b> |

**Net Assets**

|  |           |                          |
|--|-----------|--------------------------|
| Invested in capital assets - net of related debt | \$        | 52,516,396               |
| Restricted for                                   |           |                          |
| Highways and streets                             |           | 299,673                  |
| Public safety                                    |           | 213,962                  |
| Human services                                   |           | 18,688                   |
| Debt service                                     |           | 284,490                  |
| Conservation of natural resources                |           | 5,553                    |
| Other purposes                                   |           | 204,168                  |
| Unrestricted                                     |           | <u>10,788,569</u>        |
| <b>Total Net Assets</b>                          | <b>\$</b> | <b><u>64,331,499</u></b> |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 2**

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

|  |                             |                                       | Program Revenues                         |  | Net (Expense)                           |
|--|-----------------------------|---------------------------------------|--|--|---|
|  | Expenses                    | Fees, Charges,<br>Fines,<br>and Other | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Revenue and<br>Changes in<br>Net Assets |
| <b><u>Functions/Programs</u></b>                             |                             |                                       |  |  |   |
| <b>Governmental activities</b>                               |                             |                                       |  |  |   |
| General government   | \$ 2,053,180                | \$ 190,650                            | \$ 29,122                                | \$ 30,168                              | \$ (1,803,240)                          |
| Public safety  | 2,170,036                   | 624,547                               | 169,104                                  | 6,517                                  | (1,369,868)                             |
| Highways and streets   | 3,987,583                   | 86,947                                | 3,196,560                                | 2,425,955                              | 1,721,879                               |
| Sanitation   | 81,017                      | 83,528                                | 52,039                                   | -                                      | 54,550                                  |
| Human services   | 3,563,300                   | 321,700                               | 1,853,222                                | -                                      | (1,388,378)                             |
| Health   | 91,297                      | 1,000                                 | -  | -                                      | (90,297)                                |
| Culture and recreation                                       | 260,015                     | 2,954                                 | 43,805                                   | -                                      | (213,256)                               |
| Conservation of natural resources                            | 602,180                     | 207,120                               | -  | -                                      | (395,060)                               |
| Economic development   | 28,654                      | -                                     | -  | -                                      | (28,654)                                |
| Interest   | 247,438                     | -                                     | -  | -                                      | (247,438)                               |
| <b>Total Governmental Activities</b>                         | <b><u>\$ 13,084,700</u></b> | <b><u>\$ 1,518,446</u></b>            | <b><u>\$ 5,343,852</u></b>               | <b><u>\$ 2,462,640</u></b>             | <b><u>\$ (3,759,762)</u></b>            |
| <b>General revenues</b>                                      |                             |                                       |  |  |   |
| Property taxes   |                             |                                       |  |  | \$ 5,838,537                            |
| Mortgage registry and deed tax                               |                             |                                       |  |  | 6,256                                   |
| Payments in lieu of tax                                      |                             |                                       |  |  | 52,254                                  |
| Grants and contributions not restricted to specific programs |                             |                                       |  |  | 1,435,563                               |
| Unrestricted investment earnings                             |                             |                                       |  |  | 608,240                                 |
| Miscellaneous  |                             |                                       |  |  | 247,106                                 |
| <b>Total general revenues</b>                                |                             |                                       |  |  | <b><u>\$ 8,187,956</u></b>              |
| <b>Change in net assets</b>                                  |                             |                                       |  |  | <b>\$ 4,428,194</b>                     |
| <b>Net Assets - Beginning</b>                                |                             |                                       |  |  | <b><u>59,903,305</u></b>                |
| <b>Net Assets - Ending</b>                                   |                             |                                       |  |  | <b>\$ 64,331,499</b>                    |



## **FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 3**

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

|                                    | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> | <u>Ditch</u>      | <u>Jail Bond<br/>Debt Service</u> | <u>Total</u>         |
|------------------------------------|---------------------|----------------------------|---------------------------|-------------------|-----------------------------------|----------------------|
| <b><u>Assets</u></b>               |                     |                            |                           |                   |                                   |                      |
| Cash and pooled investments        | \$ 4,464,309        | \$ 3,479,572               | \$ 2,605,369              | \$ 11,344         | \$ 357                            | \$ 10,560,951        |
| Undistributed cash in agency funds | 59,558              | 30,074                     | 29,972                    | 874               | 5,016                             | 125,494              |
| Petty cash and change funds        | 1,700               | 50                         | -                         | -                 | -                                 | 1,750                |
| Departmental cash                  | 19,753              | -                          | -                         | -                 | -                                 | 19,753               |
| Cash with escrow agent             | -                   | -                          | -                         | -                 | 2,536,120                         | 2,536,120            |
| Investments                        | 269,560             | -                          | -                         | 492,357           | 334,114                           | 1,096,031            |
| Taxes receivable                   |                     |                            |                           |                   |                                   |                      |
| Prior                              | 84,042              | 49,093                     | 52,267                    | -                 | 8,953                             | 194,355              |
| Special assessments receivable     |                     |                            |                           |                   |                                   |                      |
| Prior                              | 6,042               | -                          | -                         | 222               | -                                 | 6,264                |
| Noncurrent                         | 406,015             | -                          | -                         | 44,429            | -                                 | 450,444              |
| Accounts receivable                | 706                 | 1,763                      | 16,193                    | -                 | -                                 | 18,662               |
| Accrued interest receivable        | 28,069              | -                          | -                         | 604               | 40,312                            | 68,985               |
| Due from other funds               | 6,787               | 11,324                     | 6,000                     | -                 | 3,747                             | 27,858               |
| Due from other governments         | 93,621              | 452,936                    | 266,726                   | -                 | -                                 | 813,283              |
| Inventories                        | -                   | 137,694                    | -                         | -                 | -                                 | 137,694              |
| Prepaid items                      | 66,600              | 19,100                     | 44,400                    | -                 | -                                 | 130,100              |
| <b>Total Assets</b>                | <b>\$ 5,506,762</b> | <b>\$ 4,181,606</b>        | <b>\$ 3,020,927</b>       | <b>\$ 549,830</b> | <b>\$ 2,928,619</b>               | <b>\$ 16,187,744</b> |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 3  
(Continued)**

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

|  | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> | <u>Ditch</u>      | <u>Jail Bond<br/>Debt Service</u> | <u>Total</u>         |
|--|---------------------|----------------------------|---------------------------|-------------------|-----------------------------------|----------------------|
| <b><u>Liabilities and Fund Balances</u></b>    |                     |                            |                           |                   |                                   |                      |
| <b>Liabilities</b>                             |                     |                            |                           |                   |                                   |                      |
| Accounts payable                               | \$ 53,055           | \$ 49,319                  | \$ 108,243                | \$ 3,971          | \$ -                              | \$ 214,588           |
| Salaries payable                               | 109,172             | 49,529                     | 62,641                    | 2,252             | -                                 | 223,594              |
| Contracts payable                              | 5,919               | 200,767                    | -                         | -                 | -                                 | 206,686              |
| Due to other funds                             | 11,324              | 600                        | 9,934                     | 6,000             | -                                 | 27,858               |
| Due to other governments                       | 34,543              | 21,989                     | 30,931                    | 16,000            | -                                 | 103,463              |
| Deferred revenue - unavailable                 | 508,454             | 465,207                    | 58,267                    | 45,255            | 8,953                             | 1,086,136            |
| <b>Total Liabilities</b>                       | <b>\$ 722,467</b>   | <b>\$ 787,411</b>          | <b>\$ 270,016</b>         | <b>\$ 73,478</b>  | <b>\$ 8,953</b>                   | <b>\$ 1,862,325</b>  |
| <b>Fund Balances</b>                           |                     |                            |                           |                   |                                   |                      |
| Reserved for                                   |                     |                            |                           |                   |                                   |                      |
| Debt service                                   | \$ -                | \$ -                       | \$ -                      | \$ -              | \$ 383,546                        | \$ 383,546           |
| Encumbrances                                   | -                   | 165,434                    | -                         | -                 | -                                 | 165,434              |
| Inventories                                    | -                   | 137,694                    | -                         | -                 | -                                 | 137,694              |
| Prepaid items                                  | 66,600              | 19,100                     | 44,400                    | -                 | -                                 | 130,100              |
| Recorder's technology fund                     | 51,344              | -                          | -                         | -                 | -                                 | 51,344               |
| Recorder's compliance fund                     | 58,125              | -                          | -                         | -                 | -                                 | 58,125               |
| Enhanced 911                                   | 199,006             | -                          | -                         | -                 | -                                 | 199,006              |
| Sheriff's contingency                          | 5,000               | -                          | -                         | -                 | -                                 | 5,000                |
| Sheriff's forfeited property                   | 6,130               | -                          | -                         | -                 | -                                 | 6,130                |
| Attorney's forfeited property                  | 8,761               | -                          | -                         | -                 | -                                 | 8,761                |
| Gun permit fees                                | 3,826               | -                          | -                         | -                 | -                                 | 3,826                |
| Septic/sewer loans                             | 72,920              | -                          | -                         | -                 | -                                 | 72,920               |
| Election equipment grant                       | 85,938              | -                          | -                         | -                 | -                                 | 85,938               |
| Unspent grant monies                           | 5,553               | -                          | 18,688                    | -                 | -                                 | 24,241               |
| Highway allotments                             | -                   | 58,827                     | -                         | -                 | -                                 | 58,827               |
| Investments with escrow agent                  | -                   | -                          | -                         | -                 | 2,536,120                         | 2,536,120            |
| Unreserved                                     |                     |                            |                           |                   |                                   |                      |
| Designated for                                 |                     |                            |                           |                   |                                   |                      |
| Future expenditures                            | 147,552             | 659,000                    | -                         | -                 | -                                 | 806,552              |
| Cash flows                                     | 2,700,000           | 1,500,000                  | 1,900,000                 | -                 | -                                 | 6,100,000            |
| Compensated absences                           | 184,617             | 117,421                    | 141,901                   | 9,939             | -                                 | 453,878              |
| Unspent contributions                          | 833                 | -                          | -                         | -                 | -                                 | 833                  |
| Undesignated                                   | 1,188,090           | 736,719                    | 645,922                   | 466,413           | -                                 | 3,037,144            |
| <b>Total Fund Balances</b>                     | <b>\$ 4,784,295</b> | <b>\$ 3,394,195</b>        | <b>\$ 2,750,911</b>       | <b>\$ 476,352</b> | <b>\$ 2,919,666</b>               | <b>\$ 14,325,419</b> |
| <b>Total Liabilities and Fund<br/>Balances</b> | <b>\$ 5,506,762</b> | <b>\$ 4,181,606</b>        | <b>\$ 3,020,927</b>       | <b>\$ 549,830</b> | <b>\$ 2,928,619</b>               | <b>\$ 16,187,744</b> |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 4**

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

|  |                |                             |
|--|----------------|-----------------------------|
| <b>Fund Balances - Total Governmental Funds (Exhibit 3)</b>  |                | <b>\$ 14,325,419</b>        |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                |                             |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. |                | 55,326,121                  |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.                                  |                | 1,086,136                   |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.  |                |                             |
| General obligation bonds   | \$ (5,415,000) |                             |
| Capital leases   | (9,725)        |                             |
| Loans payable  | (480,333)      |                             |
| Compensated absences   | (453,878)      |                             |
| Unamortized discount on general obligation refunding bonds   | 19,611         |                             |
| Deferred debt issuance charges   | 32,204         |                             |
| Accrued interest payable   | (99,056)       |                             |
|  |                | (6,406,177)                 |
| <b>Net Assets of Governmental Activities (Exhibit 1)</b>   |                | <b><u>\$ 64,331,499</u></b> |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 5**

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

|  | <b>General</b>      | <b>Road and<br/>Bridge</b> | <b>Human<br/>Services</b> | <b>Ditch</b>       | <b>Jail Bond<br/>Debt Service</b> | <b>Total</b>         |
|--|---------------------|----------------------------|---------------------------|--------------------|-----------------------------------|----------------------|
| <b>Revenues</b>  |                     |                            |                           |                    |                                   |                      |
| Taxes  | \$ 2,502,831        | \$ 1,542,897               | \$ 1,531,968              | \$ -               | \$ 256,152                        | \$ 5,833,848         |
| Special assessments  | 119,110             | -                          | -                         | 75,475             | -                                 | 194,585              |
| Licenses and permits                                       | 35,953              | -                          | -                         | -                  | -                                 | 35,953               |
| Intergovernmental  | 1,417,280           | 5,995,226                  | 2,021,586                 | 196                | 27,393                            | 9,461,681            |
| Charges for services                                       | 670,594             | 34,103                     | 173,280                   | -                  | -                                 | 877,977              |
| Fines and forfeits   | 19,678              | -                          | -                         | -                  | -                                 | 19,678               |
| Gifts and contributions                                    | 34,278              | -                          | 879                       | -                  | -                                 | 35,157               |
| Investment earnings  | 267,477             | 128,867                    | 93,327                    | 27,328             | 103,043                           | 620,042              |
| Miscellaneous  | 369,687             | 46,982                     | 148,420                   | 17,587             | -                                 | 582,676              |
| <b>Total Revenues</b>                                      | <b>\$ 5,436,888</b> | <b>\$ 7,748,075</b>        | <b>\$ 3,969,460</b>       | <b>\$ 120,586</b>  | <b>\$ 386,588</b>                 | <b>\$ 17,661,597</b> |
| <b>Expenditures</b>  |                     |                            |                           |                    |                                   |                      |
| <b>Current</b>   |                     |                            |                           |                    |                                   |                      |
| General government   | \$ 2,020,988        | \$ -                       | \$ -                      | \$ -               | \$ -                              | \$ 2,020,988         |
| Public safety  | 2,078,135           | -                          | -                         | -                  | -                                 | 2,078,135            |
| Highways and streets                                       | -                   | 6,825,521                  | -                         | -                  | -                                 | 6,825,521            |
| Sanitation   | 80,366              | -                          | -                         | -                  | -                                 | 80,366               |
| Human services   | -                   | -                          | 3,578,285                 | -                  | -                                 | 3,578,285            |
| Health   | 1,000               | -                          | -                         | -                  | -                                 | 1,000                |
| Culture and recreation                                     | 257,873             | -                          | -                         | -                  | -                                 | 257,873              |
| Conservation of natural<br>resources                       | 416,319             | -                          | -                         | 182,371            | -                                 | 598,690              |
| Economic development                                       | 28,654              | -                          | -                         | -                  | -                                 | 28,654               |
| <b>Intergovernmental</b>                                   | 193,783             | 278,814                    | -                         | -                  | -                                 | 472,597              |
| <b>Debt service</b>  |                     |                            |                           |                    |                                   |                      |
| Principal  | 54,471              | -                          | -                         | -                  | 125,000                           | 179,471              |
| Interest   | 5,350               | -                          | -                         | -                  | 240,590                           | 245,940              |
| Administrative (fiscal) fees                               | -                   | -                          | -                         | -                  | 431                               | 431                  |
| <b>Total Expenditures</b>                                  | <b>\$ 5,136,939</b> | <b>\$ 7,104,335</b>        | <b>\$ 3,578,285</b>       | <b>\$ 182,371</b>  | <b>\$ 366,021</b>                 | <b>\$ 16,367,951</b> |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>    | <b>\$ 299,949</b>   | <b>\$ 643,740</b>          | <b>\$ 391,175</b>         | <b>\$ (61,785)</b> | <b>\$ 20,567</b>                  | <b>\$ 1,293,646</b>  |
| <b>Other Financing Sources (Uses)</b>                      |                     |                            |                           |                    |                                   |                      |
| Loans issued   | \$ 121,106          | \$ -                       | \$ -                      | \$ -               | \$ -                              | \$ 121,106           |
| Proceeds from sale of assets                               | 1                   | 5,300                      | -                         | -                  | -                                 | 5,301                |
| <b>Total Other Financing<br/>Sources (Uses)</b>            | <b>\$ 121,107</b>   | <b>\$ 5,300</b>            | <b>\$ -</b>               | <b>\$ -</b>        | <b>\$ -</b>                       | <b>\$ 126,407</b>    |
| <b>Net Change in Fund Balances</b>                         | <b>\$ 421,056</b>   | <b>\$ 649,040</b>          | <b>\$ 391,175</b>         | <b>\$ (61,785)</b> | <b>\$ 20,567</b>                  | <b>\$ 1,420,053</b>  |
| <b>Fund Balances - January 1</b>                           | <b>4,363,239</b>    | <b>2,728,750</b>           | <b>2,359,736</b>          | <b>538,137</b>     | <b>2,899,099</b>                  | <b>12,888,961</b>    |
| <b>Increase (decrease) in reserved<br/>for inventories</b> | <b>-</b>            | <b>16,405</b>              | <b>-</b>                  | <b>-</b>           | <b>-</b>                          | <b>16,405</b>        |
| <b>Fund Balances - December 31</b>                         | <b>\$ 4,784,295</b> | <b>\$ 3,394,195</b>        | <b>\$ 2,750,911</b>       | <b>\$ 476,352</b>  | <b>\$ 2,919,666</b>               | <b>\$ 14,325,419</b> |



**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**EXHIBIT 6**

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

|   |           |                  |
|---|-----------|------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds (Exhibit 5)</b> | <b>\$</b> | <b>1,420,053</b> |
|---|-----------|------------------|

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

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

|                                |                    |           |
|--------------------------------|--------------------|-----------|
| Deferred revenue - December 31 | \$ 1,086,136       |           |
| Deferred revenue - January 1   | <u>(1,240,140)</u> | (154,004) |

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.

|  |                    |           |
|--|--------------------|-----------|
| Expenditures for general capital assets and infrastructure | \$ 4,854,203       |           |
| Current year depreciation                                  | <u>(1,729,059)</u> | 3,125,144 |

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:

|               |                 |           |
|---------------|-----------------|-----------|
| Debt issued   |                 |           |
| Loans         | \$ (121,106)    |           |
| Capital lease | <u>(10,885)</u> | (131,991) |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

|                          |               |         |
|--------------------------|---------------|---------|
| Principal payments       |               |         |
| General obligation bonds | \$ 125,000    |         |
| Loans payable            | 21,548        |         |
| Capital leases           | <u>32,923</u> | 179,471 |

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                      | \$ 2,388      |                 |
| Amortization of discounts and deferred issuance charges | (3,455)       |                 |
| Change in compensated absences                          | (25,817)      |                 |
| Change in inventories                                   | <u>16,405</u> | <u>(10,479)</u> |

|  |           |                         |
|--|-----------|-------------------------|
| <b>Change in Net Assets of Governmental Activities (Exhibit 2)</b> | <b>\$</b> | <b><u>4,428,194</u></b> |
|--|-----------|-------------------------|

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## **FIDUCIARY FUNDS**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

***EXHIBIT 7***

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

|  | <u>Cemetery<br/>Investment<br/>Trust</u> | <u>Agency</u>            |
|--|--|--------------------------|
| <b><u>Assets</u></b>                           |  |                          |
| Cash and pooled investments                    | \$ -                                     | \$ 158,960               |
| Investments                                    | 10,250                                   | -                        |
| Accrued interest receivable                    | 568                                      | -                        |
| <b>Total Assets</b>                            | <b><u>\$ 10,818</u></b>                  | <b><u>\$ 158,960</u></b> |
| <b><u>Liabilities</u></b>                      |  |                          |
| Accounts payable                               | \$ 568                                   | \$ -                     |
| Due to other governments                       | -  | 158,960                  |
| <b>Total Liabilities</b>                       | <b><u>\$ 568</u></b>                     | <b><u>\$ 158,960</u></b> |
| <b><u>Net Assets</u></b>                       |  |                          |
| Net assets, held in trust for pool participant | <b><u>\$ 10,250</u></b>                  |                          |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

***EXHIBIT 8***

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

|                                 | <u>Cemetery<br/>Investment<br/>Trust</u> |
|---------------------------------|--|
| <b><u>Additions</u></b>         |  |
| Investment earnings             | \$ 539                                   |
| <b><u>Deductions</u></b>        |  |
| Distributions to participant    | <u>539</u>                               |
| <b>Change in net assets</b>     | <b>\$ -</b>                              |
| <b>Net Assets - January 1</b>   | <b><u>10,250</u></b>                     |
| <b>Net Assets - December 31</b> | <b><u><u>10,250</u></u></b>              |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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

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**1. Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

Yellow Medicine County was established March 6, 1871, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Yellow Medicine County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

**Blended Component Unit**

Blended component units are legally separate organizations that are 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. Yellow Medicine County has one blended component unit that is reported as part of the General Fund.

| <u>Component Unit</u>   | <u>Component Unit<br/>Included in<br/>Reporting Entity Because</u> | <u>Separate<br/>Financial Statements</u>        |
|---|--|---|
| Yellow Medicine County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-.1081. | County Commissioners are the members of the EDA Board.             | Separate financial statements are not prepared. |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

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 Yellow Medicine County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are activities normally supported by taxes and intergovernmental revenue.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and are 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 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.



**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental funds as major 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 Human 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.

The Jail Bond Debt Service Fund is used to account for financial resources to be used for payment of long-term debt principal, interest, and related costs.

Additionally, the County reports the following fiduciary fund types:

The Investment Trust Fund is used to account for specific investments held by the County for Union (Doncastor) Cemetery Association, a legally separate entity that is not part of the County's financial reporting entity.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

C. Measurement Focus and Basis of Accounting

The government-wide 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. Yellow Medicine 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.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$76,527.

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

Included in total cash and pooled investments are the assets held for Union (Doncastor) Cemetery Association in an external investment pool. For the purposes of financial reporting, the Cemetery Association's portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

2. 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."

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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.

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

3. Inventories and Prepaid Items

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

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

4. 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.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

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

| <u>Assets</u>                | <u>Years</u> |
|------------------------------|--------------|
| Buildings                    | 30 - 40      |
| Land improvements            | 5 - 20       |
| Public domain infrastructure | 20 - 80      |
| Machinery and equipment      | 3 - 20       |

6. 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.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

9. Fund Equity

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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

At December 31, 2007, there were no expenditures in excess of budget in the governmental funds.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

|   |               |
|---|---------------|
| Government-wide statement of net assets |               |
| Governmental activities                 |               |
| Cash and pooled investments             | \$ 13,244,068 |
| Investments                             | 1,096,031     |
| Statement of fiduciary net assets       |               |
| Cash and pooled investments             | 158,960       |
| Investments                             | 10,250        |
|   | <hr/>         |
| Total Cash and Investments              | \$ 14,509,309 |
|   | <hr/>         |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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 has adopted a policy for custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.



**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

| <u>Investment Type</u>   | <u>Fair Value</u>   | <u>Less Than 1<br/>Year</u> | <u>1 - 2<br/>Years</u> | <u>3+<br/>Years</u> |
|--|---------------------|-----------------------------|------------------------|---------------------|
| Cash with escrow agent<br>U.S. Treasury State and<br>Local Government Services | <u>\$ 2,535,373</u> | <u>\$ -</u>                 | <u>\$ 2,535,373</u>    | <u>\$ -</u>         |

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2007, \$2,035,373 of investments with escrow agent held at US Bank, \$1,936,209 of U.S. agency securities, and \$568,901 of negotiable certificates of deposit held by brokers were subject to custodial credit risk.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

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

| Investment Type                                 | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|---|---------------|---------------|-----------------------------|--------------------|-----------------------|
|   | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| U.S. agency securities                          |               |               |                             |                    |                       |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 04/20/2016         | \$ 200,062            |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 04/22/2014         | 100,031               |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 09/27/2021         | 250,078               |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 10/11/2016         | 250,271               |
| Federal National Mortgage Association           | Aaa           | Moody's       |                             | 10/28/2011         | 90,028                |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 10/28/2015         | 85,026                |
| Federal National Mortgage Association           | N/A           | N/A           |                             | 04/10/2017         | 300,093               |
| Federal National Mortgage Association           | Aaa           | Moody's       |                             | 06/06/2022         | 100,688               |
| Total Federal National Mortgage Association     |               |               | 24.4%                       |                    | \$ 1,376,277          |
| Federal Home Loan Mortgage Corporation          | N/A           | N/A           |                             | 09/28/2018         | \$ 200,034            |
| Federal Home Loan Mortgage Corporation          | N/A           | N/A           |                             | 10/25/2016         | 115,681               |
| Federal Home Loan Mortgage Corporation          | N/A           | N/A           |                             | 11/19/2018         | 100,357               |
| Total Federal Home Loan Mortgage Corporation    |               |               | 7.3%                        |                    | \$ 416,072            |
| Federal Home Loan Bank                          | N/A           | N/A           |                             | 06/30/2010         | \$ 500,000            |
| Federal Home Loan Bank                          | N/A           | N/A           |                             | 07/17/2008         | 30,312                |
| Total Federal Home Loan Bank                    |               |               | 9.4%                        |                    | \$ 530,312            |
| U.S. Treasury securities                        |               |               |                             |                    |                       |
| U.S. Treasury state and local government series | N/A           | N/A           |                             | 02/01/2009         | \$ 2,535,373          |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type                                | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|--|---------------|---------------|-----------------------------|--------------------|-----------------------|
|  | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| Negotiable certificates of deposit             |               |               |                             |                    |                       |
| Interbank - Maple Grove, Minnesota             | N/A           | N/A           |                             | 06/29/2008         | \$ 99,000             |
| Bank of Northern Michigan - Petoskey, Michigan | N/A           | N/A           |                             | 06/29/2009         | 97,000                |
| Stearns Bank - St. Cloud, Minnesota            | N/A           | N/A           |                             | 03/24/2008         | 97,000                |
| Border State Bank - Greenbush, Minnesota       | N/A           | N/A           |                             | 09/08/2008         | 97,000                |
| Johnson Bank - Racine, Wisconsin               | N/A           | N/A           |                             | 03/02/2010         | 96,709                |
| Old National Bank - Evansville                 | N/A           | N/A           |                             | 02/28/2018         | 96,555                |
| Citizens National Bank - Macomb, Illinois      | N/A           | N/A           |                             | 07/29/2014         | 99,185                |
| Total negotiable certificates of deposit       |               |               | N/A                         |                    | \$ 682,449            |
| Total investments                              |               |               |                             |                    | \$ 5,540,483          |
| Checking                                       |               |               |                             |                    | 218,242               |
| Savings  |               |               |                             |                    | 1,638,084             |
| MAGIC Fund                                     |               |               |                             |                    | 6,980,000             |
| Certificates of deposit                        |               |               |                             |                    | 110,250               |
| Petty cash                                     |               |               |                             |                    | 1,750                 |
| Cash with escrow agent                         |               |               |                             |                    | 747                   |
| Departmental cash                              |               |               |                             |                    | 19,753                |
| Total Cash and Investments                     |               |               |                             |                    | \$ 14,509,309         |

N/A - Not applicable

2. Receivables

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

|                               | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|-------------------------------|-------------------|---|
| Governmental Activities       |                   |   |
| Taxes                         | \$ 194,355        | \$ -  |
| Special assessments           | 456,708           | 354,367   |
| Due from other governments    | 813,283           | -   |
| Accounts                      | 18,662            | -   |
| Interest                      | 68,985            | -   |
| Total Governmental Activities | \$ 1,551,993      | \$ 354,367  |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

|                                       | Beginning<br>Balance | Increase     | Decrease   | Ending<br>Balance |
|---------------------------------------|----------------------|--------------|------------|-------------------|
| Capital assets not depreciated        |                      |              |            |                   |
| Land                                  | \$ 672,348           | \$ 90,755    | \$ -       | \$ 763,103        |
| Construction in progress              | 298,557              | 97,434       | 242,140    | 153,851           |
| Total capital assets not depreciated  | \$ 970,905           | \$ 188,189   | \$ 242,140 | \$ 916,954        |
| Capital assets depreciated            |                      |              |            |                   |
| Buildings                             | \$ 5,798,061         | \$ 322,248   | \$ -       | \$ 6,120,309      |
| Land improvements                     | 391,410              | -            | -          | 391,410           |
| Machinery and equipment               | 4,199,559            | 321,295      | 240,086    | 4,280,768         |
| Infrastructure                        | 58,473,044           | 4,264,611    | -          | 62,737,655        |
| Total capital assets depreciated      | \$ 68,862,074        | \$ 4,908,154 | \$ 240,086 | \$ 73,530,142     |
| Less: accumulated depreciation for    |                      |              |            |                   |
| Buildings                             | \$ 1,395,997         | \$ 162,479   | \$ -       | \$ 1,558,476      |
| Land improvements                     | 55,460               | 11,381       | -          | 66,841            |
| Machinery and equipment               | 2,993,150            | 300,170      | 240,086    | 3,053,234         |
| Infrastructure                        | 13,187,395           | 1,255,029    | -          | 14,442,424        |
| Total accumulated depreciation        | \$ 17,632,002        | \$ 1,729,059 | \$ 240,086 | \$ 19,120,975     |
| Total capital assets depreciated, net | \$ 51,230,072        | \$ 3,179,095 | \$ -       | \$ 54,409,167     |
| Capital Assets, Net                   | \$ 52,200,977        | \$ 3,367,284 | \$ 242,140 | \$ 55,326,121     |

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

|   |              |
|---|--------------|
| Governmental Activities   |              |
| General government  | \$ 179,941   |
| Public safety   | 79,281       |
| Highways and streets, including depreciation of infrastructure assets | 1,458,892    |
| Sanitation  | 651          |
| Human services  | 5,913        |
| Culture and recreation  | 2,142        |
| Conservation of natural resources                                     | 2,239        |
| Total Depreciation Expense - Governmental Activities                  | \$ 1,729,059 |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

| <u>Receivable Fund</u>        | <u>Payable Fund</u> | <u>Amount</u>    |
|-------------------------------|---------------------|------------------|
| General                       | Road and Bridge     | \$ 600           |
| General                       | Human Services      | 6,187            |
| Road and Bridge               | General             | 11,324           |
| Human Services                | Ditch               | 6,000            |
| Jail Bond                     | Human Services      | 3,747            |
| Total Due To/From Other Funds |                     | <u>\$ 27,858</u> |

The amounts due to the General Fund from the Road and Bridge Fund and the Human Services Fund resulted from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. The amount due to the Road and Bridge Fund from the General Fund resulted from interest receipted into the General Fund that belonged to the Road and Bridge Fund and also resulted from the interfund sale of goods and services. The amount due to the Human Services Fund from the Ditch Fund resulted from interest receipted into the Ditch Fund that belonged to the Human Services Fund. The amount due to the Jail Bond Fund from the Human Services Fund resulted from the incorrect receipting of a market value credit receipt into the Human Services Fund that belonged to the Jail Bond Fund. All balances are expected to be liquidated in the subsequent year.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

|                          |                   |
|--------------------------|-------------------|
| Accounts                 | \$ 214,588        |
| Salaries                 | 223,594           |
| Contracts                | 206,686           |
| Due to other governments | <u>103,463</u>    |
| Total Payables           | <u>\$ 748,331</u> |

2. Construction Commitments

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

|                                | <u>Spent-to-Date</u> | <u>Remaining<br/>Commitment</u> |
|--------------------------------|----------------------|---------------------------------|
| Governmental Activities        |                      |                                 |
| Roads and bridges              |                      |                                 |
| Infrastructure project         | \$ 258,219           | \$ 86,987                       |
| Pup Gravel Trailer             | -                    | 25,373                          |
| Motor Grader Cat               | <u>-</u>             | <u>140,061</u>                  |
| Total Construction Commitments | <u>\$ 258,219</u>    | <u>\$ 252,421</u>               |

3. Capital Leases

Yellow Medicine County has a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2007:

| <u>Lease</u>         | <u>Final<br/>Maturity</u> | <u>Installment</u> | <u>Payment<br/>Amount</u> | <u>Original<br/>Issue<br/>Amount</u> | <u>Outstanding<br/>Balance<br/>December 31,<br/>2007</u> |
|----------------------|---------------------------|--------------------|---------------------------|--------------------------------------|--|
| 2007 postage machine | 2012                      | Monthly            | \$ 231                    | \$ 10,885                            | <u>\$ 9,725</u>  |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases (Continued)

Capital lease payments are paid from the General Fund. The lease will be paid off in 2012. The total minimum lease payments of \$12,012 include \$9,725 representing the present value of future minimum lease payments and \$2,287 representing interest.

| <u>Year Ending<br/>December 31</u> | <u>Lease<br/>Payments</u> |
|------------------------------------|---------------------------|
| 2008                               | \$ 2,772                  |
| 2009                               | 2,772                     |
| 2010                               | 2,772                     |
| 2011                               | 2,772                     |
| 2012                               | 924                       |
| Total                              | \$ 12,012                 |
| Less: amount representing interest | (2,287)                   |
| Capital Lease Payable              | <u>\$ 9,725</u>           |

4. Loans Payable

In 2003, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of clean water projects. The loan is secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the General Fund.

| <u>Type of Indebtedness</u> | <u>Final<br/>Maturity</u> | <u>Installment<br/>Amount</u> | <u>Interest<br/>Rate<br/>(%)</u> | <u>Original<br/>Issue<br/>Amount</u> | <u>Outstanding<br/>Balance<br/>December 31,<br/>2007</u> |
|-----------------------------|---------------------------|-------------------------------|----------------------------------|--------------------------------------|--|
| Clean water loans           | 2019                      | \$ 12,446                     | 2.00                             | \$ 553,911                           | <u>\$ 480,333</u>  |



**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Bonds Payable

| Type of Indebtedness  | Final<br>Maturity | Installment<br>Amount    | Average<br>Interest<br>Rate<br>(%) | Original<br>Issue<br>Amount | Outstanding<br>Balance<br>December 31,<br>2007 |
|---|-------------------|--------------------------|------------------------------------|-----------------------------|--|
| General obligation bonds<br>2005 G.O. Refunding<br>Bonds, Series 2005 | 2022              | \$165,000 -<br>\$250,000 | 3.9532                             | \$ 2,615,000                | \$ 2,615,000                                   |
| 1999 G.O. Jail and<br>Courthouse Bonds                                | 2022              | \$55,000 -<br>\$260,000  | 5.2054                             | 3,330,000                   | 2,800,000                                      |
| Total general obligation<br>Bonds                                     |                   |                          |                                    | <u>\$ 5,945,000</u>         | \$ 5,415,000                                   |
| Less: unamortized discount  |                   |                          |                                    |                             | <u>(19,611)</u>                                |
| Total General Obligation<br>Bonds, Net                                |                   |                          |                                    |                             | <u>\$ 5,395,389</u>                            |

Payments on the Jail and Courthouse Bonds and Refunding Bonds are made by the Debt Service Fund. Debt service requirements at December 31, 2007, were as follows:

| Year Ending<br>December 31 | General Obligation Bonds |                     |
|----------------------------|--------------------------|---------------------|
|                            | Principal                | Interest            |
| 2008                       | \$ 130,000               | \$ 234,725          |
| 2009                       | 2,670,000                | 228,630             |
| 2010                       | 165,000                  | 95,808              |
| 2011                       | 165,000                  | 90,734              |
| 2012                       | 170,000                  | 85,330              |
| 2013 - 2017                | 955,000                  | 328,299             |
| 2018 - 2022                | 1,160,000                | 122,568             |
| Total                      | <u>\$ 5,415,000</u>      | <u>\$ 1,186,094</u> |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

|                              | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|------------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Bonds payable                |                      |                   |                   |                     |                        |
| General obligation bonds     |                      |                   |                   |                     |                        |
| Refunding Bonds of 2005      | \$ 2,615,000         | \$ -              | \$ -              | \$ 2,615,000        | \$ -                   |
| Jail and Courthouse<br>Bonds | 2,925,000            | -                 | 125,000           | 2,800,000           | 130,000                |
| Total bonds payable          | \$ 5,540,000         | \$ -              | \$ 125,000        | \$ 5,415,000        | \$ 130,000             |
| Loans payable                | 380,775              | 121,106           | 21,548            | 480,333             | 25,883                 |
| Lease purchase               | 31,763               | 10,885            | 32,923            | 9,725               | 1,889                  |
| Compensated absences         | 428,061              | 25,817            | -                 | 453,878             | 37,025                 |
| Long-Term Liabilities        | <u>\$ 6,380,599</u>  | <u>\$ 157,808</u> | <u>\$ 179,471</u> | <u>\$ 6,358,936</u> | <u>\$ 194,797</u>      |

7. Crossover Refunding Debt

On February 22, 2005, Yellow Medicine County issued General Obligation Refunding Bonds, Series 2005, in the amount of \$2,615,000 with interest rates of 3.00 percent to 4.15 percent to crossover refund the General Obligation Jail and Courthouse Bonds, dated June 1, 1999, maturing after February 1, 2009. The balance of the outstanding maturities to be refunded is \$2,535,000, and interest rates are 4.60 percent to 5.10 percent.

The proceeds from the bonds were placed with an escrow agent in an irrevocable trust from which U.S. Treasury securities were purchased. The County is responsible for the principal and interest on the original issue through February 1, 2009. The refunded bonds will be called and paid by the escrow agent on February 1, 2009. The escrow agent will pay the interest due on the 1999 bonds through February 1, 2009; thereafter, the County will be responsible for the payment of debt service on the new bonds. The principal balance of both the original issue and the refunding issue will be shown on the statement of net assets until the call date of the refunded bonds, at which time the 1999 bonds will be paid, and the liability for those bonds will be removed.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Crossover Refunding Debt (Continued)

The General Obligation Crossover Refunding Bonds, Series 2005, were issued at a discount of \$23,535 and, after paying debt issuance costs of \$38,645, the net proceeds were \$2,556,915. The County deposited \$15,533 of excess proceeds into the Debt Service Fund for future debt payments. The remaining \$2,541,382 of bond proceeds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the General Obligation Crossover Refunding Bonds, Series 2005, until February 1, 2009, at which time the refunded bonds will be paid off.

As a result of the crossover refunding, the County reduced its total debt service requirements by \$151,970, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$107,564.

4. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Yellow Medicine 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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

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

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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

|                                       | <u>2007</u> | <u>2008</u> |
|---------------------------------------|-------------|-------------|
| Public Employees Retirement Fund      |             |             |
| Basic Plan members                    | 11.78%      | 11.78%      |
| Coordinated Plan members              | 6.25        | 6.50        |
| Public Employees Police and Fire Fund | 11.70       | 12.90       |
| Public Employees Correctional Fund    | 8.75        | 8.75        |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

|                                       | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---------------------------------------|-------------|-------------|-------------|
| Public Employees Retirement Fund      | \$ 210,308  | \$ 191,506  | \$ 163,535  |
| Public Employees Police and Fire Fund | 53,065      | 47,207      | 37,278      |
| Public Employees Correctional Fund    | 45,212      | 39,301      | 37,657      |

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

B. Defined Contribution Plan

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

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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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4. Pension Plans

B. Defined Contribution Plan (Continued)

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

|                               | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount           | \$ 3,100        | \$ 3,100        |
| Percentage of covered payroll | 5.00%           | 5.00%           |

Required contribution rates were 5.00 percent.

5. Conduit Debt

In 2004, the County issued 4.50 percent General Obligation Water Revenue Bonds in the amount of \$6,090,000 for the Lincoln-Pipestone Rural Water System. The bonds were to finance construction of water system improvements and pay at maturity the outstanding principal amount of the bond anticipation note issued in 2002 for the Lincoln-Pipestone Rural Water System.

The debt is paid from special assessments levied against property specially benefited by the extension and enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. However, the bonds are general obligations of Yellow Medicine County for which its full faith, credit, and unlimited taxing powers are pledged.

The bonds are not reported as liabilities in the financial statements. The outstanding balance at December 31, 2007, is \$5,870,000.

6. Summary of Significant Contingencies and Other Items

A. Risk Management

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

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Compensation and Property and Casualty Divisions. For all other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

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

B. Subsequent Event

On February 12, 2008, Yellow Medicine County issued General Obligation Water Revenue Refunding Bonds, Series 2008, in the amount of \$5,845,000, for the Lincoln-Pipestone Rural Water System. The debt will be paid primarily from special assessments levied against property specially benefited by the Lincoln-Pipestone Rural Water System. However, the bonds are general obligations of Yellow Medicine County for which its full faith, credit, and unlimited taxing powers are pledged.

C. 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.



**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

C. Contingent Liabilities (Continued)

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.

D. Joint Ventures

Lincoln-Pipestone Rural Water System

Yellow Medicine County, along with Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Rock, and Pipestone Counties, jointly established the Lincoln-Pipestone Rural Water System, pursuant to Minn. Stat. ch. 116A. The system is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges.

The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by Lincoln County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2007, are \$19,496,142.

The Rural Water System's 2007 financial report shows total net assets of \$38,079,073, including unrestricted net assets of \$19,414,884. The decrease in net assets for the year ended December 31, 2007, is \$68,041. Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Countryside Public Health Service

Yellow Medicine County participates with Big Stone, Chippewa, Lac qui Parle, and Swift Counties in a joint venture to provide community health services. The governing board consists of 11 members, 3 from Yellow Medicine County and 2 from each of the other participating counties. Yellow Medicine County's contribution to the Countryside Public Health Service of \$90,297 is shown as an intergovernmental expenditure in the General Fund.

Countryside Public Health Service has no long-term debt. Complete financial statements of the Health Service can be obtained at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Yellow Medicine County participates with Chippewa, Lac qui Parle, and Swift Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

The County Boards of the participating counties have direct authority over and responsibility for the Community Corrections' activities.

Yellow Medicine County's contribution of \$103,486 to Region 6W Community Corrections is shown as an intergovernmental expenditure in the General Fund. Complete financial statements of Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

The County entered into a joint powers agreement to create and operate the Kandiyohi-Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs (PLYP)), pursuant to Minn. Stat. § 471.59. The PLYP provides detention services to juveniles under the jurisdiction of the counties that are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by Region 6W Community Corrections) and Kandiyohi County.

Control of the PLYP is vested in a joint board composed of one Commissioner from each participating county. An advisory board has also been established composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections and the directors of the family services or human services departments of the counties participating in the agreement. The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

Financing for the PLYP is provided by charges for services to member and nonmember counties. Kandiyohi County, under a separate agreement with the PLYP, provides accounting and payroll services and, in an agent capacity, reports the cash transactions of the PLYP as an agency fund on its financial statements. Complete financial information can be obtained from the Kandiyohi County Auditor/Treasurer's Office or the PLYP's Office, P. O. Box 894, Willmar, Minnesota 56201.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, and Swift Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, and Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Board's geographic jurisdiction, a system of care that will

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Commissioner from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The Board reported no long-term obligations at December 31, 2005.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

E. Jointly-Governed Organizations

Yellow Medicine County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations:

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$15,058 of the County levy to the Project.

Minnesota River Board

The Minnesota River Board promotes orderly water quality improvements and management of the Minnesota River watersheds. The County made no contributions to the Board in 2007.

Redwood-Cottonwood Rivers Control Area (RCRCA)

The RCRCA promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. During the year, the County paid \$627 of the County levy to the RCRCA.

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Lac qui Parle-Yellow Bank Watershed District

The County Board is responsible for appointing one of the Board of Managers for the District, but the County's responsibility does not extend beyond making the appointments.

Yellow Medicine River Watershed District

The County Board is also responsible for appointing two of the Board of Managers for the District, but the County's responsibility does not extend beyond making the appointments.

Western Plains Library System

Yellow Medicine County, along with several cities and other counties, participates in the Western Plains Library System in order to provide efficient and improved regional public library service. The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System, and financial information for the Western Plains Library System is not available.

F. Agricultural Best Management Loan Program

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 1**

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

|                                 | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|---------------------------------|-------------------------|---------------------|---------------------|----------------------|
|                                 | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Revenues</b>                 |                         |                     |                     |                      |
| Taxes                           | \$ 2,494,697            | \$ 2,494,697        | \$ 2,502,831        | \$ 8,134             |
| Special assessments             | 68,100                  | 119,010             | 119,110             | 100                  |
| Licenses and permits            | 24,450                  | 24,450              | 35,953              | 11,503               |
| Intergovernmental               | 1,374,308               | 1,404,173           | 1,417,280           | 13,107               |
| Charges for services            | 578,100                 | 578,100             | 670,594             | 92,494               |
| Fines and forfeits              | -                       | 2,600               | 19,678              | 17,078               |
| Gifts and contributions         | -                       | 100                 | 34,278              | 34,178               |
| Investment earnings             | 132,530                 | 132,530             | 267,477             | 134,947              |
| Miscellaneous                   | 279,280                 | 279,280             | 369,687             | 90,407               |
| <b>Total Revenues</b>           | <b>\$ 4,951,465</b>     | <b>\$ 5,034,940</b> | <b>\$ 5,436,888</b> | <b>\$ 401,948</b>    |
| <b>Expenditures</b>             |                         |                     |                     |                      |
| <b>Current</b>                  |                         |                     |                     |                      |
| <b>General government</b>       |                         |                     |                     |                      |
| Commissioners                   | \$ 189,194              | \$ 204,644          | \$ 202,100          | \$ 2,544             |
| Public defender                 | 7,000                   | 7,000               | 6,309               | 691                  |
| Administration                  | 100,006                 | 100,006             | 78,727              | 21,279               |
| Auditor-treasurer               | 309,850                 | 312,732             | 299,196             | 13,536               |
| Assessor                        | 130,857                 | 130,857             | 131,487             | (630)                |
| Elections                       | 500                     | 500                 | 234                 | 266                  |
| Risk management                 | 105,100                 | 105,100             | 95,641              | 9,459                |
| Accounting and auditing         | 40,500                  | 40,500              | 34,799              | 5,701                |
| Data processing                 | 87,500                  | 87,500              | 80,027              | 7,473                |
| Central services                | 32,500                  | 51,353              | 45,827              | 5,526                |
| Attorney                        | 290,719                 | 293,319             | 293,298             | 21                   |
| Recorder                        | 280,948                 | 280,948             | 221,764             | 59,184               |
| Planning and zoning             | 84,329                  | 94,479              | 91,756              | 2,723                |
| Buildings and plant             | 314,413                 | 319,413             | 306,619             | 12,794               |
| Veterans service officer        | 69,375                  | 72,166              | 128,360             | (56,194)             |
| Other general government        | 8,500                   | 8,500               | 4,844               | 3,656                |
| <b>Total general government</b> | <b>\$ 2,051,291</b>     | <b>\$ 2,109,017</b> | <b>\$ 2,020,988</b> | <b>\$ 88,029</b>     |
| <b>Public safety</b>            |                         |                     |                     |                      |
| Sheriff                         | \$ 742,457              | \$ 754,607          | \$ 803,723          | \$ (49,116)          |
| Boat and water safety           | 4,155                   | 4,155               | 7,483               | (3,328)              |
| Snowmobile safety               | 850                     | 850                 | -                   | 850                  |
| Coroner                         | 16,500                  | 16,500              | 6,014               | 10,486               |
| E-911 system                    | 87,500                  | 87,500              | 61,270              | 26,230               |
| Jail                            | 1,082,350               | 1,088,000           | 1,049,788           | 38,212               |
| Jail canteen fund               | 41,000                  | 41,000              | 39,375              | 1,625                |
| Restorative justice             | -                       | 69,604              | 38,434              | 31,170               |
| Civil defense                   | 59,563                  | 59,563              | 72,048              | (12,485)             |
| <b>Total public safety</b>      | <b>\$ 2,034,375</b>     | <b>\$ 2,121,779</b> | <b>\$ 2,078,135</b> | <b>\$ 43,644</b>     |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 1**  
**(Continued)**

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

|  | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|--|-------------------------|---------------------|---------------------|----------------------|
|  | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Expenditures</b>                            |                         |                     |                     |                      |
| <b>Current (Continued)</b>                     |                         |                     |                     |                      |
| <b>Sanitation</b>                              |                         |                     |                     |                      |
| Recycling                                      | \$ 102,500              | \$ 102,500          | \$ 74,779           | \$ 27,721            |
| Hazardous waste                                | 4,000                   | 4,000               | 5,587               | (1,587)              |
| <b>Total sanitation</b>                        | <b>\$ 106,500</b>       | <b>\$ 106,500</b>   | <b>\$ 80,366</b>    | <b>\$ 26,134</b>     |
| <b>Health</b>                                  |                         |                     |                     |                      |
| Nursing service                                | \$ 4,500                | \$ 4,500            | \$ 1,000            | \$ 3,500             |
| <b>Culture and recreation</b>                  |                         |                     |                     |                      |
| Historical society                             | \$ 20,000               | \$ 22,000           | \$ 21,500           | \$ 500               |
| Fairgrounds                                    | 19,500                  | 20,600              | 20,600              | -                    |
| Agricultural museum                            | 25,800                  | 25,800              | 25,676              | 124                  |
| Minnesota trails                               | -                       | 21,865              | 43,705              | (21,840)             |
| Parks  | 46,864                  | 66,864              | 56,512              | 10,352               |
| County/regional library                        | 69,145                  | 69,145              | 69,145              | -                    |
| Other  | 23,141                  | 24,766              | 20,735              | 4,031                |
| <b>Total culture and recreation</b>            | <b>\$ 204,450</b>       | <b>\$ 251,040</b>   | <b>\$ 257,873</b>   | <b>\$ (6,833)</b>    |
| <b>Conservation of natural resources</b>       |                         |                     |                     |                      |
| Extension                                      | \$ 98,936               | \$ 98,936           | \$ 96,865           | \$ 2,071             |
| Soil and water conservation                    | 95,368                  | 95,368              | 85,368              | 10,000               |
| Agricultural inspection                        | 54,384                  | 54,384              | 51,212              | 3,172                |
| Water quality loan program                     | -                       | 128,367             | 121,107             | 7,260                |
| Water planning                                 | 27,641                  | 27,641              | 25,408              | 2,233                |
| Environmental officer                          | 9,000                   | 9,000               | 7,301               | 1,699                |
| Other  | 16,685                  | 28,950              | 29,058              | (108)                |
| <b>Total conservation of natural resources</b> | <b>\$ 302,014</b>       | <b>\$ 442,646</b>   | <b>\$ 416,319</b>   | <b>\$ 26,327</b>     |
| <b>Economic development</b>                    |                         |                     |                     |                      |
| Community development                          | \$ 60,710               | \$ 60,710           | \$ 28,654           | \$ 32,056            |
| <b>Intergovernmental</b>                       |                         |                     |                     |                      |
| Public safety                                  | \$ 103,486              | \$ 103,486          | \$ 103,486          | \$ -                 |
| Health   | \$ 90,297               | \$ 90,297           | \$ 90,297           | \$ -                 |
| <b>Debt service</b>                            |                         |                     |                     |                      |
| Principal                                      | \$ 33,128               | \$ 55,576           | \$ 54,471           | \$ 1,105             |
| Interest                                       | \$ 3,400                | \$ 6,744            | \$ 5,350            | \$ 1,394             |
| <b>Total Expenditures</b>                      | <b>\$ 4,994,151</b>     | <b>\$ 5,352,295</b> | <b>\$ 5,136,939</b> | <b>\$ 215,356</b>    |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 1**  
**(Continued)**

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

|   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|---|-------------------------|---------------------|---------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>\$ (42,686)</b>      | <b>\$ (317,355)</b> | <b>\$ 299,949</b>   | <b>\$ 617,304</b>    |
| <b>Other Financing Sources (Uses)</b>               |                         |                     |                     |                      |
| Loans issued  | \$ -                    | \$ 128,367          | \$ 121,106          | \$ (7,261)           |
| Proceeds from sale of assets                        | -                       | -                   | 1                   | 1                    |
| <b>Total Other Financing Sources (Uses)</b>         | <b>\$ -</b>             | <b>\$ 128,367</b>   | <b>\$ 121,107</b>   | <b>\$ (7,260)</b>    |
| <b>Net Change in Fund Balance</b>                   | <b>\$ (42,686)</b>      | <b>\$ (188,988)</b> | <b>\$ 421,056</b>   | <b>\$ 610,044</b>    |
| <b>Fund Balance - January 1</b>                     | <b>4,363,239</b>        | <b>4,363,239</b>    | <b>4,363,239</b>    | <b>-</b>             |
| <b>Fund Balance - December 31</b>                   | <b>\$ 4,320,553</b>     | <b>\$ 4,174,251</b> | <b>\$ 4,784,295</b> | <b>\$ 610,044</b>    |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|--|-------------------------|---------------------|---------------------|----------------------|
|  | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Revenues</b>  |                         |                     |                     |                      |
| Taxes  | \$ 1,709,315            | \$ 1,709,315        | \$ 1,542,897        | \$ (166,418)         |
| Intergovernmental                                      | 5,410,940               | 5,634,792           | 5,995,226           | 360,434              |
| Charges for services                                   | 13,000                  | 13,000              | 34,103              | 21,103               |
| Investment earnings                                    | 80,000                  | 80,000              | 128,867             | 48,867               |
| Miscellaneous  | 26,000                  | 26,000              | 46,982              | 20,982               |
| <b>Total Revenues</b>                                  | <b>\$ 7,239,255</b>     | <b>\$ 7,463,107</b> | <b>\$ 7,748,075</b> | <b>\$ 284,968</b>    |
| <b>Expenditures</b>                                    |                         |                     |                     |                      |
| <b>Current</b>   |                         |                     |                     |                      |
| <b>Highways and streets</b>                            |                         |                     |                     |                      |
| Administration   | \$ 240,325              | \$ 240,325          | \$ 227,246          | \$ 13,079            |
| Maintenance  | 1,450,015               | 1,424,015           | 1,285,355           | 138,660              |
| Construction   | 4,847,870               | 4,847,870           | 4,510,385           | 337,485              |
| Equipment and maintenance shops                        | 1,085,045               | 1,111,045           | 802,535             | 308,510              |
| <b>Total highways and streets</b>                      | <b>\$ 7,623,255</b>     | <b>\$ 7,623,255</b> | <b>\$ 6,825,521</b> | <b>\$ 797,734</b>    |
| <b>Intergovernmental</b>                               |                         |                     |                     |                      |
| Highways and streets                                   | -                       | 278,814             | 278,814             | -                    |
| <b>Total Expenditures</b>                              | <b>\$ 7,623,255</b>     | <b>\$ 7,902,069</b> | <b>\$ 7,104,335</b> | <b>\$ 797,734</b>    |
| <b>Excess of Revenues Over (Under) Expenditures</b>    | <b>\$ (384,000)</b>     | <b>\$ (438,962)</b> | <b>\$ 643,740</b>   | <b>\$ 1,082,702</b>  |
| <b>Other Financing Sources (Uses)</b>                  |                         |                     |                     |                      |
| Proceeds from sale of assets                           | -                       | -                   | 5,300               | 5,300                |
| <b>Net Change in Fund Balance</b>                      | <b>\$ (384,000)</b>     | <b>\$ (438,962)</b> | <b>\$ 649,040</b>   | <b>\$ 1,088,002</b>  |
| <b>Fund Balance - January 1</b>                        | <b>2,728,750</b>        | <b>2,728,750</b>    | <b>2,728,750</b>    | <b>-</b>             |
| <b>Increase (decrease) in reserved for inventories</b> | <b>-</b>                | <b>-</b>            | <b>16,405</b>       | <b>16,405</b>        |
| <b>Fund Balance - December 31</b>                      | <b>\$ 2,344,750</b>     | <b>\$ 2,289,788</b> | <b>\$ 3,394,195</b> | <b>\$ 1,104,407</b>  |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 3**

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

|                                   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|-----------------------------------|-------------------------|---------------------|---------------------|----------------------|
|                                   | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Revenues</b>                   |                         |                     |                     |                      |
| Taxes                             | \$ 1,558,048            | \$ 1,558,048        | \$ 1,531,968        | \$ (26,080)          |
| Intergovernmental                 | 1,859,482               | 1,859,482           | 2,021,586           | 162,104              |
| Charges for services              | 115,000                 | 115,000             | 173,280             | 58,280               |
| Gifts and contributions           | -                       | -                   | 879                 | 879                  |
| Investment earnings               | 40,000                  | 40,000              | 93,327              | 53,327               |
| Miscellaneous                     | 69,000                  | 69,000              | 148,420             | 79,420               |
| <b>Total Revenues</b>             | <b>\$ 3,641,530</b>     | <b>\$ 3,641,530</b> | <b>\$ 3,969,460</b> | <b>\$ 327,930</b>    |
| <b>Expenditures</b>               |                         |                     |                     |                      |
| <b>Current</b>                    |                         |                     |                     |                      |
| <b>Human services</b>             |                         |                     |                     |                      |
| Income maintenance                | \$ 963,830              | \$ 963,830          | \$ 941,050          | \$ 22,780            |
| Social services                   | 2,677,700               | 2,677,700           | 2,637,235           | 40,465               |
| <b>Total Expenditures</b>         | <b>\$ 3,641,530</b>     | <b>\$ 3,641,530</b> | <b>\$ 3,578,285</b> | <b>\$ 63,245</b>     |
| <b>Net Change in Fund Balance</b> | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ 391,175</b>   | <b>\$ 391,175</b>    |
| <b>Fund Balance - January 1</b>   | <b>2,359,736</b>        | <b>2,359,736</b>    | <b>2,359,736</b>    | <b>-</b>             |
| <b>Fund Balance - December 31</b> | <b>\$ 2,359,736</b>     | <b>\$ 2,359,736</b> | <b>\$ 2,750,911</b> | <b>\$ 391,175</b>    |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 4**

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

|                                   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>      | <b>Variance with</b> |
|-----------------------------------|-------------------------|---------------------|--------------------|----------------------|
|                                   | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>     | <b>Final Budget</b>  |
| <b>Revenues</b>                   |                         |                     |                    |                      |
| Special assessments               | \$ 75,000               | \$ 75,000           | \$ 75,475          | \$ 475               |
| Intergovernmental                 | 196                     | 196                 | 196                | -                    |
| Investment earnings               | 18,000                  | 18,000              | 27,328             | 9,328                |
| Miscellaneous                     | -                       | -                   | 17,587             | 17,587               |
| <b>Total Revenues</b>             | <b>\$ 93,196</b>        | <b>\$ 93,196</b>    | <b>\$ 120,586</b>  | <b>\$ 27,390</b>     |
| <b>Expenditures</b>               |                         |                     |                    |                      |
| <b>Current</b>                    |                         |                     |                    |                      |
| Conservation of natural resources |                         |                     |                    |                      |
| Other                             | 201,499                 | 201,499             | 182,371            | 19,128               |
| <b>Net Change in Fund Balance</b> | <b>\$ (108,303)</b>     | <b>\$ (108,303)</b> | <b>\$ (61,785)</b> | <b>\$ 46,518</b>     |
| <b>Fund Balance - January 1</b>   | <b>538,137</b>          | <b>538,137</b>      | <b>538,137</b>     | <b>-</b>             |
| <b>Fund Balance - December 31</b> | <b>\$ 429,834</b>       | <b>\$ 429,834</b>   | <b>\$ 476,352</b>  | <b>\$ 46,518</b>     |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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

---

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, the special revenue funds, and the Jail Bond Debt Service Fund. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and the special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

Expenditure budgets were amended in the following funds:

|                                      | <u>Original<br/>Budget</u> | <u>Increase<br/>(Decrease)</u> | <u>Final<br/>Budget</u> |
|--------------------------------------|----------------------------|--------------------------------|-------------------------|
| General Fund                         | \$ 4,994,151               | \$ 358,144                     | \$ 5,352,295            |
| Road and Bridge Special Revenue Fund | 7,623,255                  | 278,814                        | 7,902,069               |

Over the course of the year, the County Board revised these budgets several times. The budget amendments fall into three categories: new information changing original budget estimates, greater than anticipated revenues or costs, and new grant awards.

4. Excess of Expenditures Over Budget

At December 31, 2007, there were no expenditures in excess of budget in the governmental funds.

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## **SUPPLEMENTARY INFORMATION**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULE  
JAIL BOND DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|                                   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with</b> |
|-----------------------------------|-------------------------|---------------------|---------------------|----------------------|
|                                   | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>Revenues</b>                   |                         |                     |                     |                      |
| Taxes                             | \$ 254,700              | \$ 254,700          | \$ 256,152          | \$ 1,452             |
| Intergovernmental                 | 28,300                  | 28,300              | 27,393              | (907)                |
| Investment earnings               | 100,000                 | 100,000             | 103,043             | 3,043                |
| <b>Total Revenues</b>             | <b>\$ 383,000</b>       | <b>\$ 383,000</b>   | <b>\$ 386,588</b>   | <b>\$ 3,588</b>      |
| <b>Expenditures</b>               |                         |                     |                     |                      |
| <b>Debt service</b>               |                         |                     |                     |                      |
| Principal                         | \$ 125,000              | \$ 125,000          | \$ 125,000          | \$ -                 |
| Interest                          | 241,022                 | 241,022             | 240,590             | 432                  |
| Administrative (fiscal) fees      | 1,500                   | 1,500               | 431                 | 1,069                |
| <b>Total Expenditures</b>         | <b>\$ 367,522</b>       | <b>\$ 367,522</b>   | <b>\$ 366,021</b>   | <b>\$ 1,501</b>      |
| <b>Net Change in Fund Balance</b> | <b>\$ 15,478</b>        | <b>\$ 15,478</b>    | <b>\$ 20,567</b>    | <b>\$ 5,089</b>      |
| <b>Fund Balance - January 1</b>   | <b>2,899,099</b>        | <b>2,899,099</b>    | <b>2,899,099</b>    | <b>-</b>             |
| <b>Fund Balance - December 31</b> | <b>\$ 2,914,577</b>     | <b>\$ 2,914,577</b> | <b>\$ 2,919,666</b> | <b>\$ 5,089</b>      |

**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Statement 1**

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

|                                      | Balance<br>January 1 | Additions     | Deductions    | Balance<br>December 31 |
|--------------------------------------|----------------------|---------------|---------------|------------------------|
| <b><u>STATE</u></b>                  |                      |               |               |                        |
| <b><u>Assets</u></b>                 |                      |               |               |                        |
| Cash and pooled investments          | \$ 19,597            | \$ 262,736    | \$ 260,360    | \$ 21,973              |
| <b><u>Liabilities</u></b>            |                      |               |               |                        |
| Due to other governments             | \$ 19,597            | \$ 262,736    | \$ 260,360    | \$ 21,973              |
| <b><u>TAXES AND PENALTIES</u></b>    |                      |               |               |                        |
| <b><u>Assets</u></b>                 |                      |               |               |                        |
| Cash and pooled investments          | \$ 128,269           | \$ 11,624,567 | \$ 11,615,849 | \$ 136,987             |
| <b><u>Liabilities</u></b>            |                      |               |               |                        |
| Due to other governments             | \$ 128,269           | \$ 11,624,567 | \$ 11,615,849 | \$ 136,987             |
| <b><u>TOTAL ALL AGENCY FUNDS</u></b> |                      |               |               |                        |
| <b><u>Assets</u></b>                 |                      |               |               |                        |
| Cash and pooled investments          | \$ 147,866           | \$ 11,887,303 | \$ 11,876,209 | \$ 158,960             |
| <b><u>Liabilities</u></b>            |                      |               |               |                        |
| Due to other governments             | \$ 147,866           | \$ 11,887,303 | \$ 11,876,209 | \$ 158,960             |

## **OTHER SCHEDULE**

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 6**

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

**Shared Revenue**

**State**

|                         |              |
|-------------------------|--------------|
| Highway users tax       | \$ 3,585,044 |
| County program aid      | 784,175      |
| PERA rate reimbursement | 15,547       |
| Disparity reduction aid | 43,278       |
| Police aid              | 47,206       |
| Enhanced 911            | 83,708       |
| Market value credit     | 568,710      |
| Casino credit           | 23,853       |

|                             |                     |
|-----------------------------|---------------------|
| <b>Total Shared Revenue</b> | <b>\$ 5,151,521</b> |
|-----------------------------|---------------------|

**Reimbursement for Services**

|  |                   |
|--|-------------------|
| Minnesota Department of Human Services | <b>\$ 950,469</b> |
|--|-------------------|

**Payments**

|                           |           |
|---------------------------|-----------|
| Payments in lieu of taxes | \$ 52,254 |
| Local grants              | 48,148    |

|                       |                   |
|-----------------------|-------------------|
| <b>Total Payments</b> | <b>\$ 100,402</b> |
|-----------------------|-------------------|

**Grants**

**State**

|  |            |
|--|------------|
| Minnesota Department of Human Services     | \$ 664,066 |
| Natural Resources                          | 53,453     |
| Public Safety                              | 7,025      |
| Veterans Affairs                           | 1,400      |
| Corrections                                | 8,000      |
| Peace Officer Standards and Training Board | 3,216      |
| Pollution Control Agency                   | 52,039     |

|                    |                   |
|--------------------|-------------------|
| <b>Total State</b> | <b>\$ 789,199</b> |
|--------------------|-------------------|

**Federal**

|                           |           |
|---------------------------|-----------|
| Department of Agriculture | \$ 2,089  |
| Transportation            | 2,242,250 |
| Health and Human Services | 212,459   |
| Homeland Security         | 13,292    |

|                      |                     |
|----------------------|---------------------|
| <b>Total Federal</b> | <b>\$ 2,470,090</b> |
|----------------------|---------------------|

|                                       |                     |
|---------------------------------------|---------------------|
| <b>Total State and Federal Grants</b> | <b>\$ 3,259,289</b> |
|---------------------------------------|---------------------|

|  |                     |
|--|---------------------|
| <b>Total Intergovernmental Revenue</b> | <b>\$ 9,461,681</b> |
|--|---------------------|

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 7**

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

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

- A. Our report expresses unqualified opinions on the basic financial statements of Yellow Medicine County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Yellow Medicine County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Yellow Medicine County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program 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 program for Yellow Medicine County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Highway Planning and Construction
  - CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Yellow Medicine 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

04-1 Segregation of Duties

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 Yellow Medicine 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.

Some of the County's departments that collect fees have segregation of duties weaknesses. These departments generally have one staff person who is responsible for billing, collecting, depositing, and recording receipts as well as reconciling bank accounts.

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

Client's Response:

*The County is aware that due to concentration of duties and responsibilities, there is a lack of office personnel in various County Departments to ensure adequate internal accounting controls. County management will periodically monitor these offices to assure established policies and procedures are being followed.*

06-1 Audit Adjustments

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

During our audit, we proposed material adjustments that resulted in significant changes to the County's financial statements. The adjustments resulted from errors made in recording transactions and with mapping of various account codes. The inability to detect a material misstatement 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, then design and implement procedures to improve internal control over financial reporting to detect 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:

*The County will continue to train persons coding receipts and disbursements, as well as more closely monitor the transactions during the year.*

06-2 Computer Risk Management

Risk management begins with a risk assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County's staff. Staff adherence to these policies and procedures should be monitored.

Proper controls should be maintained over the computer system to allow for proper financial reporting. The County does not require strong passwords or periodically test its disaster recovery plan.

We recommend the County take steps to improve the control over its computer systems by requiring passwords that are longer and include more randomized characters and by periodically testing its disaster recovery plan.

We recommend the County Board develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems. Because computer systems are ever changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls are still effective.

Client's Response:

*The County will develop a policy that requires employees to use alpha-numeric passwords with at least 8 random characters in length when accessing the AS400. The County has a disaster plan in place and will work with our lessor to see if the plan can be tested. The County will work to develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computers.*

06-3 Capital Assets Policies and Procedures

The County's current capital assets policy defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods; however, the policy does not address redetermination of the useful lives of the capital assets, nor when redetermination of the capital assets will take place. Also, it is not clear how the costs of replaced infrastructure assets are being deleted, if at all.

The County is carrying a significant amount of fully depreciated assets. Typically, a capital asset still in use should not be considered fully depreciated. For significant assets, the estimated useful lives assigned to capital assets should be reconsidered. At the time of redetermination, the estimated useful life of an asset includes both the years the asset has been in service and the estimated number of years of service remaining.

We recommend the County Board address these issues in the capital assets policy. The policy should establish procedures to address the point when useful lives of current capital assets should be reconsidered.

Department heads should report capital asset additions and deletions to the person maintaining the capital asset records at least annually. Also, we recommend a physical inventory of capital assets be performed periodically. This physical inventory can be rotated so that a portion of the capital assets is inventoried each year. Each asset should be counted at least once every four years. Some critical capital assets may need more frequent accounting.

**Client's Response:**

*The County will revise the capital asset guide to include the redetermination of the estimated useful lives of equipment still in service. The Highway Engineer and Accountant will continue to work with MN DOT to implement a statewide standard way of determining how to delete the costs of replaced infrastructure assets.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Controls Over the Accounting System Journal Entry Function (06-4)**

The County did not limit access to the accounting system journal entry function to select County employees. Not all journal entries made to the accounting system were reviewed and approved.

**Resolution**

The County strengthened controls by limiting access to the accounting system journal entry function. Journal entries are being reviewed and approved by the Auditor-Treasurer.

**Accounting Policies and Procedures Manual (06-5)**

The County did not have a current and comprehensive accounting policies and procedures manual.

**Resolution**

The County Board approved an accounting policies and procedures manual on August 12, 2008.

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

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### OTHER ITEM FOR CONSIDERATION

##### Other Postemployment Benefits (OPEB)

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

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

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

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



Some of the issues that the County Board will need to address in order to comply with GASB Statement 45 are:

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

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

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Yellow Medicine County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yellow Medicine County as of and for the year ended December 31, 2007, and have issued our report thereon dated January 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 04-1 and 06-1 through 06-3 to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

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

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

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 12, 2009

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REBECCA OTTO  
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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  
Yellow Medicine County

#### Compliance

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

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

#### Internal Control Over Compliance

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

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

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yellow Medicine County as of and for the year ended December 31, 2007, and have issued our report thereon dated January 12, 2009. Our audit was performed for the purpose of forming opinions on the County's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic



financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

January 12, 2009

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

**Schedule 8**

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

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>  | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b>               |
|---|------------------------------------|-----------------------------------|
| <b>U.S. Department of Agriculture</b>   |                                    |                                   |
| Passed Through Minnesota Department of Human Services<br>State Administrative Matching Grants for Food Stamp Program                  | 10.561                             | \$ <u>2,089</u>                   |
| <b>U.S. Department of Transportation</b>  |                                    |                                   |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction  | 20.205                             | \$ 2,240,000                      |
| Passed Through Minnesota Department of Public Safety<br>Interagency Hazardous Materials Public Sector Training<br>and Planning Grants | 20.703                             | <u>2,250</u>                      |
| <b>Total U.S. Department of Transportation</b>  |                                    | <b>\$ <u>2,242,250</u></b>        |
| <b>U.S. Election Assistance Commission</b>  |                                    |                                   |
| Passed Through Minnesota Secretary of State<br>Help America Vote Act Requirements Payments  | 90.401                             | \$ <u>600</u>                     |
| <b>U.S. Department of Health and Human Services</b>   |                                    |                                   |
| Passed Through Minnesota Department of Human Services<br>Promoting Safe and Stable Families   | 93.556                             | \$ 9,553                          |
| Temporary Assistance for Needy Families (TANF)  | 93.558                             | 38,020                            |
| Child Care Cluster  |                                    |                                   |
| Child Care and Development Block Grant  | 93.575                             | 19,838                            |
| Child Care Mandatory Matching Funds   | 93.596                             | 32,759                            |
| Foster Care - Title IV-E  | 93.658                             | 14,823                            |
| Social Services Block Grant - Title XX  | 93.667                             | 91,290                            |
| Chafee Foster Care Independence Program   | 93.674                             | 1,261                             |
| Block Grants for Community Mental Health Services   | 93.958                             | <u>4,915</u>                      |
| <b>Total U.S. Department of Health and Human Services</b>   |                                    | <b>\$ <u>212,459</u></b>          |
| <b>U.S. Department of Homeland Security</b>   |                                    |                                   |
| Passed Through Minnesota Department of Public Safety<br>Emergency Management Performance Grant  | 97.042                             | \$ 9,483                          |
| Passed Through United Way<br>Emergency Food and Shelter National Board Program  | 97.024                             | <u>3,809</u>                      |
| <b>Total U.S. Department of Homeland Security</b>   |                                    | <b>\$ <u>13,292</u></b>           |
| <b>Total Federal Awards</b>   |                                    | <b>\$ <u><u>2,470,690</u></u></b> |

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**YELLOW MEDICINE COUNTY  
GRANITE FALLS, MINNESOTA**

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

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1. Reporting Entity

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

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual--when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Yellow Medicine County considers all revenues to be available if they are collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

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

3. Reconciliation to Schedule of Intergovernmental Revenues

|   |                     |
|---|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenues  | \$ 2,470,090        |
| Help America Vote Act Requirements Payments grant monies unspent in 2006<br>and expended in 2007 (CFDA #90.401) | <u>600</u>          |
| Expenditures per Schedule of Expenditures of Federal Awards   | <u>\$ 2,470,690</u> |

4. Passed Through to Subrecipients

During 2007, the County did not pass any federal money to subrecipients.

5. Pass-Through Grant Numbers

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