

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

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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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

For the Year Ended December 31, 2008



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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY
2008**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Todd Patzer	January 2009
2nd District	Albert Hoffman	January 2011
3rd District	Ivey Vonderharr*	January 2009
4th District	Terrence Overlander**	January 2011
5th District	Harold Solem	January 2009
Officers		
Elected		
Attorney	Richard Stulz	January 2011
Coroner	Ralph Gerbig, M.D.	January 2009
Sheriff	Graylen Carlson	January 2011
Appointed		
Auditor-Treasurer	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Dan Meyer	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2009
Commissioner	Albert Hoffman	January 2011
Commissioner	Ivey Vonderharr	January 2009
Commissioner	Merril Johnson	January 2011
Commissioner	Harold Solem	January 2009
Member	Ann Jenson	July 2011
Member	Mary Wodrich	July 2010
Director	Joel Churness	Indefinite

*Chair 2008

**Chair 2009

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BOARD OF SUPERVISORS
2008**

<u>Name</u>	<u>Position</u>
Supervisor	
Willis Beecher	Chair
Darrel Ellefson	Vice Chair
David Ludvigson	Treasurer
David Craigmile	Secretary
Daniel Christianson	Publicity Chair
Staff	
Trudy Hastad	Administrator
Ron Fjerkenstad	Park Manager
Steve Torvik	Attorney

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
BOARD OF COMMISSIONERS
2008**

<u>Name</u>	<u>Position</u>
Commissioners	
John Roiger	President
Harold Solem	Vice President
Clair Anderson	Treasurer
Rick Gail	Secretary
Clyde Dessonville	Member
Albert Hoffman	Member
Brandon Ulstad	Member
Staff	
Pamela Lehmann	Executive Director

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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
Lac qui Parle County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2008, and the 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 Lac qui Parle County. The statement and schedules 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 Lac qui Parle County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2009, on our consideration of Lac qui Parle 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

September 9, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. 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. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

Governmental activities' total net assets are \$49,790,689, of which \$38,309,224 is invested in capital assets and \$1,574,489 is restricted to specific purposes. The \$9,906,976 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$3,025,886 for the year ended December 31, 2008. A large part of the increase is attributable to the increase in highway infrastructure assets.

The net cost of governmental activities for the current fiscal year was \$1,599,080. The net cost was funded by general revenues and other items totaling \$4,624,966.

The fund balances of the governmental funds increased by \$565,445. Most of the increase was due to greater than expected intergovernmental revenue in the General Fund and the Road and Bridge Special Revenue Fund.

For the year ended December 31, 2008, the unreserved fund balance of the General Fund was \$3,312,661, or 102 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 required supplementary information.

Government-Wide Financial Statements

These 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. You will also need to consider other non-financial 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 for which the County is legally accountable.

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

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law 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 in and out of these funds and the balances left at year-end 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, Family Services Special Revenue Fund, and Ditch Special Revenue Fund. Budgetary comparison statements have 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 the Combining Statement of Changes in Assets and Liabilities (Statement 1).

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 \$49,790,689 at the close of 2008. The largest portion of the net assets (76.9 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as roads and bridges).

Table 1
Net Assets

	2008	2007 (Restated)
Assets		
Current and other assets	\$ 12,493,944	\$ 11,493,547
Capital assets	38,309,224	36,326,049
Total Assets	<u>\$ 50,803,168</u>	<u>\$ 47,819,596</u>
Liabilities		
Long-term liabilities	\$ 350,346	\$ 311,625
Other liabilities	662,133	743,168
Total Liabilities	<u>\$ 1,012,479</u>	<u>\$ 1,054,793</u>
Net Assets		
Invested in capital assets	\$ 38,309,224	\$ 36,326,049
Restricted	1,574,489	1,010,129
Unrestricted	9,906,976	9,428,625
Total Net Assets	<u><u>\$ 49,790,689</u></u>	<u><u>\$ 46,764,803</u></u>

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--are 19.9 percent of the net assets.

Governmental Activities

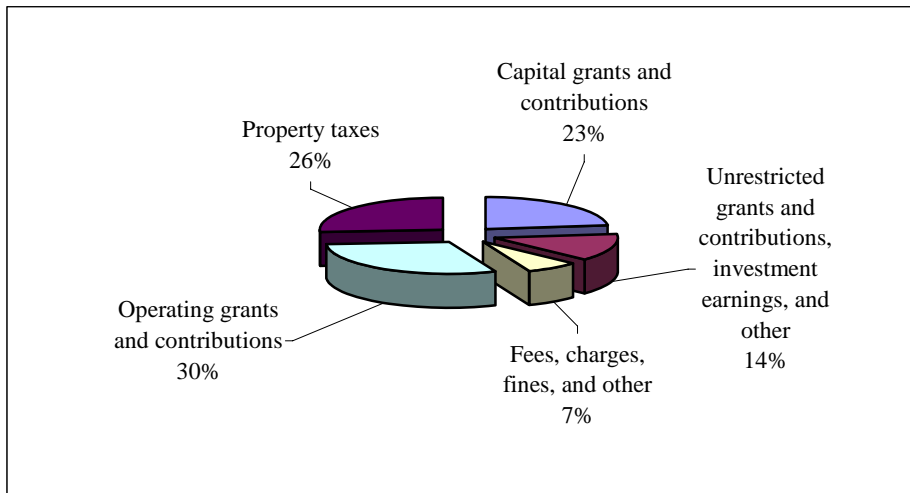
The County's activities increased net assets by 6.5 percent (\$49,790,689 for 2008 compared to \$46,764,803 for 2007). Key elements in this increase in net assets are as follows:

Table 2
Changes in Net Assets

	2008	2007 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 799,414	\$ 705,014
Operating grants and contributions	3,502,064	4,575,492
Capital grants and contributions	2,667,825	597,042
General revenues		
Property taxes	3,025,715	2,805,388
Other	1,599,251	1,898,466
Total Revenues	<u>\$ 11,594,269</u>	<u>\$ 10,581,402</u>
Expenses		
General government	\$ 1,048,488	\$ 1,329,524
Public safety	927,645	887,345
Highways and streets	3,888,978	3,879,022
Sanitation	124,978	103,500
Human services	1,897,836	2,002,635
Health	67,539	70,132
Culture and recreation	153,708	115,856
Conservation of natural resources	452,211	392,010
Economic development	7,000	67,620
Total Expenses	<u>\$ 8,568,383</u>	<u>\$ 8,847,644</u>
Increase in Net Assets	\$ 3,025,886	\$ 1,733,758
Net Assets - January 1	<u>46,764,803</u>	<u>45,031,045</u>
Net Assets - December 31	<u>\$ 49,790,689</u>	<u>\$ 46,764,803</u>

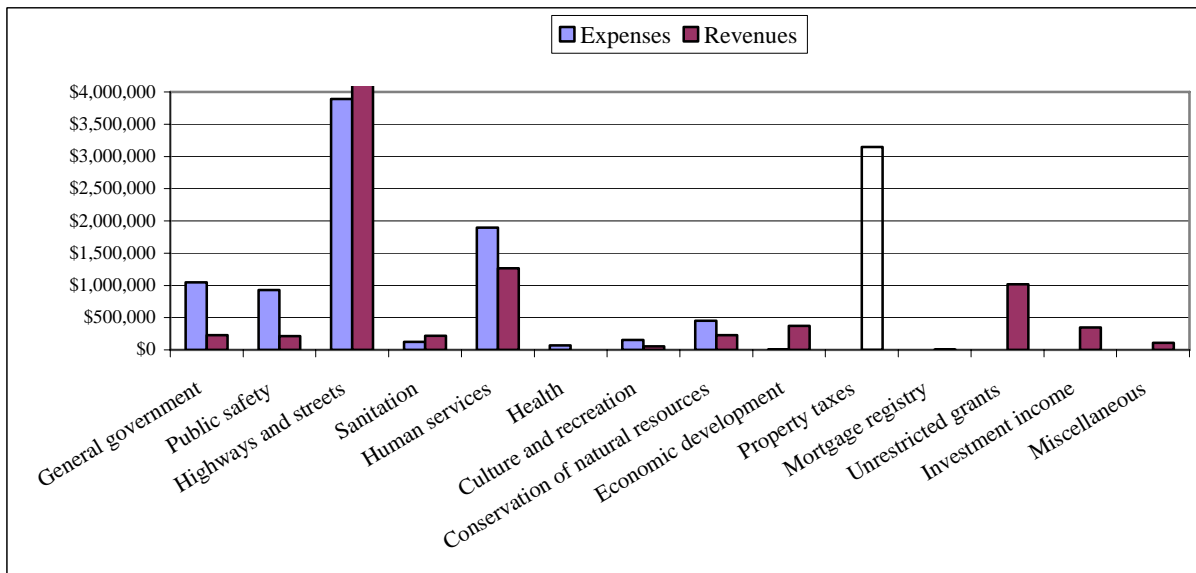
The County's total revenues were \$11,594,269. Table 3 presents the percent of total County revenues by source for the year ended December 31, 2008.

Table 3
County Revenues



Total expenses were \$8,568,383, while total revenues were \$11,594,269. This reflects a \$3,025,886 increase in net assets for the year ended December 31, 2008. Table 4 presents the cost and revenues of each program, as well as the County's general revenues.

Table 4
Revenues and Expenses



The cost of all governmental activities this year was \$8,568,383. 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 \$3,025,715 because some of the cost was paid by those who directly benefited from the programs (\$799,414) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,169,889). The County paid for the remaining “public benefit” portion of governmental activities with \$1,599,251 in general revenues such as grants and contributions not restricted to specific programs, and interest.

Table 5 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 that was placed on the County’s taxpayers by each of these functions.

Table 5
2008 Governmental Activities
(in thousands)

	Total Cost of Services	Net Cost of Services
Highways and streets	\$ 3,889	\$ (501)
Human services	1,898	632
General government	1,048	822
Public safety	927	714
All others	806	(68)
	<hr/>	<hr/>
Totals	<u>\$ 8,568</u>	<u>\$ 1,599</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 that are 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 \$10,326,377, an increase of \$565,445 in comparison with the prior year. Of the combined ending fund balances, \$9,404,368 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 \$3,312,661. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 102 percent of total General Fund expenditures. During 2008, the ending fund balance increased by \$88,276. The primary reason for this increase was the receipt of \$372,434 for a grant from the U.S. Department of Housing and Urban Development (Community Development Block Grant) and the following loan made to Noah's Ark Processor's, which was classified as an asset on the County's balance sheet in the amount of \$320,668. This large revenue/asset transaction was countered by unbudgeted roof repairs to the courthouse and a state unallotment of County Program Aid in 2008.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,875,236 at fiscal year-end, representing 35.7 percent of its annual expenditures. The ending fund balance increased \$24,272 during 2008, primarily due to greater than expected intergovernmental revenue.

The Family Services Special Revenue Fund had an unreserved fund balance of \$3,548,625 at fiscal year-end, representing 188.4 percent of its annual expenditures. The ending fund balance increased \$364,947 during 2008, due to expenditures being far less than budgeted for out of home placement both in children and mental health as well as adult crisis service and inpatient hospitalization. The Family Services Department also did not budget for CWTCM revenue due to potential loss from non-reimbursements from the Federal Center for Medicare Services. The Center continues to pass moratoriums and completes reimbursements. Meanwhile, the State of Minnesota has been making payments to the County as a contingency for the loss of this revenue.

The Ditch Special Revenue Fund had an unreserved fund balance of \$667,846 at fiscal year-end. The ending fund balance increased \$87,950 during 2008, primarily due to the 107 ditches needing less maintenance than was anticipated.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$361,380 higher than the final budget amounts. The most significant negative variance, \$153,821, occurred in the County Buildings and Plant (Custodian) Department, due to unbudgeted courthouse roof repair expenditures. Reasons for other significant variances of actual expenditures from final budget included unbudgeted technology investments in the County Recorder's Department, which were funded with Compliance and Technology reserves.

Resources available for appropriation were \$473,442 above the final budgeted amount. This was primarily due to the receipt of funds for the Community Development Block Grant and also the receipt of funds from MCIT from damages sustained to County buildings in a windstorm on July 31, 2008.

CAPITAL ASSETS

The County's capital assets at December 31, 2008, totaled \$38,309,224 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Table 6
Capital Assets at Year-End
(Net of Depreciation)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 155,803	\$ 9,300	\$ -	\$ 165,103
Work in progress	244,381	-	244,381	-
Right-of-way	470,198	-	-	470,198
Total capital assets not depreciated	<u>\$ 870,382</u>	<u>\$ 9,300</u>	<u>\$ 244,381</u>	<u>\$ 635,301</u>
Capital assets depreciated				
Buildings	\$ 1,309,207	\$ 921,360	\$ -	\$ 2,230,567
Machinery, furniture, and equipment	3,706,605	310,521	97,543	3,919,583
Infrastructure	43,411,521	2,252,026	-	45,663,547
Total capital assets depreciated	<u>\$ 48,427,333</u>	<u>\$ 3,483,907</u>	<u>\$ 97,543</u>	<u>\$ 51,813,697</u>
Less: accumulated depreciation for				
Buildings	\$ 497,765	\$ 40,048	\$ -	\$ 537,813
Machinery, furniture, and equipment	2,258,706	312,466	97,543	2,473,629
Infrastructure	10,215,195	913,137	-	11,128,332
Total accumulated depreciation	<u>\$ 12,971,666</u>	<u>\$ 1,265,651</u>	<u>\$ 97,543</u>	<u>\$ 14,139,774</u>
Total capital assets depreciated, net	<u>\$ 35,455,667</u>	<u>\$ 2,218,256</u>	<u>\$ -</u>	<u>\$ 37,673,923</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,326,049</u>	<u>\$ 2,227,556</u>	<u>\$ 244,381</u>	<u>\$ 38,309,224</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2009 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2008 was 4.9 percent. This is comparable with the state unemployment rate of 5.4 percent and shows a 2.0 percent decrease from the County's 5.0 percent rate of one year ago. This could impact the level of services requested by County residents.
- Mortgage interest rates are rising, causing an increase in bankruptcies and foreclosures.
- Real estate values are increasing across the County, particularly tillable agricultural land.
- Wage increases for the area are not keeping up with increased cost of living expenses, including energy costs, health care, and property taxes.
- The County General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund expenditures for 2009 are budgeted to increase 6.1 percent (\$605,647) over the 2008 original budget. The 2009 anticipated revenues for the same funds are budgeted to increase 2.1 percent (\$206,687) over the 2008 original budget.
- The property tax levy for the County increased 5.63 percent (\$193,188) from 2008.

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

The Lac qui Parle-Yellow Bank Watershed District is a component unit of the County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

FINANCIAL HIGHLIGHTS

Governmental activities' total net assets are \$6,103,681, of which \$5,216,505 is invested in capital assets and \$887,176 is unrestricted.

The District's net assets increased by \$194,949 for the year ended December 31, 2008. A large part of the increase is attributable to increased intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$6,103,681 at the close of 2008. The largest portion of the net assets (85.5 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

Table 7
Net Assets

	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 1,233,181	\$ 966,610
Capital assets	<u>5,216,505</u>	<u>5,204,656</u>
Total Assets	<u>\$ 6,449,686</u>	<u>\$ 6,171,266</u>
Liabilities		
Long-term liabilities	\$ 260,737	\$ 227,409
Other liabilities	<u>85,268</u>	<u>35,125</u>
Total Liabilities	<u>\$ 346,005</u>	<u>\$ 262,534</u>
Net Assets		
Invested in capital assets	\$ 5,216,505	\$ 5,204,656
Restricted	<u>887,176</u>	<u>704,076</u>
Total Net Assets	<u>\$ 6,103,681</u>	<u>\$ 5,908,732</u>

LAC QUI PARLE COUNTY ECONOMIC DEVELOPMENT AUTHORITY

The Lac qui Parle County Economic Development Authority is a component unit of Lac qui Parle County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

FINANCIAL HIGHLIGHTS

Governmental activities' total net assets are \$135,372, which is unrestricted.

The Authority's net assets increased by \$416 for the year ended December 31, 2008.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$135,372 at the close of 2008. The largest portion of the net assets reflects its cash and pooled investments.

Table 8
Net Assets

	<u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 152,876	\$ 134,956
Liabilities		
Current liabilities	<u>17,504</u>	<u>-</u>
Net Assets		
Unrestricted	<u>\$ 135,372</u>	<u>\$ 134,956</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lac qui Parle County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the County's Auditor-Treasurer, Jake Sieg, Lac qui Parle County Courthouse, 600 - 6th Street, Madison, Minnesota 56256.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government Governmental Activities	Discretely Presented Component Units Lac qui Parle- Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
<u>Assets</u>			
Cash and pooled investments	\$ 5,669,293	\$ 935,200	\$ 140,569
Investments	4,550,000	-	-
Receivables - net	2,147,613	297,981	2,902
Due from component unit	18,000	-	-
Due from primary government	-	-	9,405
Inventories	107,112	-	-
Prepaid items	1,926	-	-
Capital assets			
Non-depreciable capital assets	635,301	628,458	-
Depreciable capital assets - net of accumulated depreciation	37,673,923	4,588,047	-
Total Assets	\$ 50,803,168	\$ 6,449,686	\$ 152,876
<u>Liabilities</u>			
Accounts payable and other current liabilities	\$ 618,289	\$ 59,588	\$ 14,693
Unearned revenue	34,439	-	-
Due to component unit	9,405	-	-
Due to primary government			
Due within one year	-	6,000	-
Due in more than one year	-	12,000	-
Long-term liabilities			
Due within one year	17,560	19,680	-
Due in more than one year	332,786	248,737	2,811
Total Liabilities	\$ 1,012,479	\$ 346,005	\$ 17,504
<u>Net Assets</u>			
Invested in capital assets	\$ 38,309,224	\$ 5,216,505	\$ -
Restricted for			
Other purposes	92,902	-	-
Public safety	249,256	-	-
Highways and streets	1,222,927	-	-
Human services	9,404	-	-
Unrestricted	9,906,976	887,176	135,372
Total Net Assets	\$ 49,790,689	\$ 6,103,681	\$ 135,372

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 1,048,488	\$ 221,649
Public safety	927,645	41,554
Highways and streets	3,888,978	121,695
Sanitation	124,978	163,701
Human services	1,897,836	107,651
Health	67,539	-
Culture and recreation	153,708	-
Conservation of natural resources	452,211	143,164
Economic development	7,000	-
Total Primary Government	<u>\$ 8,568,383</u>	<u>\$ 799,414</u>
Component units		
Lac qui Parle- Yellow Bank Watershed District	\$ 592,009	\$ 151,958
Lac qui Parle County Economic Development Authority	132,539	-
Total Component Units	<u>\$ 724,548</u>	<u>\$ 151,958</u>

General Revenues and Other Items

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues and other items

Change in net assets

Net Assets - Beginning (Note 1.E.)

Net Assets - Ending

EXHIBIT 2

		Net (Expense) Revenue and Changes in Net Assets		
Program Revenues		Primary Governmental Activities	Discretely Presented Component Units	
Operating Grants and Contributions	Capital Grants and Contributions		Lac qui Parle-Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
\$ 5,250	\$ -	\$ (821,589)		
171,687	-	(714,404)		
1,600,532	2,667,825	501,074		
55,000	-	93,723		
1,158,067	-	(632,118)		
-	-	(67,539)		
55,419	-	(98,289)		
83,675	-	(225,372)		
372,434	-	365,434		
\$ 3,502,064	\$ 2,667,825	\$ (1,599,080)		
\$ 390,023	\$ 8,500		\$ (41,528)	\$ -
-	-		-	(132,539)
\$ 390,023	\$ 8,500		\$ (41,528)	\$ (132,539)
		\$ 3,025,715	\$ 174,768	\$ 74,635
		5,040	-	-
		120,257	1,217	722
		1,017,066	18,194	42,755
		347,024	19,943	4,510
		109,864	22,355	10,333
		\$ 4,624,966	\$ 236,477	\$ 132,955
		\$ 3,025,886	\$ 194,949	\$ 416
		46,764,803	5,908,732	134,956
		\$ 49,790,689	\$ 6,103,681	\$ 135,372

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,526,506	\$ 257,143	\$ 1,116,018	\$ 707,670	\$ 5,607,337
Undistributed cash in agency funds	27,426	16,191	11,102	2,987	57,706
Petty cash and change funds	4,150	-	100	-	4,250
Investments	225,000	1,900,000	2,425,000	-	4,550,000
Taxes receivable					
Prior	22,900	15,677	10,776	-	49,353
Special assessments receivable					
Prior	8,169	-	-	968	9,137
Noncurrent	-	-	-	95,980	95,980
Accounts receivable	1,997	500	-	-	2,497
Accrued interest receivable	64,381	12,767	49,107	-	126,255
Due from other governments	101,933	1,341,848	94,969	4,973	1,543,723
Due from component unit	18,000	-	-	-	18,000
Loans receivable	320,668	-	-	-	320,668
Inventories	-	107,112	-	-	107,112
Prepaid items	375	1,551	-	-	1,926
	<u>375</u>	<u>1,551</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
Total Assets	<u>\$ 4,321,505</u>	<u>\$ 3,652,789</u>	<u>\$ 3,707,072</u>	<u>\$ 812,578</u>	<u>\$ 12,493,944</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 92,471	\$ 120,490	\$ 47,636	\$ 47,784	\$ 308,381
Salaries payable	41,610	46,922	33,977	-	122,509
Contracts payable	-	116,868	-	-	116,868
Due to other governments	3,434	25,114	41,983	-	70,531
Due to component unit	4,308	3,019	2,078	-	9,405
Deferred revenue - unavailable	121,761	1,263,356	23,369	96,948	1,505,434
Deferred revenue - unearned	34,439	-	-	-	34,439
Total Liabilities	<u>\$ 298,023</u>	<u>\$ 1,575,769</u>	<u>\$ 149,043</u>	<u>\$ 144,732</u>	<u>\$ 2,167,567</u>
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 107,112	\$ -	\$ -	\$ 107,112
Prepaid items	375	1,551	-	-	1,926
Missing heirs	4,590	-	-	-	4,590
Recorder's compliance fund	39,709	-	-	-	39,709
Recorder's technology fund	39,736	-	-	-	39,736
Enhanced 911	249,256	-	-	-	249,256
Attorney's forfeited property	8,867	-	-	-	8,867
Cemetery	1,000	-	-	-	1,000
Due from component unit	18,000	-	-	-	18,000
Highway allotments	-	93,121	-	-	93,121
Unspent grant monies	-	-	9,404	-	9,404
Loans receivable	320,668	-	-	-	320,668
EDA loans	28,620	-	-	-	28,620
Unreserved					
Designated for					
Future expenditures	-	1,115,400	-	-	1,115,400
Capital improvements	2,213,509	-	895,238	-	3,108,747
Capital equipment	-	306,200	-	-	306,200
Out-of-home placements	-	-	250,000	-	250,000
Administration	-	-	150,000	-	150,000
Poor relief	-	-	300,000	-	300,000
Solid waste assessments	185,886	-	-	-	185,886
Undesignated	913,266	453,636	1,953,387	667,846	3,988,135
Total Fund Balances	<u>\$ 4,023,482</u>	<u>\$ 2,077,020</u>	<u>\$ 3,558,029</u>	<u>\$ 667,846</u>	<u>\$ 10,326,377</u>
Total Liabilities and Fund Balances	<u>\$ 4,321,505</u>	<u>\$ 3,652,789</u>	<u>\$ 3,707,072</u>	<u>\$ 812,578</u>	<u>\$ 12,493,944</u>

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balance - total governmental funds (Exhibit 3)	\$ 10,326,377
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.	38,309,224
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,505,434
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(350,346)</u>
Net Assets of Governmental Activities (Exhibit 1)	<u>\$ 49,790,689</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 1,402,722	\$ 962,546	\$ 661,052	\$ -	\$ 3,026,320
Special assessments	99,918	-	-	185,464	285,382
Licenses and permits	8,611	-	-	-	8,611
Intergovernmental	1,296,554	4,089,756	1,384,823	-	6,771,133
Charges for services	211,047	69,975	78,210	-	359,232
Fines and forfeits	13,424	-	-	-	13,424
Investment earnings	211,909	73,261	95,198	-	380,368
Miscellaneous	123,669	50,520	29,441	1,680	205,310
Total Revenues	\$ 3,367,854	\$ 5,246,058	\$ 2,248,724	\$ 187,144	\$ 11,049,780
Expenditures					
Current					
General government	\$ 1,659,070	\$ -	\$ -	\$ -	\$ 1,659,070
Public safety	815,560	-	-	-	815,560
Highways and streets	-	4,964,898	-	-	4,964,898
Sanitation	114,487	-	-	-	114,487
Human services	-	-	1,883,777	-	1,883,777
Health	3,000	-	-	-	3,000
Culture and recreation	153,708	-	-	-	153,708
Conservation of natural resources	329,427	-	-	117,980	447,407
Economic development	7,000	-	-	-	7,000
Intergovernmental	178,540	292,020	-	-	470,560
Total Expenditures	\$ 3,260,792	\$ 5,256,918	\$ 1,883,777	\$ 117,980	\$ 10,519,467
Excess of Revenues Over (Under)					
Expenditures	\$ 107,062	\$ (10,860)	\$ 364,947	\$ 69,164	\$ 530,313
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 18,786	\$ 18,786
Transfers out	(18,786)	-	-	-	(18,786)
Sale of capital assets proceeds	-	28,502	-	-	28,502
Total Other Financing Sources (Uses)	\$ (18,786)	\$ 28,502	\$ -	\$ 18,786	\$ 28,502
Net Change in Fund Balance	\$ 88,276	\$ 17,642	\$ 364,947	\$ 87,950	\$ 558,815
Fund Balance - January 1	3,935,206	2,052,748	3,193,082	579,896	9,760,932
Increase (decrease) in reserved for inventories	-	6,630	-	-	6,630
Fund Balance - December 31	\$ 4,023,482	\$ 2,077,020	\$ 3,558,029	\$ 667,846	\$ 10,326,377

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balance - total governmental funds (Exhibit 5)	\$	558,815
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Amounts reported for governmental activities in the statement of activities are different because:

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

Deferred revenue - December 31	\$ 1,505,434	
Deferred revenue - January 1	<u>(989,447)</u>	515,987

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

Expenditures for general capital assets and infrastructure	\$ 3,248,826	
Current year depreciation	<u>(1,265,651)</u>	1,983,175

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 compensated absences	\$ (38,721)	
Change in inventories	<u>6,630</u>	<u>(32,091)</u>

Change in Net Assets of Governmental Activities (Exhibit 2)	\$	<u>3,025,886</u>
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FIDUCIARY FUNDS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u><u>\$ 206,698</u></u>
<u>Liabilities</u>	
Due to other governments	<u><u>\$ 206,698</u></u>

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2008. 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

Lac qui Parle County was established in 1871 and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presently component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Lac qui Parle County are discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Lac qui Parle-Yellow Bank Watershed District	County appoints majority of the Board, and it is a financial burden to the County.	Separate financial statements are not prepared.
Lac qui Parle County Economic Development Authority	County appoints all of the Board, and it is a financial burden to the County.	Separate financial statements are not prepared.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

Significant accounting policies of the component units do not differ significantly from those of the County.

Joint Ventures

The County participates in several joint ventures which are described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

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

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, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. 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. All governmental funds are reported 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 Family Services Special Revenue Fund is used to account for economic assistance and community social services programs.

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

Additionally, the County reports the following fund type:

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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. Lac qui Parle 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.

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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$211,471.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

The County and the Lac qui Parle-Yellow Bank Watershed District define capital assets as assets with an initial, individual cost of more than \$5,000 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.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30 - 66
Land improvements	20 - 35
Public domain infrastructure	15 - 70
Furniture, equipment, and vehicles	5 - 25

5. Compensated Absences

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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 that are not considered to be available to liquidate liabilities of the current period.

7. 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. At December 31, 2008, Lac qui Parle County reported no bonded debt.

8. Fund Equity

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

9. Use of Estimates

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

During 2008, the County determined that it had incorrectly recorded depreciation expense, so capital assets and accumulated depreciation were incorrect at December 31, 2007. The effect on beginning net assets for governmental activities is:

	Governmental Activities
Net assets, as previously reported	\$ 46,671,947
Correction of an error - depreciation	92,856
Net Assets, as Restated	<u>\$ 46,764,803</u>

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Fund	Expenditures	Final Budget	Excess
General	\$ 3,260,792	\$ 2,899,412	\$ 361,380

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 5,669,293
Investments	4,550,000
Statement of fiduciary net assets	
Cash and pooled investments	<u>206,698</u>
Total Cash and Investments	<u>\$ 10,425,991</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Petty cash and change funds	\$ 4,250
Checking	11,017
Money market savings	2,786,261
Certificates of deposit	<u>7,624,463</u>
 Total Deposits and Investments	 <u>\$ 10,425,991</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2008, the County deposits were not exposed to custodial credit risk.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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 rated in the highest quality category by two nationally recognized rating agencies and maturing in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2008, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Lac qui Parle County mitigates the concentration of credit risk by purchasing certificates of deposit from multiple banks.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables/Due From Component Unit

Receivables

Receivables as of December 31, 2008, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 49,353	\$ -
Special assessments	105,117	95,980
Due from other governments	1,543,723	-
Accounts receivable	2,497	-
Loan receivable	320,668	272,668
Interest	126,255	-
	<hr/>	<hr/>
Total Governmental Activities	\$ 2,147,613	\$ 368,648

Due From Component Unit

The Lac qui Parle-Yellow Bank Watershed District has a balance due to the Lac qui Parle County General Fund at December 31, 2008, of \$18,000. The balance is being repaid in annual installments of \$6,000.

Loans Receivable

The County received funds from the Community Development Block Grant in 2008 for Noah's Ark Holding, LLC, of Dawson. The grant agreement states these funds are to be repaid to the County and used under specific conditions. At December 31, 2008, the County has a loan receivable from Noah's Ark Holding, LLC, with a balance remaining of \$320,668, which is to be repaid in monthly installments of \$4,770.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance, as Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 155,803	\$ 9,300	\$ -	\$ 165,103
Work in progress	244,381	-	244,381	-
Right-of-way	470,198	-	-	470,198
Total capital assets not depreciated	\$ 870,382	\$ 9,300	\$ 244,381	\$ 635,301
Capital assets depreciated				
Buildings	\$ 1,309,207	\$ 921,360	\$ -	\$ 2,230,567
Machinery, furniture, and equipment	3,706,605	310,521	97,543	3,919,583
Infrastructure	43,411,521	2,252,026	-	45,663,547
Total capital assets depreciated	\$ 48,427,333	\$ 3,483,907	\$ 97,543	\$ 51,813,697
Less: accumulated depreciation for				
Buildings	\$ 497,765	\$ 40,048	\$ -	\$ 537,813
Machinery, furniture, and equipment	2,258,706	312,466	97,543	2,473,629
Infrastructure	10,215,195	913,137	-	11,128,332
Total accumulated depreciation	\$ 12,971,666	\$ 1,265,651	\$ 97,543	\$ 14,139,774
Total capital assets depreciated, net	\$ 35,455,667	\$ 2,218,256	\$ -	\$ 37,673,923
Capital Assets, Net	\$ 36,326,049	\$ 2,227,556	\$ 244,381	\$ 38,309,224

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

Governmental Activities	
General government	\$ 32,606
Public safety	47,949
Sanitation	10,491
Highways and streets, includes infrastructure assets	1,167,531
Human services	3,888
Conservation	3,186
Total Depreciation Expense - Governmental Activities	\$ 1,265,651

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

During 2008, the General Fund transferred \$18,786 to the Ditch Special Revenue Fund for its share of interest earnings.

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 308,381
Salaries	122,509
Contracts	116,868
Due to other governments	<u>70,531</u>
Total Payables	<u>\$ 618,289</u>

Due To Component Unit

Lac qui Parle County has the following balance due from the respective fund to the Lac qui Parle Economic Development Authority at December 31, 2008. The balance is expected to be liquidated in the subsequent year.

General Fund	\$ 4,308
Road and Bridge Special Revenue Fund	3,019
Family Services Special Revenue Fund	<u>2,078</u>
Total Due to Component Unit	<u>\$ 9,405</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Other Postemployment Benefits

Employees' Health Insurance Benefits

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2008.

Retired Officials' Health Insurance Benefits

The County pays the health insurance for qualified retired elected officials. The elected official will receive one year of paid insurance for every four years of service to Lac qui Parle County after they have served for eight years and one day. A maximum of four years of paid insurance is available to elected officials or until they become eligible for Medicare. As of year-end December 31, 2008, the County has four eligible participants. The County finances the plan on a pay-as-you-go basis and, during 2008, the County expended \$20,448 for these benefits.

3. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Compensated Absences</u>
Payable - January 1	\$ 311,625
Net changes	<u>38,721</u>
Payable - December 31	<u>\$ 350,346</u>
 Amount due within one year	 <u>\$ 17,560</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County, the Lac qui Parle-Yellow Bank Watershed District, and the Lac qui Parle County Economic Development Authority make annual contributions to the pension plans equal to the amount required by state statutes. Public Employees

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County, the Lac qui Parle-Yellow Bank Watershed District, and the Lac qui Parle County Economic Development Authority are required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

Lac qui Parle County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 148,671	\$ 138,542	\$ 131,859
Public Employees Police and Fire Fund	44,218	39,223	32,865
Public Employees Correctional Fund	7,988	7,272	5,479

Lac qui Parle-Yellow Bank Watershed District's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 7,462	\$ 6,108	\$ 4,997

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

Lac qui Parle County Economic Development Authority's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 3,103	\$ 2,650	\$ -

The contribution for the County, the Lac qui Parle-Yellow Bank Watershed District, and the Lac qui Parle County Economic Development Authority amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Two employees of Lac qui Parle 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 established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Lac qui Parle County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,997	\$ 1,997
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

5. Risk Management

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

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 \$410,000 per claim in 2008 and \$430,000 per claim in 2009, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Risk Management (Continued)

The Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, the Watershed District, and the Economic Development Authority, in conjunction with the normal conduct of their affairs, are involved in various claims, judgments, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the Watershed District's attorney, and the Economic Development Authority's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Lincoln-Pipestone Rural Water System

At December 31, 2008, the Lincoln-Pipestone Rural Water System had \$19,423,000 of general obligation bonds outstanding through 2033. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or 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. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

In 2009, Nobles County issued two series of general obligation bonds totaling \$19,415,000 on behalf of the Lincoln-Pipestone Rural Water System to finance the water expansion and internal improvements necessary for the delivery of water to its customers. Each of the participating counties adopted board resolutions to approve updated joint powers agreements to guarantee the payment of the bonds.

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Lincoln, Lyon, & Murray Human Services Board entered into a joint powers agreement with several counties creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Consortium Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The Consortium Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium Board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2007 (the latest information available):

Total assets	\$ 1,683,591
Total liabilities	323,335
Total net assets	1,360,256
Total revenues	3,359,694
Total expenditures	2,947,615
Net change in net assets	412,079

The Consortium Board reported no long-term obligations at December 31, 2007.

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.

Countryside Public Health Service

Lac qui Parle County participates with Big Stone, Chippewa, Swift, and Yellow Medicine Counties in a joint venture to provide community health services. The governing board consists of eleven members, three from Chippewa County and two from each of the other participating counties. Lac qui Parle County's contribution to the Countryside Public Health Service for the year ended December 31, 2008, was \$64,539.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Region 6W Community Corrections

Lac qui Parle County participates with Chippewa, Swift, and Yellow Medicine 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 community activities.

Lac qui Parle County's contribution for the year ended December 31, 2008, was \$114,001. Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Cooperative Enforcement Effort Drug Task Force

The Regional Drug Task Force was established in 2001 between an agreement with Lac qui Parle County and seven other counties. The agreement was established to provide for effective, full-time enforcement activities against area drug traffickers.

Control of the Task Force is vested in the Board of Directors and consists of eight county sheriffs, any or all member agencies providing staffing to the unit, and any member agency as may be determined by the Board itself.

Financing is provided appropriations from members. The County contributed \$27,139 to the Task Force in 2008. Complete financial statements for the Cooperative Enforcement Effort Drug Task Force can be obtained from its administrative office at P. O. Box 733, Willmar, Minnesota 56201.

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 Detention Center) pursuant to Minn. Stat. § 471.59. In 2004, the Prairie Lakes Detention Center changed its name to Prairie Lakes Youth Programs

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

(PLYP). The PLYP provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the PLYP is vested in a joint board, which is composed of one Commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency 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 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.

Lincoln-Pipestone Rural Water System

Lac qui Parle County, along with Lincoln, Lyon, Murray, Nobles, Rock, Pipestone, and Yellow Medicine 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

Bonds were issued by Lincoln County and Yellow Medicine 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, 2008, are \$19,516,143.

The Lincoln-Pipestone Rural Water System's 2008 financial report shows total net assets of \$38,060,524, including unrestricted net assets of \$17,709,824. The decrease in net assets for the year ended December 31, 2008, is \$18,549. 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.

C. Jointly-Governed Organizations

Minnesota River Basin

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Lac qui Parle and 38 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an Executive Board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Basin (Continued)

During 2008, the County contributed \$11,332 to the Joint Powers Board. Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

Pioneer Land Regional Library System

Lac qui Parle County, along with several cities and other counties, participates in the Library System in order to provide efficient and improved regional public library service. During the year, the County contributed \$75,697 to the System.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those policies identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

Reporting Entities

The Lac qui Parle-Yellow Bank Watershed District is governed by a five-member Board of Supervisors, three appointed by the Lac qui Parle County Board, one member appointed by the Yellow Medicine County Board, and one member appointed by the Lincoln County Board.

The Lac qui Parle County Economic Development Authority is governed by a seven-member Board of Commissioners. The County appoints all of the Board members.

Because of the significance of their financial relationship, Lac qui Parle County considers these entities major component units.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Lac qui Parle-Yellow Bank Watershed District does not prepare separate financial statements. The District presents the following major governmental funds:

The General Fund is the District'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 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 Lac qui Parle County Economic Development Authority does not prepare separate financial statements. The Authority presents its one fund as a governmental fund.

Deposits and Investments

Deposits and investments are reported at their fair value at December 31, 2008, based on market price.

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

Reconciliation of the component units' total deposits, cash on hand, and investments to the basic financial statements follows:

	Lac qui Parle- Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
Cash and pooled investments	\$ 935,200	\$ 140,569

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments (Continued)

	Lac qui Parle- Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
Checking	\$ 273,219	\$ 3,350
Money market savings	56,981	42,694
Certificates of deposit	605,000	94,525
Total Deposits and Investments	<u>\$ 935,200</u>	<u>\$ 140,569</u>

Receivables

Lac qui Parle-Yellow Bank Watershed District

Receivables as of December 31, 2008, for the Lac qui Parle-Yellow Bank Watershed District's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 5,906	\$ -
Special assessments	234,878	234,860
Due from other governments	50,448	-
Accounts receivable	722	-
Interest	6,027	-
Total Governmental Activities	<u>\$ 297,981</u>	<u>\$ 234,860</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Receivables (Continued)

Lac qui Parle County Economic Development Authority

Receivables as of December 31, 2008, for the Lac qui Parle County Economic Development Authority's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 1,950	\$ -
Due from primary government	9,405	-
Interest	952	-
	<hr/>	<hr/>
Total Governmental Activities	\$ 12,307	\$ -

Due From Component Unit

Lac qui Parle County has a balance due to the Lac qui Parle County Economic Development Authority at December 31, 2008, of \$9,405. The balance is expected to be liquidated in the subsequent year.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

Component unit capital asset activity for the year ended December 31, 2008, was as follows:

Lac qui Parle-Yellow Bank Watershed District

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Construction in progress	60,210	-	60,210	-
Total capital assets not depreciated	\$ 688,668	\$ -	\$ 60,210	\$ 628,458
Capital assets depreciated				
Buildings	\$ 35,200	\$ 60,210	\$ -	\$ 95,410
Machinery, furniture, and equipment	53,967	-	-	53,967
Land improvements	165,467	78,810	-	244,277
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,588,841	\$ 139,020	\$ -	\$ 5,727,861
Less: accumulated depreciation for				
Buildings	\$ 35,200	\$ 2,007	\$ -	\$ 37,207
Machinery, furniture, and equipment	35,729	3,512	-	39,241
Land improvements	70,037	8,100	-	78,137
Infrastructure	931,887	53,342	-	985,229
Total accumulated depreciation	\$ 1,072,853	\$ 66,961	\$ -	\$ 1,139,814
Total capital assets depreciated, net	\$ 4,515,988	\$ 72,059	\$ -	\$ 4,588,047
Capital Assets, Net	\$ 5,204,656	\$ 72,059	\$ 60,210	\$ 5,216,505

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

Lac qui Parle-Yellow Bank Watershed District

Depreciation expense was charged to functions/programs of the component unit as follows:

Conservation of natural resources	\$ 53,342
Culture and recreation	<u>13,619</u>
Total Depreciation Expense	<u>\$ 66,961</u>

Lac qui Parle County Economic Development Authority

The Authority had no capital assets at December 31, 2008.

Interfund Receivables, Payables, and Transfers

The composition of interfund balances for the Lac qui Parle-Yellow Bank Watershed District as of December 31, 2008, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Ditch Special Revenue Fund	General Fund	<u>\$ 2,879</u>

The outstanding balance between funds results from interest for a Ditch Special Revenue Fund Certificate of Deposit that was deposited into the General Fund. The balance is expected to be liquidated in the subsequent year.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Payables

Lac qui Parle-Yellow Bank Watershed District

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 50,801
Salaries	7,716
Due to other governments	<u>1,071</u>
Total Payables	<u>\$ 59,588</u>

Lac qui Parle County Economic Development Authority

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 804
Salaries	13,476
Due to other governments	<u>413</u>
Total Payables	<u>\$ 14,693</u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District did not have any active construction projects as of December 31, 2008.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Long-Term Debt

Loans Payable

The Lac qui Parle-Yellow Bank Watershed District entered into a loan agreement with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Long-term debt outstanding at December 31, 2008, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Lac qui Parle River Water Mainstem CWP Project	2019	<u>\$ 17,727</u>	2.00%	<u>\$ 263,710</u>	<u>\$ 263,710</u>

No final repayment schedule was available for this project at December 31, 2008.

Other Long-Term Liabilities

Due to Primary Government

The Lac qui Parle-Yellow Bank Watershed District has a balance due to the Lac qui Parle County General Fund at December 31, 2008, of \$18,000. The balance is being repaid in annual installments of \$6,000.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Lac qui Parle-Yellow Bank Watershed District

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2008, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Due to primary government	\$ 24,000	\$ -	\$ 6,000	\$ 18,000	\$ 6,000
Loan payable	\$ 209,409	\$ 54,301	\$ -	\$ 263,710	\$ 17,727
Compensated absences	-	4,707	-	4,707	1,953
Total	\$ 209,409	\$ 59,008	\$ -	\$ 268,417	\$ 19,680

Lac qui Parle County Economic Development Authority

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Compensated Absences
Payable - January 1	\$ -
Net changes	2,811
Payable - December 31	\$ 2,811
Amount due within one year	\$ -

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REQUIRED SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 33,600	\$ 1,606,040	\$ 1,402,722	\$ (203,318)
Special assessments	100,000	100,000	99,918	(82)
Licenses and permits	7,660	7,660	8,611	951
Intergovernmental	303,746	597,721	1,296,554	698,833
Charges for services	219,400	219,400	211,047	(8,353)
Fines and forfeits	-	-	13,424	13,424
Investment earnings	264,500	264,500	211,909	(52,591)
Miscellaneous	99,090	99,091	123,669	24,578
Total Revenues	\$ 1,027,996	\$ 2,894,412	\$ 3,367,854	\$ 473,442
Expenditures				
Current				
General government				
Commissioners	\$ 176,076	\$ 176,076	\$ 182,858	\$ (6,782)
Courts	5,000	5,000	7,028	(2,028)
Auditor-Treasurer	322,878	322,878	321,328	1,550
Assessor	142,822	142,822	129,714	13,108
Elections	19,664	19,664	26,874	(7,210)
Data processing	124,421	124,421	134,799	(10,378)
Attorney	157,209	157,209	166,307	(9,098)
Recorder	123,393	123,393	175,946	(52,553)
Planning and zoning	35,858	35,858	21,981	13,877
Buildings and plant	122,579	122,579	276,400	(153,821)
Veterans service officer	51,591	51,591	61,446	(9,855)
County car	2,150	2,150	684	1,466
Other general government	115,232	120,226	153,705	(33,479)
Total general government	\$ 1,398,873	\$ 1,403,867	\$ 1,659,070	\$ (255,203)
Public safety				
Sheriff	\$ 682,289	\$ 677,289	\$ 683,531	\$ (6,242)
Boat and water safety	2,350	2,350	20,460	(18,110)
Snowmobile safety	1,500	1,500	466	1,034
Coroner	8,100	8,100	4,680	3,420
E-911 system	38,000	33,000	19,844	13,156
County jail	25,800	25,800	50,533	(24,733)
Civil defense	16,050	21,050	26,303	(5,253)
Other	2,350	2,350	9,743	(7,393)
Total public safety	\$ 776,439	\$ 771,439	\$ 815,560	\$ (44,121)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 35,092	\$ 35,092	\$ 28,012	\$ 7,080
Recycling	81,268	81,268	86,475	(5,207)
Total sanitation	\$ 116,360	\$ 116,360	\$ 114,487	\$ 1,873
Health				
Ambulance	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Culture and recreation				
Historical society	\$ 10,300	\$ 10,300	\$ 10,300	\$ -
Minnesota trails	20,000	20,000	55,419	(35,419)
Parks	1,100	1,100	923	177
Senior citizens	500	500	500	-
County/regional library	75,697	75,697	75,697	-
Other	11,050	11,050	10,869	181
Total culture and recreation	\$ 118,647	\$ 118,647	\$ 153,708	\$ (35,061)
Conservation of natural resources				
Extension	\$ 86,465	\$ 86,465	\$ 85,962	\$ 503
Soil and water conservation	97,553	97,553	97,553	-
Agricultural society/County fair	7,550	7,550	7,550	-
Predator control	3,000	3,000	1,465	1,535
River basin	12,420	12,420	12,420	-
County farm	2,700	2,700	3,064	(364)
Water planning	32,405	32,405	60,692	(28,287)
Environmental officer	28,283	28,283	40,261	(11,978)
Feedlot administration	29,183	29,183	19,460	9,723
Other	1,000	1,000	1,000	-
Total conservation of natural resources	\$ 300,559	\$ 300,559	\$ 329,427	\$ (28,868)
Economic development				
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Intergovernmental				
Public safety	\$ 114,001	\$ 114,001	\$ 114,001	\$ -
Health	64,539	64,539	64,539	-
Total intergovernmental	\$ 178,540	\$ 178,540	\$ 178,540	\$ -
Total Expenditures	\$ 2,899,418	\$ 2,899,412	\$ 3,260,792	\$ (361,380)
Excess of Revenues Over (Under)				
Expenditures	\$ (1,871,422)	\$ (5,000)	\$ 107,062	\$ 112,062
Other Financing Sources (Uses)				
Transfers in	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Transfers out	-	-	(18,786)	(18,786)
Total Other Financing Sources (Uses)	\$ 5,000	\$ 5,000	\$ (18,786)	\$ (23,786)
Net Change in Fund Balance	\$ (1,866,422)	\$ -	\$ 88,276	\$ 88,276
Fund Balance - January 1	3,935,206	3,935,206	3,935,206	-
Fund Balance - December 31	\$ 2,068,784	\$ 3,935,206	\$ 4,023,482	\$ 88,276

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,308,000	\$ 1,308,000	\$ 962,546	\$ (345,454)
Intergovernmental	3,379,100	3,379,100	4,089,756	710,656
Charges for services	94,000	94,000	69,975	(24,025)
Investment earnings	80,000	80,000	73,261	(6,739)
Miscellaneous	-	-	50,520	50,520
Total Revenues	\$ 4,861,100	\$ 4,861,100	\$ 5,246,058	\$ 384,958
Expenditures				
Current				
Highways and streets				
Administration	\$ 158,650	\$ 158,650	\$ 158,919	\$ (269)
Maintenance	1,634,000	1,701,000	1,766,730	(65,730)
Construction	2,388,300	2,653,300	2,519,863	133,437
Equipment and maintenance shops	470,950	820,950	519,386	301,564
Total highways and streets	\$ 4,651,900	\$ 5,333,900	\$ 4,964,898	\$ 369,002
Intergovernmental				
Highways and streets	290,000	290,000	292,020	(2,020)
Total Expenditures	\$ 4,941,900	\$ 5,623,900	\$ 5,256,918	\$ 366,982
Excess of Revenues Over (Under)				
Expenditures	\$ (80,800)	\$ (762,800)	\$ (10,860)	\$ 751,940
Other Financing Sources (Uses)				
Sale of capital assets proceeds	-	-	28,502	28,502
Net Change in Fund Balance	\$ (80,800)	\$ (762,800)	\$ 17,642	\$ 780,442
Fund Balance - January 1	2,052,748	2,052,748	2,052,748	-
Increase (decrease) in reserved for inventories	-	-	6,630	6,630
Fund Balance - December 31	\$ 1,971,948	\$ 1,289,948	\$ 2,077,020	\$ 787,072

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 898,510	\$ 898,510	\$ 661,052	\$ (237,458)
Intergovernmental	1,014,817	1,014,817	1,384,823	370,006
Charges for services	69,500	69,500	78,210	8,710
Investment earnings	50,000	50,000	95,198	45,198
Miscellaneous	35,500	35,500	29,441	(6,059)
Total Revenues	\$ 2,068,327	\$ 2,068,327	\$ 2,248,724	\$ 180,397
Expenditures				
Current				
Human services				
Income maintenance	\$ 601,182	\$ 601,182	\$ 589,289	\$ 11,893
Social services	1,467,145	1,467,145	1,294,488	172,657
Total Expenditures	\$ 2,068,327	\$ 2,068,327	\$ 1,883,777	\$ 184,550
Net Change in Fund Balance	\$ -	\$ -	\$ 364,947	\$ 364,947
Fund Balance - January 1	3,193,082	3,193,082	3,193,082	-
Fund Balance - December 31	\$ 3,193,082	\$ 3,193,082	\$ 3,558,029	\$ 364,947

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	\$ 166,400	\$ 166,400	\$ 185,464	\$ 19,064
Investment earnings	10,000	10,000	-	(10,000)
Miscellaneous	-	-	1,680	1,680
Total Revenues	\$ 176,400	\$ 176,400	\$ 187,144	\$ 10,744
Expenditures				
Current				
Conservation of natural resources				
Other	690,623	690,623	117,980	572,643
Excess of Revenues Over (Under)				
Expenditures	\$ (514,223)	\$ (514,223)	\$ 69,164	\$ 583,387
Other Financing Sources (Uses)				
Transfers in	-	-	18,786	18,786
Net Change in Fund Balance	\$ (514,223)	\$ (514,223)	\$ 87,950	\$ 602,173
Fund Balance - January 1	579,896	579,896	579,896	-
Fund Balance - December 31	\$ 65,673	\$ 65,673	\$ 667,846	\$ 602,173

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. General Budget Policies

The Lac qui Parle County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. 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 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 Budget</u>	<u>Increase (Decrease)</u>	<u>Final Budget</u>
General Fund	\$ 2,899,418	\$ (6)	\$ 2,899,412
Road and Bridge Special Revenue Fund	4,941,900	682,000	5,623,900

The County did not amend the budget for the other special revenue funds.

4. Excess of Expenditures Over Budget

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 3,260,792	\$ 2,899,412	\$ 361,380

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SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

AGENCY FUNDS

Children's Mental Health Collaborative - to account for the collection and disbursement of funds for the local collaborative.

State - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Forfeited Tax - to account for all funds received from the sale of lands forfeited for unpaid taxes and the subsequent disbursement to the various agencies.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>CHILDREN'S MENTAL HEALTH COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 41,376	\$ -	\$ 41,376
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 41,376	\$ -	\$ 41,376
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,132	\$ 956,212	\$ 935,710	\$ 31,634
<u>Liabilities</u>				
Due to other governments	\$ 11,132	\$ 956,212	\$ 935,710	\$ 31,634
 <u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 14,627	\$ 44,839	\$ 53,333	\$ 6,133
<u>Liabilities</u>				
Due to other governments	\$ 14,627	\$ 44,839	\$ 53,333	\$ 6,133

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Statement 1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 95,202</u>	<u>\$ 8,520,653</u>	<u>\$ 8,488,300</u>	<u>\$ 127,555</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 95,202</u>	<u>\$ 8,520,653</u>	<u>\$ 8,488,300</u>	<u>\$ 127,555</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 120,961</u>	<u>\$ 9,563,080</u>	<u>\$ 9,477,343</u>	<u>\$ 206,698</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 120,961</u>	<u>\$ 9,563,080</u>	<u>\$ 9,477,343</u>	<u>\$ 206,698</u>

OTHER SCHEDULES

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 5

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Discretely Presented Component Units	
	Total Primary Government	Lac qui Parle- Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
Shared Revenue			
State			
Highway users tax	\$ 3,635,202	\$ -	\$ -
Market value credit	376,848	18,062	-
PERA rate reimbursement	12,441	132	-
Disparity reduction aid	54,742	-	-
County program aid	573,035	-	-
Police aid	39,223	-	-
E-911	79,523	-	-
Total Shared Revenue	\$ 4,771,014	\$ 18,194	\$ -
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 125,834	\$ -	\$ -
Payments			
Local			
Local contributions	\$ 3,500	\$ 28,203	\$ -
Payments in lieu of taxes	120,257	1,217	722
Contributions from participants	-	-	33,350
Total Payments	\$ 123,757	\$ 29,420	\$ 34,072
Grants			
State			
Minnesota Department/Board of			
Human Services	\$ 516,731	\$ -	\$ -
Natural Resources	66,778	-	-
Veterans Affairs	5,250	-	-
Water and Soil Resources	83,675	275,107	-
Peace Officer Standards and Training Board	2,003	-	-
Pollution Control Agency	55,000	-	-
Total State	\$ 729,437	\$ 275,107	\$ -

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 5
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

		<u>Discretely Presented Component Units</u>	
	<u>Total Primary Government</u>	<u>Lac qui Parle- Yellow Bank Watershed District</u>	<u>Lac qui Parle County Economic Development Authority</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 52,690	\$ -	\$ -
Transportation	104,275	-	-
Health and Human Services	459,884	-	-
Homeland Security	31,808	-	-
Housing and Urban Development	372,434	-	-
Environmental Protection Agency	-	65,413	-
Total Federal	\$ 1,021,091	\$ 65,413	\$ -
Total State and Federal Grants	\$ 1,750,528	\$ 340,520	\$ -
Total Intergovernmental Revenue	\$ 6,771,133	\$ 388,134	\$ 34,072

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 6

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	\$ 935,200
Taxes receivable	
Prior	5,906
Special assessments receivable	
Prior	18
Noncurrent	234,860
Accounts receivable	722
Accrued interest receivable	6,027
Due from other governments	50,448
Capital assets	
Non-depreciable	628,458
Depreciable - net of accumulated depreciation	<u>4,588,047</u>
Total Assets	<u>\$ 6,449,686</u>
<u>Liabilities</u>	
Accounts payable	\$ 50,801
Salaries payable	7,716
Due to other governments	1,071
Due to primary government	
Due within one year	6,000
Due in more than one year	12,000
ISTS loans	
Due in one year	17,727
Due in more than one year	245,983
Compensated absences	
Due within one year	1,953
Due in more than one year	<u>2,754</u>
Total Liabilities	<u>\$ 346,005</u>
<u>Net Assets</u>	
Invested in capital assets	\$ 5,216,505
Unrestricted	<u>887,176</u>
Total Net Assets	<u>\$ 6,103,681</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 7

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<u>Functions/Programs</u>					
Governmental activities					
Culture and recreation	\$ 112,156	\$ 69,335	\$ -	\$ 8,500	\$ (34,321)
Conservation of natural resources	478,173	82,623	390,023	-	(5,527)
Interest	1,680	-	-	-	(1,680)
Total Governmental Activities	\$ 592,009	\$ 151,958	\$ 390,023	\$ 8,500	\$ (41,528)
General Revenues					
Property taxes					\$ 174,768
Payments in lieu of tax					1,217
Grants and contributions not restricted to specific programs					18,194
Unrestricted investment earnings					19,943
Miscellaneous					22,355
Total general revenues					\$ 236,477
Change in net assets					\$ 194,949
Net Assets - Beginning					5,908,732
Net Assets - Ending					\$ 6,103,681

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 8

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2008**

	<u>General</u>	<u>Ditch Special Revenue</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 860,890	\$ 74,310	\$ 935,200
Taxes receivable			
Prior	5,906	-	5,906
Special assessments receivable			
Prior	-	18	18
Noncurrent	217,469	17,391	234,860
Accounts receivable	722	-	722
Accrued interest receivable	5,443	584	6,027
Due from other governments	50,448	-	50,448
Due from governmental funds	-	2,879	2,879
Total Assets	\$ 1,140,878	\$ 95,182	\$ 1,236,060
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 48,693	\$ 2,108	\$ 50,801
Salaries payable	7,716	-	7,716
Due to other governments	1,071	-	1,071
Due to governmental funds	2,879	-	2,879
Deferred revenue - unavailable	249,227	17,391	266,618
Total Liabilities	\$ 309,586	\$ 19,499	\$ 329,085
Fund Balance			
Reserved for sewer/septic loans	\$ 46,241	\$ -	\$ 46,241
Unreserved			
Designated for ditch repairs and maintenance			
Designated for flood control	-	55,000	55,000
Undesignated	575,100	-	575,100
	209,951	20,683	230,634
Total Fund Balance	\$ 831,292	\$ 75,683	\$ 906,975
Total Liabilities and Fund Balance	\$ 1,140,878	\$ 95,182	\$ 1,236,060

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 9

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balance - total governmental funds	\$ 906,975
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.	5,216,505
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	266,618
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Advance from primary government	(18,000)
Loans payable	(263,710)
Compensated absences	(4,707)
	<hr/>
Net Assets of Governmental Activities	<u><u>\$ 6,103,681</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 10

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Ditch Special Revenue</u>	<u>Total</u>
Revenues			
Taxes	\$ 176,109	\$ -	\$ 176,109
Special assessments	30,989	7,422	38,411
Intergovernmental	388,134	-	388,134
Charges for services	84,096	-	84,096
Interest earnings	17,535	2,408	19,943
Miscellaneous	32,685	-	32,685
Total Revenues	<u>\$ 729,548</u>	<u>\$ 9,830</u>	<u>\$ 739,378</u>
Expenditures			
Current			
Culture and recreation	\$ 98,537	\$ -	\$ 98,537
Conservation of natural resources	491,849	5,196	497,045
Debt service			
Principal	-	6,000	6,000
Interest	-	1,680	1,680
Total Expenditures	<u>\$ 590,386</u>	<u>\$ 12,876</u>	<u>\$ 603,262</u>
Excess of Revenues Over (Under)			
Expenditures	\$ 139,162	\$ (3,046)	\$ 136,116
Other Financing Sources (Uses)			
Loans issued	52,412	-	52,412
Net Change in Fund Balance	\$ 191,574	\$ (3,046)	\$ 188,528
Fund Balance - January 1	<u>639,718</u>	<u>78,729</u>	<u>718,447</u>
Fund Balance - December 31	<u><u>\$ 831,292</u></u>	<u><u>\$ 75,683</u></u>	<u><u>\$ 906,975</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 11

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN GOVERNMENTAL FUND BALANCE TO
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balance - total governmental funds (Schedule 10)	\$	188,528
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Amounts reported for governmental activities in the statement of activities are different because:

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

Deferred revenue - December 31	\$ 266,618	
Deferred revenue - January 1	<u>(219,038)</u>	47,580

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	\$ 78,810	
Current year depreciation	<u>(66,961)</u>	11,849

Governmental funds report ISTS loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability.	(54,301)
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Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level.	6,000
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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 compensated absences	<u>(4,707)</u>
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Change in Net Assets of Governmental Activities (Schedule 7)	\$	<u>194,949</u>
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 12

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ 176,109	\$ 176,109
Special assessments	-	-	30,989	30,989
Intergovernmental	-	-	388,134	388,134
Charges for services	65,000	65,000	84,096	19,096
Investment earnings	-	-	17,535	17,535
Miscellaneous	-	-	32,685	32,685
Total Revenues	\$ 65,000	\$ 65,000	\$ 729,548	\$ 664,548
Expenditures				
Current				
Culture and recreation				
Parks	\$ 71,200	\$ 71,200	\$ 98,537	\$ (27,337)
Conservation of natural resources				
Watershed	165,500	165,500	491,849	(326,349)
Total Expenditures	\$ 236,700	\$ 236,700	\$ 590,386	\$ (353,686)
Excess of Revenues Over (Under)				
Expenditures	\$ (171,700)	\$ (171,700)	\$ 139,162	\$ 310,862
Other Financing Sources (Uses)				
Loans issued	-	-	52,412	52,412
Net Change in Fund Balance	\$ (171,700)	\$ (171,700)	\$ 191,574	\$ 363,274
Fund Balance - January 1	-	-	639,718	639,718
Fund Balance - December 31	\$ (171,700)	\$ (171,700)	\$ 831,292	\$ 1,002,992

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 13

**LAC QUI PARLE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO RECONCILE BETWEEN MODIFIED AND FULL ACCRUAL
DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<u>Assets</u>			
Cash and pooled investments	\$ 140,569	\$ -	\$ 140,569
Taxes receivable - prior	1,950	-	1,950
Accrued interest receivable	952	-	952
Due from primary government	9,405	-	9,405
Total Assets	<u>\$ 152,876</u>	<u>\$ -</u>	<u>\$ 152,876</u>
<u>Liabilities and Fund Balance/Net Assets</u>			
Liabilities			
Accounts payable	\$ 804	\$ -	\$ 804
Salaries payable	13,476	-	13,476
Due to other governments	413	-	413
Deferred revenue - unavailable	11,081	(11,081)	-
Compensated absences	-	2,811	2,811
Total Liabilities	\$ 25,774	\$ (8,270)	\$ 17,504
Fund Balance			
Unreserved, undesignated	127,102	(127,102)	
Net Assets			
Unrestricted		135,372	135,372
Total Liabilities and Fund Balance/Net Assets	<u>\$ 152,876</u>	<u>\$ -</u>	<u>\$ 152,876</u>
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 127,102
Amounts reported for governmental activities in the statement of net assets are different because certain long-term assets are not available to pay for current period expenditures and are deferred in the governmental fund.			11,081
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Compensated absences			(2,811)
Net Assets - Governmental Activities			<u>\$ 135,372</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 14

**LAC QUI PARLE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO RECONCILE BETWEEN MODIFIED AND FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 73,911	\$ 724	\$ 74,635
Intergovernmental	34,072	9,405	43,477
Investment earnings	6,362	(1,852)	4,510
Miscellaneous	10,333	-	10,333
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 124,678	\$ 8,277	\$ 132,955
Expenditures/Expenses			
Current			
Economic development	129,728	2,811	132,539
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance/Net Assets	\$ (5,050)	\$ 5,466	\$ 416
Fund Balance/Net Assets - January 1	132,152	2,804	134,956
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Assets - December 31	\$ 127,102	\$ 8,270	\$ 135,372
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Net change in fund balance - total governmental funds	\$ (5,050)
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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 expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in amounts of unavailable deferred amounts.

Deferred revenue - December 31	\$ 11,081	
Deferred revenue - January 1	<u>(2,804)</u>	8,277

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 compensated absences	<u>(2,811)</u>
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Change in Net Assets of Governmental Activities	\$ 416
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 15

**LAC QUI PARLE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 84,000	\$ 84,000	\$ 73,911	\$ (10,089)
Intergovernmental	31,000	31,000	34,072	3,072
Investment earnings	-	-	6,362	6,362
Miscellaneous	-	-	10,333	10,333
Total Revenues	\$ 115,000	\$ 115,000	\$ 124,678	\$ 9,678
Expenditures				
Current				
Economic development				
Community development	115,000	115,000	129,728	(14,728)
Net Change in Fund Balance	\$ -	\$ -	\$ (5,050)	\$ (5,050)
Fund Balance - January 1	126,274	126,274	132,152	5,878
Fund Balance - December 31	\$ 126,274	\$ 126,274	\$ 127,102	\$ 828

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 16

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Lac qui Parle County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Lac qui Parle 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*." Some of the significant deficiencies are material weaknesses.
- C. No instances of noncompliance material to the financial statements of Lac qui Parle County were disclosed during the audit.
- D. Significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." None are material weaknesses.
- E. The Auditor's Report on Compliance for the major federal award programs for Lac qui Parle County expresses an unqualified opinion.
- F. Findings relative to major federal award programs for Lac qui Parle County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|-----------------------------------|--------------|
| Community Development Block Grant | CFDA #14.228 |
| Child Support Enforcement | CFDA #93.563 |
| Medical Assistance Program | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Lac qui Parle 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

99-1 Segregation of Duties

Due to the limited number of office personnel within the various County offices and departments, segregation of accounting functions necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Lac qui Parle 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, as the situation increases the risk that errors or irregularities may occur and not be detected in a timely manner.

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

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

Client's Response:

The County Board has been advised and is well aware of the lack of segregation of the accounting functions. Lac qui Parle County will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

06-7 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. A control deficiency that typically is considered significant is the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls.

During our audit, we proposed numerous adjustments that resulted in significant changes to the County's financial statements. The adjustments resulted from: County staff needing continued guidance on accounting principles and oversight to provide accurate and reliable information; errors made in recording transactions and with mapping of various account codes; controls over calculating the proper amounts of assets and liabilities did not detect a number of errors, which resulted in the client's records understating assets and liabilities, and overstating fund balance, revenues and expenditures; and the County did not consider the need for controls over the recording of certain accounting transactions. The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements could not be fairly presented.

We recommend that the County review internal controls currently in place, then design and implement procedures to improve internal controls 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 believes that significant progress was made in the past year in making necessary adjusting journal entries so that auditor adjustments are less frequent. Several of the larger audit adjustments were made due to unique transactions for which the County staff had little experience in accounting for. The County believes that the relatively new accounting staff will continue to improve its accounting accuracy with experience.

06-8 Internal Control/Segregation of Duties - Component Units

Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Lac qui Parle-Yellow Bank Watershed District and the Lac qui Parle County Economic Development Authority and their staffing, limits the internal control that management can design and implement into the organizations. Management should be aware that segregation of duties is not adequate from an internal control point of view.

Management is responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the year-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Management has requested that we prepare the annual financial statements and related notes for the component units. This arrangement is not unusual for organizations the size of the Lac qui Parle-Yellow Bank Watershed District or the Lac qui Parle County Economic Development Authority. These decisions were based on the availability of the District's staff and Authority's staff and the cost/benefit of using our expertise.

During our audit, we proposed numerous adjustments to convert each organization's financial records to the financial statements as reported. Those adjustments were made to report receivables and revenue (deferred revenue in the funds) for special assessments; to reclassify fund balance reserves, various revenues, and debt service expenditures; and to report expenditures and payables for liabilities.

We recommend the respective Boards be mindful that limited staffing causes inherent risks in safeguarding each organization's assets and proper reporting of its financial activity. We recommend each Board continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The governing boards of the component units recognize both the needs of separating duties for internal control and limitations due to small staff size. These boards are supportive of implementing any practical procedures to limit risk due to these deficiencies.

ITEM ARISING THIS YEAR

08-1 Budgeting Procedures

The Board-approved budget does not agree with the revenue and expenditure budgets on the County's accounting system. The Board-approved budget for General Fund revenues and expenditures exceeded the original budget in the County's accounting system by \$1,866,816 and \$394, respectively. For the Ditch Special Revenue Fund, the Board-approved budget for expenditures exceeded the budget in the County's accounting system by \$40.

For the Road and Bridge Special Revenue Fund, the final budget had \$220,000 budgeted in two separate line-items for the same expenditure, which resulted in final budgeted expenditures for equipment maintenance and shops exceeding Board-approved budget amendments.

Generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board. Good budget accounting requires: (1) an annual budget be adopted by every governmental unit; (2) the accounting system provide the basis for appropriate budgetary control; and (3) a common terminology and classification that can be used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between current year and budget year. Any amendments to the budget should be Board approved and documented in the Board minutes.

We recommend that the County implement procedures to improve its budgetary accounting by reviewing budgetary information in the accounting system for accuracy and agreement with the approved budget. We also recommend that any changes to the original budget be approved by formal Board resolution and be so documented.

Client's Response:

The County acknowledges differences between the approved budget and the budget as entered in the accounting system. In the future, the budget as entered into the accounting system will be checked against the budget as approved by the County Commissioners in the official meeting minutes for both the initial budget and all amendments to the budget.

PREVIOUSLY REPORTED ITEM RESOLVED

Accounting System Journal Entry Function (06-2)

Thirteen users were set up with access to the accounting system journal entry function. Journal entries made to the accounting system were not reviewed or approved by anyone.

Resolution

The County restricted access to the journal entry function to eight users. A procedure was implemented to review and approve a majority of journal entries made to the accounting system.

Computer System Controls (06-3)

The County had not developed a plan to ensure that internal controls were in place to reduce the risk associated with the County's computer systems.

Resolution

The County modified existing procedures and implemented new procedures to help reduce the risks associated with the computer systems.

Capital Assets Policies and Procedures (06-4)

Capital assets procedures utilized by the County in maintaining the capital asset system differed from the policy formally approved by the County Board. In addition, there was no policy to assign the responsibility for recording and tracking capital assets or for determining both the annual and accumulated depreciation. Information for the Road and Bridge Special Revenue Fund was not complete or available when requested, and records kept for financial reporting purposes were not in accordance with generally accepted accounting principles.

Resolution

The capital assets policy was re-evaluated by the County and updated. Capital asset tracking for financial reporting purposes was centralized to help ensure the capital asset policy is followed uniformly for the assets of the different departments and funds.

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 May 5, 2009.

Preparation of Financial Statements (06-6)

The County lacked internal control over preparation of financial statements in accordance with generally accepted accounting principles.

Resolution

The County continued to obtain the training and expertise to internally prepare its annual financial statements and prepared draft copies of the financial statements of each major fund and the budgetary comparison schedules for 2008.

Documenting and Monitoring Internal Controls (07-1)

The County had not documented the significant internal controls in its accounting system or developed a plan that called for monitoring the internal control structure on a regular basis.

Resolution

The County Board approved an accounting policies and procedures manual on May 5, 2009, and County management made progress in documenting significant internal controls in place.

Payroll (07-2)

No controls existed to verify the correct pay rates were in the payroll system for all employees, that pay rates were updated for authorized reasons, or that any payroll information changes were reviewed by other County personnel.

Resolution

Oversight procedures were implemented to ensure any changes made to an employee's payroll information were correct, made for authorized purposes, and reviewed by someone other than the person making the change.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

08-2 Family Services Reporting (CFDA Nos. 93.563 and 93.778)

Questioned Costs: \$95

The instructions for Income Maintenance Administrative Expense Report, DHS-2550, and the Social Services Fund Report, DHS-2556, require that a hard copy signed by the Director be kept on file. The third quarter reports tested during our audit were not approved by the Director, and it was noted that the County included the cost of certain break room items and supplies, including a coffee maker, on the reports.

OMB Circular A-87, Attachment B, paragraph 20, states "Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

We recommend that the Director review and sign all quarterly reports to comply with the Department of Human Services' instructions and to ensure correct reporting. We further recommend the County request reimbursement only for allowable costs and contact the Department of Human Services to see if any further action is required.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

Valerie Halvorson, Fiscal Officer

Action Planned:

The Fiscal Officer will obtain signatures for the file copy as noted of the report provided by DHS-financial management. Costs of break room supplies and other items intended for personal use of employees will not be included in future reports.

Completion Date:

August 14, 2009

08-3 Community Development Block Grant (CFDA No. 14.228)

Lac qui Parle County applied for and received federal funding through the State of Minnesota under the Community Development Block Grant. The County used the grant to make a loan to Noah's Ark Processors Corporation for the purchase of machinery and equipment.

The loan agreement with Noah's Ark included a number of special conditions, which were to have been met before releasing funds to the developer. Several terms and conditions specified in the loan agreement have not been met as of May 2009, even though funds were loaned to the developer in March 2008. For the term of the loan, the developer was to submit financial statements within 120 days after the end of the developer's fiscal year. The agreement also required Ilan Parente maintain key-person life insurance in the amount of \$250,000 and assign the insurance to the County for the term of the loan. The County does not have evidence on file that either of these requirements have been met. The County also should have obtained evidence of hazard insurance listing Lac qui Parle County as loss payee.

The loan agreement also stated repayment of principal and interest from the developer to the County should commence on the first day of the third month immediately following the initial loan, and should continue on the first day of each and every month thereafter until paid in full. The initial disbursement of the loan was March 7, 2008, which would make the first payment due on June 1. The County did not receive the first payment from the developer until July 16. Subsequent payments were received on September 9, September 16, October 21, November 20, and December 17. None of these payments were received by the agreed-upon first of the month. In addition, the April and May 2009 repayment amounts had not been received by the County as of May 14, 2009.

We recommend the County request the required documents from the developer. We also recommend the County establish a monitoring system that demonstrates and provides necessary evidence that the basic grant and loan provisions have been adequately monitored.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

Pam Lehmann, County EDA Executive Director

Action Planned:

The EDA is working with Noah's Ark, their financial management group and insurance companies to get up-to-date documentation for our files and to schedule ACH loan payments to get their monthly payments in a timely basis.

Completion Date:

Payments are up to date through July of 2009. Pam has requested the missing documentation.

PREVIOUSLY REPORTED ITEM RESOLVED

**Highway Planning and Construction [Davis-Bacon Requirements,
CFDA #20.205] (07-2)**

The County did not monitor the compliance requirements for the Davis-Bacon Act. The County received payroll reports from the contractors on project 37-090-02, but neither the County nor the consulting firm hired by the County was reviewing the labor reports for payment of prevailing wages.

Resolution

The County established a monitoring system to help demonstrate and provide necessary evidence that Davis-Bacon Act compliance requirements have been adequately monitored.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Fund Cash and Fund Deficits

Nine of the 102 individual ditch systems had deficit cash balances totaling \$25,968 at December 31, 2008. This amount is down from the prior year when we reported that 9 of the 102 individual ditch systems had deficit cash balances totaling \$52,017. Minn. Stat. § 385.04 states, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer.

Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

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

Client's Response:

The County continues to levy ditch assessments in an effort to bring all ditch accounts to a positive balance.

ITEM ARISING THIS YEAR

08-4

Administrative Offense Procedures

The Lac qui Parle County Board created Administrative Offense Procedures through the adoption of two ordinances. Pursuant to these ordinances, the Sheriff's Office may issue administrative civil penalty tickets (hereinafter "administrative tickets") for various state traffic offenses including speeding, failure to obey traffic signals, and improper turns. Eleven of the County ordinance violations define the offense by referring to the appropriate section of Minn. Stat. ch. 169.

Through 2008, Minn. Stat. ch. 169 provided, and a Minnesota Attorney General's opinion concluded, that local public entities do not have authority to issue administrative tickets for state traffic offenses.

In December 2003, the Minnesota Attorney General addressed the issue of cities using similar “administrative fines” for state traffic offenses. The Minnesota Attorney General quoted Minn. Stat. § 169.022:

The provisions of this chapter shall be applicable and uniform throughout this State and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

The Minnesota Attorney General concluded that, by enacting Minn. Stat. ch. 169, the state has pre-empted the field with respect to these traffic offenses.

At Lac qui Parle County, however, deputies decide whether to give motorists a warning, issue a state ticket, or issue a County administrative ticket for violations that are traffic offenses for both state law and County ordinance purposes. If a County administrative ticket is issued, the amount to be paid does not include the surcharges for court costs that would have been included with a state ticket, and Lac qui Parle County keeps all the revenue without forwarding any portion to the state. In addition, state traffic violations committed in Lac qui Parle County are kept off the state’s driving records, leaving them unknown to insurance companies, law enforcement officers in other agencies, and the Minnesota Department of Public Safety. For the year ended December 31, 2008, Lac qui Parle County deposited \$12,447 into its General Fund from these County administrative civil penalties.

Since administrative civil penalties were not provided for in Minn. Stat. ch. 169 through 2008, they violate Minn. Stat. § 169.022.

Further, Minn. Stat. § 169.99 prescribes a uniform ticket to be used for “violations of this chapter and ordinances in conformity thereto.” The administrative ticket designed and used in Lac qui Parle County does not comply with this statute. Therefore, the use of the County’s administrative ticket for Minn. Stat. ch. 169 offenses violates the express requirements of Minn. Stat. § 169.99.

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. *See* 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999, and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the commissioner of public safety, and specifies that the fine for an administrative violation must be \$60; two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management and Budget for deposit in the state general fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend Lac qui Parle County comply with Minn. Stat. ch. 169. The County should conform to the new authority provided by state law in its practice of providing administrative tickets for traffic violations. Tickets used by the County for traffic violations must be in the form prescribed by law. Administrative citations and ordinances adopted by the County must be consistent with statutory provisions.

Client's Response:

The County realizes that current procedures are not in accordance with Minnesota law. The County Sheriff and County Attorney are currently considering changes to the County's Administrative Offense Ordinance, to be in compliance with Minn. Stat. ch. 169.

B. 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.

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

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

Some of the issues that the 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 a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities to be recognized, the County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Lac qui Parle County for the year ended December 31, 2009.



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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
Lac qui Parle County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 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 Lac qui Parle 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 99-1, 06-7, 06-8, and 08-1 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-7 and 06-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lac qui Parle 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, Lac qui Parle County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1 and 08-4.

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 Lac qui Parle County, and it is reported for that purpose.

Lac qui Parle County's written responses to the significant deficiencies, material weaknesses, and legal compliance 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

September 9, 2009

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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
Lac qui Parle County

Compliance

We have audited the compliance of Lac qui Parle County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Lac qui Parle County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lac qui Parle 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, Lac qui Parle County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-2 and 08-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2009. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lac qui Parle County's written corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans 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

September 9, 2009

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 17

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	\$ 52,690
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.228	\$ 372,434
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 97,076
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	2,806
Minimum Penalties for Repeat Offenders	20.608	2,893
Hazardous Material Public Sector Training	20.703	1,500
Total U.S. Department of Transportation		\$ 104,275
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grant	66.460	\$ 95,213
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 4,669
Temporary Assistance for Needy Families (TANF)	93.558	41,371
Child Support Enforcement Title IV-D	93.563	76,367
Refugee and Entrant Assistance	93.566	138
Child Care Cluster		
Child Care and Development Block Grant	93.575	28,960
Child Care Mandatory and Matching Funds	93.596	15,562
Foster Care Title IV-E	93.658	34,863
Social Services Block Grant Title XX	93.667	74,161
Chafee Foster Care Independent Living	93.674	112
State Child's Insurance Program	93.767	148
Medical Assistance	93.778	181,196
Block Grants for Community Mental Health Services	93.958	2,337
Total U.S. Department of Health and Human Services		\$ 459,884

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**Schedule 17
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 17,500
Emergency Management Performance Grants	97.042	11,380
Passed Through United Way		
Emergency Food and Shelter National Board Program	97.024	<u>2,928</u>
Total U.S. Department of Homeland Security		\$ <u>31,808</u>
Total Federal Awards		\$ <u><u>1,116,304</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Lac qui Parle 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. Lac qui Parle 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	
Primary government	\$ 1,021,091
Lac qui Parle-Yellow Bank Watershed District	65,413
Nonpoint Source Implementation grant monies spent in 2008 and not received until March and April of 2009 (CFDA #66.460)	<u>29,800</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,116,304</u>

4. Passed Through to Subrecipients

During 2008, 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.