

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

**NORMAN COUNTY**  
**ADA, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

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

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

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

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

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

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

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

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**NORMAN COUNTY  
ADA, MINNESOTA**

**For the Year Ended December 31, 2007**



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

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets - Governmental Activities	Exhibit 1	11
Statement of Activities	Exhibit 2	12
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	13
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	15
Statement of Revenues, Expenditures, and Changes in Fund Balance	Exhibit 5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	17
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	18
Notes to the Financial Statements		19
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	Schedule 1	44
Road and Bridge Special Revenue Fund	Schedule 2	46
Human Services Special Revenue Fund	Schedule 3	47
Notes to the Required Supplementary Information		48

**NORMAN COUNTY  
ADA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section (Continued)</b>		
Supplementary Information		
Nonmajor Governmental Funds		49
Combining Balance Sheet - Nonmajor Special Revenue Funds	Statement A-1	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement A-2	51
Budgetary Comparison Schedules		
County Homes Special Revenue Fund	Schedule 4	52
Gravel Reserve Tax Special Revenue Fund	Schedule 5	53
Solid Waste Special Revenue Fund	Schedule 6	54
Fiduciary Funds		
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement B-1	56
Other Schedules		
Schedule of Deposits and Investments	Schedule 7	57
Balance Sheet - By Ditch - Ditch Special Revenue Fund	Schedule 8	58
Schedule of Intergovernmental Revenue	Schedule 9	60
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 10	62
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing     Standards</i>		74
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		77
Schedule of Expenditures of Federal Awards	Schedule 11	80



This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2007

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Vice Chair	Marvin Gunderson	District 1	January 2009
Board Member	Warren Olson	District 2	January 2011
Chair	Steve Jacobson	District 3	January 2009
Board Member	Lee Ann Hall	District 4	January 2011
Board Member	Steven Bommersbach	District 5	January 2009
Attorney	Thomas A. Opheim		January 2011
Auditor-Treasurer	Richard D. Munter		January 2011
County Recorder	Kari Aanenson		January 2011
Registrar of Deeds	Kari Aanenson		January 2011
County Sheriff	Myron Thronson		January 2011
<b>Appointed</b>			
Assessor	Greg Landa		April 2010
County Engineer	Milton Alm		May 2009
Coroner	Dr. Kennedy Thomas		May 2008
Court Administrator	Loretta Wiebolt		Indefinite
Emergency Services	Kevin Ruud		May 2008
Veterans Service Officer	Theresa Anderson		August 2010
<b>Welfare Board</b>			
Chair	Marvin Gunderson		January 2009
Vice Chair	Carol Sorenson		May 2009
Secretary	Steven Bommersbach		January 2009
Member	Marian Cerkowniak		May 2008
Member	Warren Olson		January 2011
Member	Lee Ann Hall		January 2011
Member	Steve Jacobson		January 2009
Director	Chris Kujava		Indefinite

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Norman County

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, on our consideration of Norman 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*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 21, 2008

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

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

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

Norman County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Norman County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

The assets of Norman County exceeded its liabilities by \$50,432,096 at the close of 2007. Of this amount, \$6,593,622 (unrestricted net assets) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2007, Norman County's governmental funds reported combined ending fund balances of \$7,048,637, a decrease of \$216,600 in comparison with the prior year. Of the total fund balance, \$5,392,601 is available for spending at the County's discretion and is noted as unreserved fund balance.

At the close of 2007, unreserved fund balance for the General Fund was \$3,715,972, or 118 percent of total General Fund expenditures.

Norman County currently does not have any bonded indebtedness.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to Norman County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-Wide Financial Statements**

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

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

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

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

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

## **Fund Level Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norman County reports seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

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

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

The notes to the financial statements provide additional information essential to a full understanding of the data provided.

### **Other Information**

In addition to the basic financial statements and notes, supplementary information is provided on Norman County's budgeted funds, deposits and investments, ditch balances, and intergovernmental revenues.

Norman County adopts an annual appropriated budget for its General Fund and all special revenue funds except for the Ditch Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets serve as a useful indicator of the County's financial position. Norman County's assets exceeded liabilities by \$50,432,096 at the close of 2007. The largest portion of Norman County's net assets (84 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

### Governmental Net Assets

	2007	2006 (Restated)
Current and other assets	\$ 10,279,608	\$ 10,309,283
Capital assets	42,165,507	39,536,092
Total Assets	\$ 52,445,115	\$ 49,845,375
Long-term liabilities outstanding	\$ 428,874	\$ 605,451
Other liabilities	1,584,145	577,635
Total Liabilities	\$ 2,013,019	\$ 1,183,086
Net Assets		
Invested in capital assets	\$ 42,165,507	\$ 39,536,092
Restricted	1,672,967	2,754,788
Unrestricted	6,593,622	6,371,409
Total Net Assets	\$ 50,432,096	\$ 48,662,289

The unrestricted net asset amount of \$6,593,622 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors.

### Governmental Activities

Norman County's activities increased net assets by \$1,769,807, or 3.6 percent, over the 2006 net assets, restated. The key elements of the increase were an increase in investment in capital assets in 2007.

### Changes in Net Assets

	2007	2006 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 862,320	\$ 971,057
Operating grants and contributions	5,420,172	6,088,055
Capital grants and contributions	1,136,194	1,062,015
General revenues		
Property taxes	2,931,518	2,773,172
Gravel taxes	17,047	2,545
Grants and contributions not restricted to specific programs	1,122,826	1,158,086
Other	372,063	296,560
Total Revenues	\$ 11,862,140	\$ 12,351,490

	2007	2006 (Restated)
Expenses		
General government	\$ 1,476,352	\$ 1,536,052
Public safety	1,010,373	1,061,587
Highways and streets	4,277,358	3,951,579
Sanitation	318,883	306,520
Human services	2,251,659	2,018,781
Health	245,014	242,868
Culture and recreation	122,759	158,258
Conservation of natural resources	389,935	302,631
	<u>\$ 10,092,333</u>	<u>\$ 9,578,276</u>
Total Expenses		
Increase in Net Assets	\$ 1,769,807	\$ 2,773,214
Net Assets, January 1	<u>48,662,289</u>	<u>45,889,075</u>
Net Assets, December 31	<u>\$ 50,432,096</u>	<u>\$ 48,662,289</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,048,637, a decrease of \$216,600 in comparison with the prior year. The majority of the decrease consists of state aids received last year and the additional highway and street construction that was paid for in 2007.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,715,972, while total fund balance was \$4,009,548. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 118 percent of total General Fund expenditures. In 2007, fund balance in the General Fund increased by \$478,245. The main reasons for the increase were reductions in expenditures for general government, public safety and capital outlay.

The Road and Bridge Special Revenue Fund's fund balance decreased by \$661,952 in 2007. The main reason for this decrease was state-aid allotments received last year used for construction expenses this year.

The Human Services Special Revenue Fund's fund balance decreased by \$19,305 due to increased expenditures.

**General Fund Budgetary Highlights**

The Norman County Board of Commissioners did not make any budgetary amendments/revisions in 2007.

The actual revenues were higher than budgeted revenues by \$607,284, and actual expenditures were higher than budgeted expenditures by \$63,793. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for items not budgeted such as ambulance, library, soil and water conservation, water planning, accounting and auditing, and data processing.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The County's investment in capital assets for its governmental activities as of December 31, 2007, was \$42,165,507 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in Norman County's investment in capital assets for the current fiscal year was 6.6 percent. The increases were attributed primarily to infrastructure.

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

	2007	2006
Land	\$ 1,264,059	\$ 1,217,849
Construction in progress	985,239	1,046,095
Infrastructure	36,902,763	34,321,742
Buildings	1,606,224	1,645,149
Furniture, equipment, and machinery	1,407,222	1,305,257
<b>Total</b>	<b>\$ 42,165,507</b>	<b>\$ 39,536,092</b>

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

## **Long-Term Debt**

At the end of the current fiscal year, Norman County had no bonded indebtedness.

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

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget.
- The County is planning to restore the exterior of the original courthouse complex in phases beginning in 2008. Phase I will include the clock tower restoration in 2008.
- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of Norman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Norman County Auditor-Treasurer, P. O. Box 266, Ada, Minnesota 56510.

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 1**

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

**Assets**

Cash and pooled investments	\$	6,248,085
Taxes receivable		
Current - net		39,371
Prior - net		32,566
Special assessments receivable		
Current - net		9,971
Prior - net		9,230
Noncurrent - net		78,888
Accounts receivable - net		43,823
Accrued interest receivable		6,882
Due from other governments		3,074,342
Inventories		736,450
Capital assets		
Non-depreciable		2,249,298
Depreciable - net of accumulated depreciation		39,916,209
		<b>\$ 52,445,115</b>

**Liabilities**

Accounts payable	\$	136,281
Salaries payable		32,180
Contracts payable		1,276,080
Due to other governments		139,604
Long-term liabilities		
Due within one year		135,352
Due in more than one year		293,522
		<b>\$ 2,013,019</b>

**Net Assets**

Invested in capital assets	\$	42,165,507
Restricted for		
General government		166,031
Public safety		127,100
Highways and streets		1,379,836
Unrestricted		6,593,622
		<b>\$ 50,432,096</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 2**

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

	<b>Program Revenues</b>			<b>Net (Expense)</b>	
<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Assets</b>	
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 1,476,352	\$ 195,277	\$ 81,523	\$ -	\$ (1,199,552)
Public safety	1,010,373	55,176	153,170	-	(802,027)
Highways and streets	4,277,358	7,619	3,552,181	1,136,194	418,636
Sanitation	318,883	211,487	52,039	-	(55,357)
Human services	2,251,659	316,788	1,165,090	-	(769,781)
Health	245,014	-	161,934	-	(83,080)
Culture and recreation	122,759	-	94,059	-	(28,700)
Conservation of natural resources	389,935	75,973	83,024	-	(230,938)
Economic development	-	-	77,152	-	77,152
<b>Total Governmental Activities</b>	<b>\$ 10,092,333</b>	<b>\$ 862,320</b>	<b>\$ 5,420,172</b>	<b>\$ 1,136,194</b>	<b>\$ (2,673,647)</b>
 <b>General Revenues</b>					
Property taxes				\$ 2,931,518	
Gravel taxes				17,047	
Grants and contributions not restricted to specific programs				1,122,826	
Payments in lieu of tax				21,642	
Investment income				214,827	
Miscellaneous				98,980	
Rental income				36,614	
<b>Total general revenues</b>				<b>\$ 4,443,454</b>	
<b>Change in net assets</b>				<b>\$ 1,769,807</b>	
<b>Net Assets - Beginning, as restated in Note 1.E.</b>				<b>48,662,289</b>	
<b>Net Assets - Ending</b>				<b>\$ 50,432,096</b>	

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 3,905,813	\$ 512,263	\$ 1,429,934	\$ 250,841	\$ 6,098,851
Petty cash and change funds	3,600	200	-	-	3,800
Undistributed cash in agency funds	87,108	22,003	14,767	21,556	145,434
Taxes receivable					
Current	24,261	8,888	5,925	297	39,371
Prior	19,733	7,453	5,212	168	32,566
Special assessments receivable					
Current	9,869	-	-	102	9,971
Prior	9,149	-	-	81	9,230
Noncurrent	-	-	-	78,888	78,888
Accounts receivable	11,806	5,436	552	26,029	43,823
Accrued interest receivable	6,882	-	-	-	6,882
Due from other funds	2,274	1,798	181	-	4,253
Due from other governments	53,174	2,818,552	161,521	41,095	3,074,342
Inventories	-	736,450	-	-	736,450
<b>Total Assets</b>	<b>\$ 4,133,669</b>	<b>\$ 4,113,043</b>	<b>\$ 1,618,092</b>	<b>\$ 419,057</b>	<b>\$ 10,283,861</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 26,731	\$ 32,441	\$ 68,180	\$ 8,929	\$ 136,281
Salaries payable	12,155	15,067	4,958	-	32,180
Contracts payable	-	1,276,080	-	-	1,276,080
Due to other funds	181	-	2,274	1,798	4,253
Due to other governments	34,652	7,241	34,079	63,632	139,604
Deferred revenue - unavailable	50,402	1,481,799	14,025	100,600	1,646,826
<b>Total Liabilities</b>	<b><u>\$ 124,121</u></b>	<b><u>\$ 2,812,628</u></b>	<b><u>\$ 123,516</u></b>	<b><u>\$ 174,959</u></b>	<b><u>\$ 3,235,224</u></b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 736,450	\$ -	\$ -	\$ 736,450
Real estate tax shortfall	21,160	-	-	-	21,160
Recorder's compliance fund	50,191	-	-	-	50,191
State-aid highway projects	-	481,506	-	-	481,506
Township road restoration	-	144,504	-	-	144,504
Missing heirs	445	-	-	-	445
Security deposits	250	-	-	-	250
Law library	21,044	-	-	-	21,044
Sheriff's contingency	2,881	-	-	-	2,881
Recorder's equipment	43,200	-	-	-	43,200
Enhanced 911	124,219	-	-	-	124,219
Help America Vote Act	30,186	-	-	-	30,186
Unreserved					
Designated for K-9 unit	5,941	-	-	-	5,941
Undesignated	3,710,031	(62,045)	1,494,576	-	5,142,562
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	244,098	244,098
<b>Total Fund Balances</b>	<b><u>\$ 4,009,548</u></b>	<b><u>\$ 1,300,415</u></b>	<b><u>\$ 1,494,576</u></b>	<b><u>\$ 244,098</u></b>	<b><u>\$ 7,048,637</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,133,669</u></b>	<b><u>\$ 4,113,043</u></b>	<b><u>\$ 1,618,092</u></b>	<b><u>\$ 419,057</u></b>	<b><u>\$ 10,283,861</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 7,048,637</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	42,165,507
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,646,826
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.	
Compensated absences	<u>(428,874)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b><u><u>\$ 50,432,096</u></u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT 5*

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 1,835,950	\$ 667,767	\$ 435,186	\$ 23,363	\$ 2,962,266
Special assessments	157,328	-	-	50,877	208,205
Licenses and permits	3,497	-	-	400	3,897
Intergovernmental	1,045,605	5,551,755	1,329,887	137,549	8,064,796
Charges for services	248,106	13,986	182,643	215,966	660,701
Interest on investment	214,827	-	-	-	214,827
Miscellaneous	131,063	74,671	134,145	4,196	344,075
<b>Total Revenues</b>	<b>\$ 3,636,376</b>	<b>\$ 6,308,179</b>	<b>\$ 2,081,861</b>	<b>\$ 432,351</b>	<b>\$ 12,458,767</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,396,068	\$ -	\$ -	\$ 1,401	\$ 1,397,469
Public safety	1,013,797	-	-	-	1,013,797
Highways and streets	-	6,735,226	-	-	6,735,226
Sanitation	-	-	-	317,837	317,837
Human services	8,710	-	2,101,166	97,628	2,207,504
Health	245,014	-	-	-	245,014
Culture and recreation	121,909	-	-	-	121,909
Conservation of natural resources	359,267	-	-	29,073	388,340
<b>Intergovernmental</b>					
Highways and streets	-	224,326	-	-	224,326
<b>Capital outlay</b>					
Human services	13,366	-	-	-	13,366
<b>Total Expenditures</b>	<b>\$ 3,158,131</b>	<b>\$ 6,959,552</b>	<b>\$ 2,101,166</b>	<b>\$ 445,939</b>	<b>\$ 12,664,788</b>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>\$ 478,245</b>	<b>\$ (651,373)</b>	<b>\$ (19,305)</b>	<b>\$ (13,588)</b>	<b>\$ (206,021)</b>
<b>Fund Balance - January 1</b>	<b>3,531,303</b>	<b>1,962,367</b>	<b>1,513,881</b>	<b>257,686</b>	<b>7,265,237</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(10,579)</b>	<b>-</b>	<b>-</b>	<b>(10,579)</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,009,548</b>	<b>\$ 1,300,415</b>	<b>\$ 1,494,576</b>	<b>\$ 244,098</b>	<b>\$ 7,048,637</b>

**NORMAN COUNTY  
ADA, 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, 2007**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (206,021)**

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

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

Expenditures for general capital assets and infrastructure	\$ 3,977,780	
Net book value of assets disposed of	(850)	
Current year depreciation	(1,347,515)	2,629,415

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 (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,646,826	
Deferred revenue - January 1 - restated	(2,243,453)	
	(596,627)	(596,627)

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	\$ (46,381)	
Change in inventories	(10,579)	
	(56,960)	(56,960)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,769,807**

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT 7*

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

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 189,396</u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ 140,432
Funds held in trust	<u>48,964</u>
<b>Total Liabilities</b>	<b><u>\$ 189,396</u></b>

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

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

---

---

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Norman County was established February 17, 1881, 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.

Joint Ventures

The County participates in joint ventures, related organizations, and jointly-governed organizations, described in Notes 6.E., 6.F., and 6.G., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental 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 remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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.

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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Norman 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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, unless the County Board takes specific action to appropriate those unrestricted resources.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$214,827.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 they are not available for appropriation and are not expendable available financial resources.

No allowance has been made for uncollectible receivables.

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

3. Inventories

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold 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 government's capitalization threshold for capital assets is as follows:

Assets	Capitalization Threshold
Land	\$ 1
All other classes of assets	5,000

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

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

Assets	Years
Buildings	25 - 40
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

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 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. In the fund financial statements, the face amount of the debt issued is reported as an other financing source.

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.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

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.

E. Restatement

Beginning net assets on the government-wide statement of activities were reduced by \$2,032,170 to reflect a change in the treatment of bridge bonding in 2006 from an allotment to a grant for the Road and Bridge Special Revenue Fund.

Net Assets, December 31, 2006, as previously reported	\$ 50,694,459
Restatement	<u>(2,032,170)</u>
Net Assets, January 1, 2007, as restated	<u>\$ 48,662,289</u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Special Revenue Fund

Nine of the 36 County-administered drainage systems have incurred expenditures in excess of their revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the total fund balance as of December 31, 2007:

Account balances	\$ 81,772
Account deficits	<u>(8,242)</u>
Total Fund Balances	<u>\$ 73,530</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2007.

	Expenditures	Budget	Excess
General Fund	\$ 3,158,131	\$ 3,094,338	\$ 63,793
Special Revenue Funds			
Road and Bridge	6,959,552	5,992,885	966,667
Human Services	2,101,166	2,013,050	88,116
County Homes	97,628	21,400	76,228

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follows:

Governmental activities		
Cash and pooled investments		\$ 6,244,285
Petty cash and change funds		3,800
Fiduciary funds		
Cash and pooled investments		
Agency funds		189,396
Total Cash and Investments		\$ 6,437,481

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 all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, 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 does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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;

**NORMAN COUNTY  
ADA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2007, the County had no investments.

2. Receivables

Receivables as of December 31, 2007, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 71,937	\$ -
Special assessments	98,089	78,888
Accounts	43,823	-
Interest	6,882	-
Due from other governments	3,074,342	-
Total	\$ 3,295,073	\$ 78,888

**NORMAN COUNTY  
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,217,849	\$ 47,060	\$ 850	\$ 1,264,059
Construction in progress	<u>1,046,095</u>	<u>985,239</u>	<u>1,046,095</u>	<u>985,239</u>
Total capital assets not depreciated	<u>\$ 2,263,944</u>	<u>\$ 1,032,299</u>	<u>\$ 1,046,945</u>	<u>\$ 2,249,298</u>
Capital assets depreciated				
Buildings	\$ 2,691,040	\$ 25,543	\$ -	\$ 2,716,583
Machinery, furniture, and equipment	3,880,883	408,345	453,055	3,836,173
Infrastructure	<u>45,577,606</u>	<u>3,557,688</u>	<u>122,649</u>	<u>49,012,645</u>
Total capital assets depreciated	<u>\$ 52,149,529</u>	<u>\$ 3,991,576</u>	<u>\$ 575,704</u>	<u>\$ 55,565,401</u>
Less: accumulated depreciation for				
Buildings	\$ 1,045,891	\$ 64,468	\$ -	\$ 1,110,359
Machinery, furniture, and equipment	2,575,626	306,380	453,055	2,428,951
Infrastructure	<u>11,255,864</u>	<u>976,667</u>	<u>122,649</u>	<u>12,109,882</u>
Total accumulated depreciation	<u>\$ 14,877,381</u>	<u>\$ 1,347,515</u>	<u>\$ 575,704</u>	<u>\$ 15,649,192</u>
Total capital assets depreciated, net	<u>\$ 37,272,148</u>	<u>\$ 2,644,061</u>	<u>\$ -</u>	<u>\$ 39,916,209</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,536,092</u>	<u>\$ 3,676,360</u>	<u>\$ 1,046,945</u>	<u>\$ 42,165,507</u>

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

General government	\$ 74,098
Public safety	57,449
Highways and streets, including depreciation of infrastructure assets	1,187,975
Human services	26,673
Conservation of natural resources	<u>1,320</u>
Total Depreciation Expense	<u>\$ 1,347,515</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue Fund	\$ 2,274
Road and Bridge Special Revenue Fund	Other governmental funds	1,798
Human Services Special Revenue Fund	General Fund	<u>181</u>
Total Due To/From Other Funds		<u>\$ 4,253</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

Accounts	\$ 136,281
Salaries	32,180
Contracts	1,276,080
Due to other governments	<u>139,604</u>
Total Payables	<u>\$ 1,584,145</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue as of December 31, 2007, for the County is as follows:

	Deferred Unavailable
Taxes and special assessments	\$ 151,582
State-aid highway allotments	1,157,027
Charges for services	28,126
Grants	310,091
Total	\$ 1,646,826

3. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental activities		
Roads and bridges	\$ 5,415,862	\$ 3,646,616

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from state	\$ 222,958	\$ -	\$ 222,958	\$ -	\$ -
Compensated absences	382,493	258,296	211,915	428,874	135,352
Governmental Activities					
Long-Term Liabilities	\$ 605,451	\$ 258,296	\$ 434,873	\$ 428,874	\$ 135,352

**NORMAN COUNTY  
ADA, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Norman County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire 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.

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. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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 and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

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

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

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

4. Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 148,283	\$ 136,157	\$ 116,588
Public Employees Police and Fire Fund	27,787	23,787	20,020

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

B. Defined Contribution Plan

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

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

4. Pension Plans

B. Defined Contribution Plan (Continued)

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 760	\$ 760
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

5. Risk Management

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

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

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

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

A. Departmental Trust Deposits

Departmental trust deposits include funds deposited with various County departments as required by statute or court orders. The following is a summary of these trust deposits, which are not shown on the combined balance sheet at December 31, 2007.

Welfare Director	\$	<u>3,836</u>
------------------	----	--------------

B. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

C. Dalen Coulee Project

On February 21, 2002, Norman County entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, with Clay County. Clay County sold \$260,000 of bonds on behalf of the Wild Rice Watershed District for Dalen Coulee Project 40. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

D. Project 9

On July 21, 2005, Norman County entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, with Clay County. Clay County sold \$830,000 of bonds on behalf of the Wild Rice Watershed District for Project 9. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

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

E. Joint Ventures

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

Control is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Tri-County Community Corrections' long-term debt consists of \$169,363 for compensated absences and \$9,359 for lease purchases at December 31, 2006 (latest information available). Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2007 was \$212,119.

Complete financial information can be obtained from the Polk County Auditor's Office or the Northwest Regional Corrections Center located at 600 Bruce Street, Crookston, Minnesota 56716.

Norman-Mahnomen Community Health Board

The Multi-County Nursing Service was established in 1997 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included Becker, Mahnomen, and Norman Counties. On June 24, 2003, the Becker County Board passed a resolution to withdraw from the Multi-County Nursing Service as of January 1, 2005. On January 1, 2005, Norman and Mahnomen Counties amended the joint powers agreement, forming the Multi-County Nursing Service and started doing business as

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Norman-Mahnomen Community Health Board (Continued)

Norman-Mahnomen Public Health. The purpose of Norman-Mahnomen Public Health is the development, implementation, and operation of public health services throughout the member counties.

Control of Norman-Mahnomen Public Health was vested in the Norman-Mahnomen Community Health Board, which consisted of six members. Norman and Mahnomen Counties each appoint three members.

In the event of withdrawal from the Norman-Mahnomen Community Health Board, the withdrawing county is not entitled to any reimbursement of funds contributed during the course of its membership, except to the extent of any surplus uncommitted monies remaining in the operation account upon expiration of the fiscal year of the county's withdrawal. Such surplus shall be distributed in the proportion that the withdrawing county's contribution bears to the aggregate contribution of all member parties for the year of withdrawal. Funds utilized for capital asset acquisition shall be paid only at the time of sale of such assets.

The Norman-Mahnomen Community Health's long-term liabilities are \$29,931 at December 31, 2006 (latest information available). Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2007 was \$90,632.

Complete financial information can be obtained from the Norman-Mahnomen Community Health Board, 15 East 2nd Avenue, Room 107, Ada, Minnesota 56510.

Norman County-Ada-Twin Valley Joint Airport

The Norman County-Ada-Twin Valley Airport Authority was established in 1976 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The purpose of the Norman County-Ada-Twin Valley Joint Airport Authority is the construction, development, and maintenance of the Norman County-Ada-Twin Valley Joint Airport. Minn. Stat. § 360.032 allows every municipality, through its governing body, to acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports. Control of the Norman County-Ada-Twin Valley Joint Airport

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

E. Joint Ventures

Norman County-Ada-Twin Valley Joint Airport (Continued)

is vested in the Norman County-Ada-Twin Valley Airport Authority, which consists of six members. As provided in the bylaws, the Norman County Board appoints two members, and each of the two City Councils appoints two members.

The joint powers agreement remains in force until any single member gives the other parties one year's written notice of this termination. Any party terminating the agreement shall transfer its interest in the real and personal assets to the remaining parties for consideration of one dollar.

Financing of the capital costs and operations is provided by state and federal grants, charges for services, and appropriations from Norman County, Ada and Twin Valley. Norman County's contribution for 2007 was \$4,040.

Complete financial statements for the Norman County-Ada-Twin Valley Joint Airport can be obtained from Norman County Abstracting and Accounting, Inc., 18 East 4th Avenue, Ada, Minnesota 56510.

F. Related Organizations

Ambulance Service

Norman County and the City of Ada entered into an agreement to establish an Ambulance Advisory Committee, effective March 5, 1991. The purpose of the Committee is to provide coordinated funding and delivery of ambulance services within Norman County.

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

F. Related Organizations

Sand Hill River Watershed District (Continued)

resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers, composed of five members appointed by the Polk County Board for staggered terms of three years each.

G. Jointly-Governed Organizations

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

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administer legal drainage systems, issue applications and permits, educate the public on conservation issues, and resolve disputes.

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and the remaining counties each appoint one member.

Complete financial information can be obtained from the Wild Rice Watershed District office at 11 East 5th Avenue, Ada, Minnesota 56510.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations (Continued)

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law.

Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Norman County and 14 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board, comprising one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2007, Norman County did not contribute any funds to the Joint Powers Board.

Complete financial statements can be obtained from the offices of The International Coalition at 119 - 5th Street South, Moorhead, Minnesota 56560.

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations (Continued)

The Children's Collaborative (Serving Norman County Families)

The Children's Collaborative (Serving Norman County Families) was established in 1999 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Norman County Social Services, Ada-Borup Public Schools, Norman County East Public Schools, Norman County West Public Schools, Norman-Mahnomen Community Health Board, Northwestern Mental Health Center, and Tri-Valley Opportunity Council, Inc. The purpose of the Collaborative is to provide coordinated services and to commit resources to an integrated fund. Control of the Collaborative is vested in a Board of Directors, comprised of one member appointed by each member party.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to a refund of contributions made to the integrated fund or other fees paid to operate the Collaborative. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from its member parties. Complete financial information can be obtained from the Norman County East School District, 408 Main Avenue, P. O. Box 420, Twin Valley, Minnesota 56584.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment, and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprised of 18 members, with one representative from each of the seven counties, three members at large, and eight members representing local agencies. The joint powers agreement which created this

**NORMAN COUNTY  
ADA, MINNESOTA**

---

---

6. Summary of Significant Contingencies and Other Items

G. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

Service Area terminated on June 30, 2002, and must be renewed by resolution of the participating county boards. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. Norman County's responsibility does not extend beyond making this appointment.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which is composed of 23 members with staggered terms made up of the following: one member appointed by each board of county commissioners who may be a member of the board of commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed \$76,898 to the Agassiz Regional Library during 2007.

This page was left blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 1**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,008,590	\$ 2,008,590	\$ 1,835,950	\$ (172,640)
Special assessments	-	-	157,328	157,328
Licenses and permits	2,719	2,719	3,497	778
Intergovernmental	643,072	643,072	1,045,605	402,533
Charges for services	227,274	227,274	248,106	20,832
Investment earnings	101,000	101,000	214,827	113,827
Miscellaneous	46,437	46,437	131,063	84,626
<b>Total Revenues</b>	<b>\$ 3,029,092</b>	<b>\$ 3,029,092</b>	<b>\$ 3,636,376</b>	<b>\$ 607,284</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 169,530	\$ 169,530	\$ 155,883	\$ 13,647
Courts	10,000	10,000	17,378	(7,378)
Law library	8,672	8,672	1,274	7,398
County auditor/treasurer	234,420	234,420	231,130	3,290
County assessor	168,100	168,100	161,613	6,487
Elections	1,850	1,850	256	1,594
Accounting and auditing	-	-	45,891	(45,891)
Data processing	-	-	51,147	(51,147)
Attorney	117,220	117,220	114,478	2,742
Victim assistance	48,916	48,916	56,160	(7,244)
Recorder	202,950	202,950	196,685	6,265
Planning and zoning	17,245	17,245	20,088	(2,843)
County buildings	305,700	305,700	51,957	253,743
Buildings and plant	146,360	146,360	125,146	21,214
Veterans service officer	65,404	65,404	63,268	2,136
Other general government	-	-	75	(75)
Unallocated - general government	253,200	253,200	103,639	149,561
<b>Total general government</b>	<b>\$ 1,749,567</b>	<b>\$ 1,749,567</b>	<b>\$ 1,396,068</b>	<b>\$ 353,499</b>
<b>Public safety</b>				
Sheriff	\$ 595,121	\$ 595,121	\$ 612,713	\$ (17,592)
Emergency services	-	-	36,000	(36,000)
Coroner	12,000	12,000	7,472	4,528
Radio tower	3,000	3,000	2,645	355
Hazardous materials training	15,975	15,975	38,423	(22,448)
Safety coordinator	20,121	20,121	19,458	663
E-911 system	22,100	22,100	49,548	(27,448)
Community corrections	212,119	212,119	212,119	-
Civil defense	26,342	26,342	32,697	(6,355)
Police and fire	75	75	150	(75)
Other public safety	1,200	1,200	2,572	(1,372)
<b>Total public safety</b>	<b>\$ 908,053</b>	<b>\$ 908,053</b>	<b>\$ 1,013,797</b>	<b>\$ (105,744)</b>

The notes to the required supplementary information are an integral part of this schedule.

Page 44

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Human services</b>				
Senior citizen centers	\$ 10,040	\$ 10,040	\$ 7,710	\$ 2,330
Retired senior volunteer program	-	-	1,000	(1,000)
<b>Total human services</b>	<b>\$ 10,040</b>	<b>\$ 10,040</b>	<b>\$ 8,710</b>	<b>\$ 1,330</b>
<b>Health</b>				
Nursing service	\$ 90,632	\$ 90,632	\$ 90,632	\$ -
Ambulance	-	-	154,382	(154,382)
<b>Total health</b>	<b>\$ 90,632</b>	<b>\$ 90,632</b>	<b>\$ 245,014</b>	<b>\$ (154,382)</b>
<b>Culture and recreation</b>				
Historical society	\$ 85,868	\$ 85,868	\$ 7,650	\$ 78,218
Agassiz trail project	-	-	12,523	(12,523)
Winter shows	-	-	800	(800)
County library	-	-	76,898	(76,898)
Celebrations	-	-	360	(360)
Snowmobile trails	-	-	23,678	(23,678)
<b>Total culture and recreation</b>	<b>\$ 85,868</b>	<b>\$ 85,868</b>	<b>\$ 121,909</b>	<b>\$ (36,041)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 97,159	\$ 97,159	\$ 100,432	\$ (3,273)
Soil and water conservation	-	-	71,850	(71,850)
Agricultural society	-	-	12,150	(12,150)
Forfeited tax	-	-	55,757	(55,757)
Weed control	62,083	62,083	58,278	3,805
Predator control	-	-	2,542	(2,542)
Water planning	-	-	57,858	(57,858)
Other	90,936	90,936	400	90,536
<b>Total conservation of natural resources</b>	<b>\$ 250,178</b>	<b>\$ 250,178</b>	<b>\$ 359,267</b>	<b>\$ (109,089)</b>
<b>Capital outlay</b>				
Human services	\$ -	\$ -	\$ 13,366	\$ (13,366)
<b>Total Expenditures</b>	<b>\$ 3,094,338</b>	<b>\$ 3,094,338</b>	<b>\$ 3,158,131</b>	<b>\$ (63,793)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (65,246)</b>	<b>\$ (65,246)</b>	<b>\$ 478,245</b>	<b>\$ 543,491</b>
<b>Fund Balance - January 1</b>	<b>3,531,303</b>	<b>3,531,303</b>	<b>3,531,303</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,466,057</b>	<b>\$ 3,466,057</b>	<b>\$ 4,009,548</b>	<b>\$ 543,491</b>

The notes to the required supplementary information are an integral part of this schedule.

**NORMAN COUNTY  
ADA, MINNESOTA**

Schedule 2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 748,991	\$ 748,991	\$ 667,767	\$ (81,224)
Intergovernmental	5,085,009	5,085,009	5,551,755	466,746
Charges for services	5,000	5,000	13,986	8,986
Miscellaneous	70,000	70,000	74,671	4,671
<b>Total Revenues</b>	<b>\$ 5,909,000</b>	<b>\$ 5,909,000</b>	<b>\$ 6,308,179</b>	<b>\$ 399,179</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 523,150	\$ 523,150	\$ 398,063	\$ 125,087
Maintenance	1,449,880	1,449,880	1,580,059	(130,179)
Construction	3,417,500	3,417,500	4,254,870	(837,370)
Equipment and maintenance shop	602,355	602,355	502,234	100,121
<b>Total highways and streets</b>	<b>\$ 5,992,885</b>	<b>\$ 5,992,885</b>	<b>\$ 6,735,226</b>	<b>\$ (742,341)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	224,326	(224,326)
<b>Total Expenditures</b>	<b>\$ 5,992,885</b>	<b>\$ 5,992,885</b>	<b>\$ 6,959,552</b>	<b>\$ (966,667)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (83,885)</b>	<b>\$ (83,885)</b>	<b>\$ (651,373)</b>	<b>\$ (567,488)</b>
<b>Fund Balance - January 1</b>	<b>1,962,367</b>	<b>1,962,367</b>	<b>1,962,367</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(10,579)</b>	<b>(10,579)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,878,482</b>	<b>\$ 1,878,482</b>	<b>\$ 1,300,415</b>	<b>\$ (578,067)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

Schedule 3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 482,328	\$ 482,328	\$ 435,186	\$ (47,142)
Intergovernmental	1,145,646	1,145,646	1,329,887	184,241
Charges for services	191,750	191,750	182,643	(9,107)
Miscellaneous	62,750	62,750	134,145	71,395
<b>Total Revenues</b>	<b>\$ 1,882,474</b>	<b>\$ 1,882,474</b>	<b>\$ 2,081,861</b>	<b>\$ 199,387</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 533,846	\$ 533,846	\$ 579,922	\$ (46,076)
Social services	1,479,204	1,479,204	1,521,244	(42,040)
<b>Total Expenditures</b>	<b>\$ 2,013,050</b>	<b>\$ 2,013,050</b>	<b>\$ 2,101,166</b>	<b>\$ (88,116)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (130,576)</b>	<b>\$ (130,576)</b>	<b>\$ (19,305)</b>	<b>\$ 111,271</b>
<b>Fund Balance - January 1</b>	<b>1,513,881</b>	<b>1,513,881</b>	<b>1,513,881</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,383,305</b>	<b>\$ 1,383,305</b>	<b>\$ 1,494,576</b>	<b>\$ 111,271</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

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

---

---

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Auditor-Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the Norman County Board for review. The Board continues to refine the budget, holds departmental budget meetings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

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

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds which had expenditures in excess of budget for the year ended December 31, 2007.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,158,131	\$ 3,094,338	\$ 63,793
Road and Bridge Special Revenue Fund	6,959,552	5,992,885	966,667
Human Services Special Revenue Fund	2,101,166	2,013,050	88,116

This page was left blank intentionally.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Homes Fund - to account for the collection of rents and payment of expenses on small homes owned by Norman County that are rented to senior citizens.

Ditch Fund - to account for the financing and costs relating to all County ditches.

Gravel Reserve Tax Fund - to account for the proceeds of a special gravel removal or occupation tax which is restricted to expenditures for the restoration of abandoned gravel pits.

Solid Waste Fund - to account for the financing and costs relating to the Fosston Incinerator Project, County recycling center, demolition landfill, and public education.

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2007**

	<b>County Homes</b>	<b>Ditch</b>	<b>Gravel Reserve Tax</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 7,544	\$ 71,239	\$ 57,911	\$ 114,147	\$ 250,841
Undistributed cash in agency funds	-	3,969	-	17,587	21,556
Taxes receivable					
Current	-	-	-	297	297
Prior	-	-	-	168	168
Special assessments receivable					
Current	-	102	-	-	102
Prior	-	81	-	-	81
Noncurrent	-	78,888	-	-	78,888
Accounts receivable	-	-	268	25,761	26,029
Due from other governments	40,995	100	-	-	41,095
	<b>\$ 48,539</b>	<b>\$ 154,379</b>	<b>\$ 58,179</b>	<b>\$ 157,960</b>	<b>\$ 419,057</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 8,929	\$ 8,929
Due to other funds	-	1,798	-	-	1,798
Due to other governments	47,716	-	-	15,916	63,632
Deferred revenue - unavailable	-	79,051	-	21,549	100,600
	<b>\$ 47,716</b>	<b>\$ 80,849</b>	<b>\$ -</b>	<b>\$ 46,394</b>	<b>\$ 174,959</b>
<b>Fund Balances</b>					
Unreserved					
Undesignated	823	73,530	58,179	111,566	244,098
	<b>\$ 48,539</b>	<b>\$ 154,379</b>	<b>\$ 58,179</b>	<b>\$ 157,960</b>	<b>\$ 419,057</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

Statement A-2

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

	<u>County Homes</u>	<u>Ditch</u>	<u>Gravel Reserve Tax</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 1,705	\$ 21,658	\$ 23,363
Special assessments	-	50,877	-	-	50,877
Licenses and permits	-	-	-	400	400
Intergovernmental	77,152	-	-	60,397	137,549
Charges for services	-	487	-	215,479	215,966
Miscellaneous	4,196	-	-	-	4,196
<b>Total Revenues</b>	<b>\$ 81,348</b>	<b>\$ 51,364</b>	<b>\$ 1,705</b>	<b>\$ 297,934</b>	<b>\$ 432,351</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 1,401	\$ -	\$ -	\$ 1,401
Sanitation	-	-	-	317,837	317,837
Human services	97,628	-	-	-	97,628
Conservation of natural resources	-	29,073	-	-	29,073
<b>Total Expenditures</b>	<b>\$ 97,628</b>	<b>\$ 30,474</b>	<b>\$ -</b>	<b>\$ 317,837</b>	<b>\$ 445,939</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (16,280)</b>	<b>\$ 20,890</b>	<b>\$ 1,705</b>	<b>\$ (19,903)</b>	<b>\$ (13,588)</b>
<b>Fund Balance - January 1</b>	<b>17,103</b>	<b>52,640</b>	<b>56,474</b>	<b>131,469</b>	<b>257,686</b>
<b>Fund Balance - December 31</b>	<b>\$ 823</b>	<b>\$ 73,530</b>	<b>\$ 58,179</b>	<b>\$ 111,566</b>	<b>\$ 244,098</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 4*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 77,152	\$ 77,152
Miscellaneous	5,200	5,200	4,196	(1,004)
<b>Total Revenues</b>	<b>\$ 5,200</b>	<b>\$ 5,200</b>	<b>\$ 81,348</b>	<b>\$ 76,148</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Low-income housing	21,400	21,400	97,628	(76,228)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (16,200)</b>	<b>\$ (16,200)</b>	<b>\$ (16,280)</b>	<b>\$ (80)</b>
<b>Fund Balance - January 1</b>	<b>17,103</b>	<b>17,103</b>	<b>17,103</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 903</b>	<b>\$ 903</b>	<b>\$ 823</b>	<b>\$ (80)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
GRAVEL RESERVE TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 1,705	\$ 1,705
<b>Fund Balance - January 1</b>	<u>56,474</u>	<u>56,474</u>	<u>56,474</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 56,474</u>	<u>\$ 56,474</u>	<u>\$ 58,179</u>	<u>\$ 1,705</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 6*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 54,116	\$ 54,116	\$ 21,658	\$ (32,458)
Licenses and permits	400	400	400	-
Intergovernmental	57,284	57,284	60,397	3,113
Charges for services	202,505	202,505	215,479	12,974
<b>Total Revenues</b>	<b>\$ 314,305</b>	<b>\$ 314,305</b>	<b>\$ 297,934</b>	<b>\$ (16,371)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	\$ 61,774	\$ 61,774	\$ 59,804	\$ 1,970
Landfill	12,650	12,650	22,000	(9,350)
Fosston incinerator	226,340	226,340	216,371	9,969
Household hazardous waste	28,855	28,855	19,662	9,193
<b>Total Expenditures</b>	<b>\$ 329,619</b>	<b>\$ 329,619</b>	<b>\$ 317,837</b>	<b>\$ 11,782</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (15,314)</b>	<b>\$ (15,314)</b>	<b>\$ (19,903)</b>	<b>\$ (4,589)</b>
<b>Fund Balance - January 1</b>	<b>131,469</b>	<b>131,469</b>	<b>131,469</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 116,155</b>	<b>\$ 116,155</b>	<b>\$ 111,566</b>	<b>\$ (4,589)</b>

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

**FIDUCIARY FUNDS**

**AGENCY FUNDS**

State Revenue - to account for the collection and payment of amounts due to the state.

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

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

*Statement B-1*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 187,000	\$ 187,000	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 187,000	\$ 187,000	\$ -
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 114,449	\$ 3,455,065	\$ 3,380,118	\$ 189,396
<b><u>Liabilities</u></b>				
Due to other governments	\$ 83,219	\$ 3,406,101	\$ 3,348,888	\$ 140,432
Funds held in trust	31,230	48,964	31,230	48,964
<b>Total Liabilities</b>	<b>\$ 114,449</b>	<b>\$ 3,455,065</b>	<b>\$ 3,380,118</b>	<b>\$ 189,396</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 114,449	\$ 3,642,065	\$ 3,567,118	\$ 189,396
<b><u>Liabilities</u></b>				
Due to other governments	\$ 83,219	\$ 3,593,101	\$ 3,535,888	\$ 140,432
Funds held in trust	31,230	48,964	31,230	48,964
<b>Total Liabilities</b>	<b>\$ 114,449</b>	<b>\$ 3,642,065</b>	<b>\$ 3,567,118</b>	<b>\$ 189,396</b>

This page was left blank intentionally.

## **OTHER SCHEDULES**

This page was left blank intentionally.

NORMAN COUNTY  
ADA, MINNESOTA

Schedule 7

SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2007

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Deposits and Investments</b>			
<b>Undesignated</b>			
Money market checking (2)	0.25% to 0.34%	Continuous	\$ 1,912,521
Certificates of deposit (9)	2.51% to 3.75%	January 7, 2008 to April 7, 2008	<u>4,500,000</u>
<b>Total undesignated</b>			<b>\$ 6,412,521</b>
<b>Designated for real estate tax shortfall</b>			
Certificates of deposit (2)	3.95%	December 22, 2008	<u>21,160</u>
<b>Total Deposits and Investments</b>			<b><u>\$ 6,433,681</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2007**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Prior	Deferred
<b>County Ditches</b>					
5	\$ 4,301	\$ 10	\$ -	\$ -	\$ 423
6	840	-	-	-	-
7	3,686	-	-	-	5,325
8	(2,463)	-	-	-	2,800
9	(3,680)	259	12	-	6,037
14	904	-	-	-	151
17	504	53	2	2	640
22	2,937	2,951	-	-	4,233
23	2,682	81	13	1	202
24	(1,189)	2	-	-	1,631
25	4,992	-	-	3	-
26	91	-	-	-	-
28 & 3	(207)	-	-	-	675
29	(167)	7	-	-	374
29 Lat. 1	865	11	9	-	-
31	3,971	-	-	-	-
33	2,340	-	-	-	44,193
34	6,334	7	-	-	253
36	(1)	12	-	-	497
39	(304)	-	-	-	461
40	1,240	28	-	-	559
41	2,090	-	-	-	-
42	19,543	-	-	-	-
46	(340)	46	-	-	303
47	4,162	337	7	-	721
49	1,009	-	-	-	-
62	949	6	18	75	282
65	1,623	15	-	-	1,021
69	1,803	88	40	-	1,542
73	2,133	54	-	-	1,963
75	1,185	2	1	-	959
<b>Borup State Ditch</b>	82	-	-	-	-
<b>Judicial Ditches</b>					
54 South	9,630	-	-	-	-
55	(189)	-	-	-	3,643
57	(17)	-	-	-	-
<b>Watershed Ditches</b>					
9	(100)	-	-	-	-
<b>Total</b>	<b>\$ 71,239</b>	<b>\$ 3,969</b>	<b>\$ 102</b>	<b>\$ 81</b>	<b>\$ 78,888</b>

**Schedule 8**

Due from Other Governments		Liabilities				Fund Balance Unreserved Undesignated	Total Liabilities and Fund Balance
Total		Due to Other Funds	Deferred Revenue	Total			
\$ -	\$ 4,734	\$ -	\$ 423	\$ 423	\$ 4,311	\$ 4,734	
-	840	-	-	-	840	840	
-	9,011	-	5,325	5,325	3,686	9,011	
-	337	-	2,800	2,800	(2,463)	337	
-	2,628	-	6,049	6,049	(3,421)	2,628	
-	1,055	-	151	151	904	1,055	
-	1,201	-	645	645	556	1,201	
-	10,121	-	4,233	4,233	5,888	10,121	
-	2,979	-	216	216	2,763	2,979	
-	444	-	1,631	1,631	(1,187)	444	
-	4,995	-	3	3	4,992	4,995	
-	91	-	-	-	91	91	
-	468	-	675	675	(207)	468	
-	214	-	374	374	(160)	214	
-	885	-	8	8	877	885	
-	3,971	-	-	-	3,971	3,971	
-	46,533	-	44,193	44,193	2,340	46,533	
-	6,594	-	253	253	6,341	6,594	
-	508	-	497	497	11	508	
-	157	-	461	461	(304)	157	
-	1,827	-	559	559	1,268	1,827	
-	2,090	-	-	-	2,090	2,090	
-	19,543	-	-	-	19,543	19,543	
-	9	-	303	303	(294)	9	
-	5,227	-	721	721	4,506	5,227	
-	1,009	-	-	-	1,009	1,009	
-	1,330	-	362	362	968	1,330	
-	2,659	-	1,021	1,021	1,638	2,659	
-	3,473	-	1,582	1,582	1,891	3,473	
-	4,150	-	1,963	1,963	2,187	4,150	
-	2,147	-	960	960	1,187	2,147	
-	82	-	-	-	82	82	
-	9,630	1,798	-	1,798	7,832	9,630	
-	3,454	-	3,643	3,643	(189)	3,454	
-	(17)	-	-	-	(17)	(17)	
100	-	-	-	-	-	-	
<b>\$ 100</b>	<b>\$ 154,379</b>	<b>\$ 1,798</b>	<b>\$ 79,051</b>	<b>\$ 80,849</b>	<b>\$ 73,530</b>	<b>\$ 154,379</b>	

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 9**

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

**Shared Revenue**

**State**

Highway users tax	\$ 3,948,691
County program aid	781,921
PERA rate reimbursement	13,183
Disparity reduction aid	15,683
Police aid	23,823
Market value credit	311,385
Market value credit - mobile home	654

**Total Shared Revenue**

**\$ 5,095,340**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	<b><u>\$ 458,505</u></b>
--	--------------------------

**Payments**

**Local**

Payments in lieu of taxes	<b><u>\$ 21,642</u></b>
---------------------------	-------------------------

**Grants**

**State**

Minnesota Department of	
Corrections	\$ 2,032
Public Safety	103,230
Commerce	7,503
Natural Resources	31,077
Trial Courts	76
Human Services	459,421
Veterans Affairs	2,500
Water and Soil Resources Board	57,858
Office of Environmental Assistance	52,039
Board of Peace Officer Standards and Training	2,010

**Total State**

**\$ 717,746**

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 9  
(Continued)**

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

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 1,380
Housing and Urban Development	77,152
Justice	34,417
Transportation	1,286,365
Health and Human Services	261,416
Homeland Security	<u>110,833</u>
<b>Total Federal</b>	<b><u>\$ 1,771,563</u></b>
<b>Total State and Federal Grants</b>	<b><u>\$ 2,489,309</u></b>
<b>Total Intergovernmental Revenue</b>	<b><u>\$ 8,064,796</u></b>

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 11) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 9)	\$ 1,771,563
Highway Planning and Construction	CFDA #20.205 (669,873)
Help America Vote Act	CFDA #90.401 611
Public Assistance Grants	CFDA #97.036 <u>96,112</u>
<b>Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 11)</b>	<b><u>\$ 1,198,413</u></b>

This page was left blank intentionally.



This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 10**

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

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

- A. Our report expresses unqualified opinions on the basic financial statements of Norman County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Norman County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Norman County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Norman County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Highway Planning and Construction CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Norman County was 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

96-6 Segregation of Duties

Due to the limited number of personnel within several Norman County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office generally tries to segregate the record-keeping function from the custody function. However, due to breaks, vacations, and illness, staff assigned record-keeping responsibilities may be required to assist in receipting collections, and staff assigned the custody functions may be required to assist in posting. The smaller fee offices generally have one person making the collections, recording those collections, and making the deposits to the Auditor-Treasurer's Office. This is not unusual in operations the size of Norman 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 increasing the risk that errors or irregularities may occur and not be detected in a timely manner.

We recommend that Norman County's management be aware of the lack of segregation of duties within the Auditor-Treasurer's Office and other fee offices and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Client's Response:

*Management is aware of the lack of segregation of duties.*

04-1 Gravel Stockpile Inventory

The Norman County Highway Department maintains a perpetual inventory system of parts, fuel, field materials, and other supplies. Each year, Highway Department employees count inventory items including parts, fuel, and certain field materials such as culverts, signs, and sign materials; however, they do not measure the gravel stockpile inventory. At December 31, 2007, gravel stockpile inventory made up 77 percent of the Highway Department's total inventory.

The County's gravel stockpiles are located at several different locations. Gravel is purchased and stockpiled for a particular project based on the estimated need. The valuation for each stockpile is the purchase price of the gravel, less the loads charged to the project based on haul sheets.

The effect of not taking an inventory of the gravel stockpiles is an increased risk that the inventory reported may be misstated.

To improve control over gravel stockpile inventory, gravel should periodically be measured and compared to the costing system. This comparison would ensure that errors are detected timely and that haul sheets are filled out correctly and on a regular basis.

We recommend the County implement procedures to measure the gravel stockpiles and compare the quantity to the inventory system at least once a year. If the measurement is significantly different from the inventory system, the system should be adjusted to the actual measurement.

Client's Response:

*We will have stockpiles measured before the end of the year.*

06-1 Preparation of Financial Statements

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

Norman County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was

caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Norman County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Norman County still intends to have staff from the Office of the State Auditor assist in preparation, then, at a minimum, the County must identify and train individuals to obtain the expertise to review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

*We will look into preparing our own financial statements or have someone qualified do it for us.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified material adjustments in the Road and Bridge Special Revenue Fund. Receivables were increased by \$783,998, revenues were increased by \$425,182, and expenses were decreased by \$358,816 to properly reflect Road and Bridge projects activity. At the fund level, the additional revenue was offset by deferred revenue of \$63,615 for receivables not available during the revenue recognition period. Contracts payable for construction expenses were increased by \$570,959. An adjustment was made to the Human Services Special Revenue Fund to recognize \$56,343 in additional receivables and revenue for MMIS billings. An adjustment was made to the County Homes Special Revenue Fund to recognize \$40,995 in additional payables and expenditures for federal community development block grant funds passed through to subrecipients.

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

We recommend the County establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

**Highway** - *This deficiency is a bridge construction project with costs shared between Norman County and Cass County. This is the first time we have had this type of project. Between invoicing Cass County for construction project costs in December 2007 and payments received from them, the Cass County share for December 2007 did not come into Norman County until 2008. This then created the deficiency. We did our best to ensure that statements were reported correctly.*

**County Homes** - *We got grants to rehab all the Wimmer Cabins and agreed to pay the contractor from County funds. When the project was complete, Norman County would get the grant money. The money was spent in 2007, and hopefully we will receive the grant money in 2008 once the project is complete.*

ITEM ARISING THIS YEAR

07-1 Controls Within the Recorder's Office

The County Recorder's Office does not maintain a formal policies and procedures manual or have a formal monitoring process to ensure all collections and disbursements are properly handled resulting in the following problems:

- Direct deposits into the County Recorder's checking account are not receipted into the collection system or properly remitted to the County Auditor-Treasurer.
- Bank charges for the County Recorder's checking account are not submitted for reimbursement from the County Auditor-Treasurer and are not reflected as expenditures in the County's general ledger.
- At December 31, 2007, the County Recorder's checking account had an unreconciled balance of \$1,674.

*Schedule 10*  
*(Continued)*

- A new computer system was implemented in the County Recorder's Office in 2005. The amounts taken from each monthly report generated from the new system, used to post to accounts in the general ledger, were taken from the wrong line on the report, resulting in posting some fees to the wrong account.
- Fees for well certificates were submitted for each of the first two months of each quarter, and a total for the quarter was submitted on the third month, resulting in overstated revenue for well certificates. This was netted against recording and filing fees to make the cash deposits agree.
- The state share of well certificates and surcharges are posted as revenue and expenditures in the General Fund rather than posting them to the State Revenue Agency Fund, resulting in overstated revenues and expenditures in the General Fund.
- At the time of our cash count on May 19, 2008, the Recorder's petty cash fund was long by \$116. The Recorder uses the petty cash fund to cover bad checks, charges for sending notices through certified mail, and depositing NSF fees collected. These revenues and expenses are netted and not recorded in the general ledger.

We recommend formal policies and procedures, including monitoring procedures, be established to provide the guidance necessary to ensure all collections are receipted and properly posted to the general ledger and that expenses are paid directly or reimbursed by the County Auditor-Treasurer so they are also properly posted to the general ledger. We further recommend the County Recorder review the items noted above and make correcting adjustments.

Client's Response:

*Below are the corrected adjustments and procedures that are now in place, as per the audit recommendations.*

- (1) Any direct deposits now received are being receipted into the collection system (DocuDex) and remitted to the County Auditor-Treasurer monthly.*
- (2) The bank charges for check and deposit tickets have been submitted to the County Auditor-Treasurer and then added to the County Recorder's expenditure list. The process will be followed in the future.*

- (3) *The excess amount of \$1,674.00 will be turned over to the County Auditor-Treasurer. Staff will be given a directive as to where the state surcharge and the County-held surcharges should be placed.*
- (4) *As of March 2008, the amounts taken for the end of the month work are from the amount cash line, instead of the amount charged line!*
- (5) *As of March 2008, the well certificate surcharge will be sent to the Minnesota Department of Health on a monthly basis. Any adjustments will be corrected.*
- (6) *The petty cash fund (for NSF's) excess was deposited into the Recorder's General Fund on June 13, 2008. Any NSF service charge collected (after the certified return receipt fee is subtracted, etc.) will be deposited with the Recorder's General Fund on a monthly basis (when we receive an NSF service charge for payment). A procedural list will be completed for this collection process.*
- (7) *The County has contacted the Minnesota Department of Public Safety for the setup of the NSF Agreement, in reference to payments made for motor vehicle registrations. It should be in place sometime in July 2008.*
- (8) *A monthly procedural list will be completed for the County Recorder's office.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Computer Controls (06-3)**

Norman County has established controls over its computer operations to ensure the proper recording, processing, and summarizing of accounting data; however, we noted several areas in which general controls and application controls over the financial application and tax application could be improved to prevent unauthorized access.

**Resolution**

Norman County reviewed and made improvements to its general controls and application controls over the financial and tax applications.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Cash Balance Deficits

Eleven of the 36 individual ditch systems had cash deficits totaling \$8,657 at December 31, 2007, with the largest being \$3,680. Minn. Stat. § 385.31 permits payment of expenditures provided the fund has money for that purpose. 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 system with insufficient cash to pay expenditures against it. This statute requires the loan to be repaid with interest.

Allowing a ditch fund to maintain a cash deficit constitutes an interest-free loan and is not in compliance with Minnesota law.

We recommend the County eliminate the individual ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and repay the loan with interest, or by levying assessments pursuant to Minn. Stat. § 103E.735, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

Client's Response:

*We have been trying to get our ditch cash balance deficits eliminated by levying costs for future repairs in advance, and it is getting better.*

06-4 Collateral Assignments

Deposits in excess of the FDIC insurance coverage with Bank of the West are secured with pledged collateral; however, the County could not provide current documentation of a perfected security interest in the pledged collateral. The documentation on file for bank board approval of collateral pledged is outdated and could not be reconciled to the current collateral used to secure deposits in excess of FDIC insurance coverage. The County Auditor-Treasurer had obtained a new resolution, but that resolution does not approve the pledge of collateral to

Norman County. Under the new resolution, the bank is delegating the authority to give security to certain bank employees, it is not (as required by FIRREA) approving a particular assignment of assets.

In a Federal Appeals Court decision, the Court ruled that if a municipality fails to perfect its interest in pledged collateral under federal law, its right to such collateral in the event of default is not enforceable.

We recommend that the Norman County Auditor-Treasurer obtain current documentation to ensure a perfected security interest in the collateral pledged from its depositories.

**Client's Response:**

*We will try and get the perfected documentation in place to ensure a perfected security interest in collateral pledged from our depositories.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Depository Pledge Agreements (06-5)**

The depository pledge agreements with Bank of the West and Community Bank of the Red River provide the banks at least three business days to cure the default before the custodian can release the collateral pledged. Minn. Stat. § 118A.03, subd. 4, provides, upon default, any collateral pledged shall release on demand, free of exchange or any other charges.

**Resolution**

Bank of the West and Community Bank of the Red River provided updated pledge agreements that are in compliance with Minn. Stat. § 118A.03, subd. 4.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS RESOLVED

**Ditch Fund Balance Deficit (96-9)**

Ten of the 36 individual ditch funds had negative unreserved, undesignated fund balances totaling \$27,853 at December 31, 2006, with the largest individual ditch fund balance deficit being \$15,732.

**Resolution**

Although nine of the 36 individual ditch funds had negative unreserved, undesignated fund balances totaling \$8,242 at December 31, 2007, the County Board has levied sufficiently to recover the costs and, as the assessments become available to be recognized as revenue, the negative unreserved, undesignated fund balances will be eliminated.

**Travel Policy (06-6)**

Section 8 of the Norman County Personnel Policy provides for reimbursement for reasonable and necessary travel, meals, and lodging expenses incurred in the performance of authorized duties. The policy, however, does not address the necessary documentation to verify mileage, purpose and times of travel, or who authorizes and verifies claims for department heads.

**Resolution**

On January 17, 2008, the Board approved an amendment to Section 8 of the Norman County Personnel Policy which now addresses the necessary documentation to verify mileage, purpose, and times of travel and who authorizes and verifies claims for department heads. The amendment further provides that all claims for mileage commence and terminate at the Norman County Courthouse.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and

reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

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

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits 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 Norman County Board will need to address in order to comply with the statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Norman 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 Norman County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Norman County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;

**Schedule 10**  
***(Continued)***

- if an OPEB trust will be established, the Norman County Board will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Norman County Board will have to decide whether to hire an actuary.

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



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners  
Norman County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 21, 2008. 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 Norman 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 96-6, 04-1, 06-1, 06-2, and 07-1 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 Norman 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 item 06-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norman 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, except that we did not test for compliance in public indebtedness because Norman County has no long-term debt.

The results of our tests indicate that, for the items tested, Norman 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 06-4.

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 Norman County, and it is reported for that purpose.

Norman County's written responses to the significant deficiencies, material weakness, 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 Norman 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*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 21, 2008

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners  
Norman County

### Compliance

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

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

#### Internal Control Over Compliance

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

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

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 21, 2008. Our audit was performed for the purpose of forming opinions on Norman County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 21, 2008

This page was left blank intentionally.

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 11*

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>\$ 1,380</u>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.218	<u>\$ 77,152</u>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	<u>\$ 34,417</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 611,368
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	<u>5,124</u>
<b>Total U.S. Department of Transportation</b>		<u><b>\$ 616,492</b></u>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<u>\$ 611</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 595
Temporary Assistance for Needy Families (TANF)	93.558	53,757
Child Care Mandatory and Matching Funds	93.596	86,911
Child Welfare Services - State Grants	93.645	3,458
Foster Care Title IV-E	93.658	23,325
Social Services Block Grant Title XX	93.667	86,744
Chafee Foster Care Independence Program	93.674	3,300
Community Mental Health Services Block Grant	93.958	<u>3,326</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><b>\$ 261,416</b></u>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety Public Assistance Grants	97.036	\$ 162,265
Homeland Security Grant Program	97.067	<u>44,680</u>
<b>Total U.S. Department of Homeland Security</b>		<u><b>\$ 206,945</b></u>
<b>Total Federal Awards</b>		<u><b>\$ 1,198,413</b></u>

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 11**  
***(Continued)***

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

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Norman County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Under the modified accrual basis, expenditures may differ from revenues due to timing of reimbursements requested and received.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2007, \$77,152 of CFDA #14.218; \$5,124 of CFDA #20.219; and \$36,000 of CFDA #97.067 were passed through to subrecipients.