

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**NORMAN COUNTY
ADA, MINNESOTA**

For the Year Ended December 31, 2009



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

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**NORMAN COUNTY
ADA, MINNESOTA**

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**NORMAN COUNTY
ADA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2009**

		<u>Term Expires</u>
Elected		
Commissioners		
Board Member	Marvin Gunderson	District 1 January 2013
Board Member	Warren Olson	District 2 January 2011
Board Member	Steve Jacobson	District 3 January 2013
Vice Chair	Lee Ann Hall	District 4 January 2011
Chair	Steven Bommersbach	District 5 January 2013
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
Appointed		
Assessor	Greg Landa	December 2012
County Engineer	Milton Alm	May 2013
Coroner	Dr. M. B. McGee, M.D.	March 2011
Court Administrator	Loretta Wiebolt	Indefinite
Emergency Services	Kevin Ruud	May 2012
Veterans Service Officer	Theresa Anderson	August 2010
Welfare Board		
Chair	Steven Bommersbach	January 2013
Vice Chair	Lee Ann Hall	January 2011
Secretary	Carol Sorenson	May 2011
Member	Marian Cerkowniak	May 2010
Member	Warren Olson	January 2011
Member	Marvin Gunderson	January 2013
Member	Steve Jacobson	January 2013
Director	Chris Kujava	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. 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, 2009, 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.

As discussed in Note 4.C., Norman County has implemented Governmental Accounting Standards Board's Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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 June 11, 2010, 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NORMAN COUNTY
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(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, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with 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 \$54,671,558 at the close of 2009. Of this amount, \$6,016,346 (unrestricted net assets) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2009, Norman County's governmental funds reported combined ending fund balances of \$6,447,925, an increase of \$1,137,579 in comparison with the prior year. Of the total fund balance, \$5,310,458 is available for spending at the County's discretion and is noted as unreserved fund balance.

At the close of 2009, unreserved fund balance for the General Fund was \$3,729,138, or 95.5 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, and conservation of natural resources.

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. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities 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 and Gravel Reserve Tax 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 \$54,671,558 at the close of 2009. The largest portion of Norman County's net assets (87 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

	2009	2008
Current and other assets	\$ 7,741,719	\$ 8,286,640
Capital assets	47,713,846	46,785,824
Total Assets	\$ 55,455,565	\$ 55,072,464
Long-term liabilities outstanding	\$ 434,611	\$ 417,828
Other liabilities	349,396	1,759,063
Total Liabilities	\$ 784,007	\$ 2,176,891
Net Assets		
Invested in capital assets	\$ 47,713,846	\$ 46,785,824
Restricted	941,366	1,057,239
Unrestricted	6,016,346	5,052,510
Total Net Assets	\$ 54,671,558	\$ 52,895,573

The unrestricted net asset amount of \$6,016,346 as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net assets by \$1,775,985, or 3.4 percent, over the 2008 net assets. The key elements of the increase were an increase in investment in capital assets and an increase in unrestricted net assets in 2009.

Changes in Net Assets

	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 906,245	\$ 853,119
Operating grants and contributions	6,023,209	6,100,599
Capital grants and contributions	559,375	2,535,908
General revenues		
Property taxes	3,243,061	3,128,782
Gravel taxes	30,127	18,256
Grants and contributions not restricted to specific programs	1,212,501	1,108,593
Other	221,492	256,971
Total Revenues	\$ 12,196,010	\$ 14,002,228

	<u>2009</u>	<u>2008</u>
Expenses		
General government	\$ 1,784,309	\$ 1,931,355
Public safety	1,162,566	1,183,307
Highways and streets	3,907,677	4,253,183
Sanitation	357,263	320,901
Human services	2,188,805	2,518,220
Health	299,298	240,146
Culture and recreation	309,108	624,673
Conservation of natural resources	410,999	466,966
	<u>\$ 10,420,025</u>	<u>\$ 11,538,751</u>
Total Expenses		
Increase in Net Assets	\$ 1,775,985	\$ 2,463,477
Net Assets, January 1	<u>52,895,573</u>	<u>50,432,096</u>
Net Assets, December 31	<u>\$ 54,671,558</u>	<u>\$ 52,895,573</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 \$6,447,925, an increase of \$1,137,579 in comparison with the prior year. The majority of the increase consists of state aids we received this year (2009) for the highway and street construction that was paid for in 2008.

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 \$3,729,138, while total fund balance was \$4,156,116. 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 95.5 percent of total General Fund expenditures. In 2009, fund balance in the General Fund increased by \$194,766. The main reason for the increase was additional tax and special assessment revenues.

The Road and Bridge Special Revenue Fund's fund balance increased by \$999,163 in 2009. The main reason for this increase was state-aid allotments received this year were used for construction expenses last year.

The Human Services Special Revenue Fund's fund balance decreased by \$47,449 due to excess expenditures over revenues. Excess expenditures over revenues were budgeted to reduce the fund balance and provide additional levy revenue for other funds.

General Fund Budgetary Highlights

The Norman County Board of Commissioners did not make any budgetary amendments/revisions in 2009.

The actual revenues were higher than budgeted revenues by \$586,368, and actual expenditures were higher than budgeted expenditures by \$487,681. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for ambulance, Agassiz trail project, forfeited tax, and water planning which were not budgeted for in 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2009, was \$47,713,846 (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 two percent. The increases were attributed primarily to infrastructure.

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

	2009	2008
Land	\$ 788,977	\$ 790,336
Construction in progress	-	3,817,590
Infrastructure	44,030,299	39,311,887
Buildings	1,525,160	1,541,804
Furniture, equipment, and machinery	1,369,410	1,324,207
Total	\$ 47,713,846	\$ 46,785,824

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. Due to the cuts in the state-aid payments, the Norman County budget is not balanced for 2010.
- The County completed Phase II, which includes shingles on the roof in 2009. Phase III, which includes tuck pointing the courthouse, will be completed in 2010.
- A Presidential Declaration of a Major Disaster was declared in 2009 for the spring flooding. This has a definite impact on the 2009 financial statements of Norman County.
- 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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$ 5,843,835
Taxes receivable	
Current - net	51,415
Prior - net	32,506
Special assessments receivable	
Current - net	17,332
Prior - net	10,375
Noncurrent - net	35,635
Accounts receivable - net	53,687
Accrued interest receivable	5,145
Due from other governments	1,276,106
Inventories	415,683
Capital assets	
Non-depreciable	788,977
Depreciable - net of accumulated depreciation	46,924,869
	<hr/>
Total Assets	\$ 55,455,565

Liabilities

Accounts payable	\$ 158,815
Salaries payable	25,086
Contracts payable	124,673
Due to other governments	37,522
Customer deposits	3,300
Long-term liabilities	
Due within one year	124,322
Due in more than one year	310,289
	<hr/>
Total Liabilities	\$ 784,007

Net Assets

Invested in capital assets	\$ 47,713,846
Restricted for	
General government	222,976
Public safety	204,002
Highways and streets	514,388
Unrestricted	6,016,346
	<hr/>
Total Net Assets	\$ 54,671,558

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 2

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 1,784,309	\$ 183,745	\$ 102,300	\$ -
Public safety	1,162,566	65,001	140,738	-
Highways and streets	3,907,677	14,177	4,092,208	559,375
Sanitation	357,263	228,342	56,915	-
Human services	2,188,805	362,352	1,094,302	-
Health	299,298	785	216,480	-
Culture and recreation	309,108	-	277,030	-
Conservation of natural resources	410,999	51,843	43,236	-
Total Governmental Activities	<u>\$ 10,420,025</u>	<u>\$ 906,245</u>	<u>\$ 6,023,209</u>	<u>\$ 559,375</u>
 General Revenues				
Property taxes				\$ 3,243,061
Gravel taxes				30,127
Mortgage registry and deed taxes				2,479
Grants and contributions not restricted to specific programs				1,212,501
Payments in lieu of tax				26,320
Investment income				37,027
Miscellaneous				101,794
Rental income				53,872
Total general revenues				<u>\$ 4,707,181</u>
Change in net assets				\$ 1,775,985
Net Assets - Beginning				<u>52,895,573</u>
Net Assets - Ending				<u>\$ 54,671,558</u>

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 4,072,851	\$ 126,375	\$ 1,285,576	\$ 218,067	\$ 5,702,869
Petty cash and change funds	4,600	200	-	-	4,800
Undistributed cash in agency funds	86,264	18,957	12,655	18,290	136,166
Taxes receivable					
Current	33,685	10,429	6,953	348	51,415
Prior	20,363	7,105	4,795	243	32,506
Special assessments receivable					
Current	17,227	-	-	105	17,332
Prior	10,316	-	-	59	10,375
Noncurrent	-	-	-	35,635	35,635
Accounts receivable	8,038	10,991	3,774	30,884	53,687
Accrued interest receivable	5,145	-	-	-	5,145
Due from other funds	-	3,096	269	-	3,365
Due from other governments	28,693	1,080,488	166,925	-	1,276,106
Inventories	-	415,683	-	-	415,683
Total Assets	\$ 4,287,182	\$ 1,673,324	\$ 1,480,947	\$ 303,631	\$ 7,745,084

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 36,923	\$ 38,471	\$ 77,613	\$ 5,808	\$ 158,815
Salaries payable	13,703	8,163	3,220	-	25,086
Contracts payable	-	124,673	-	-	124,673
Due to other funds	269	-	-	3,096	3,365
Due to other governments	7,990	3,011	9,079	17,442	37,522
Customer deposits	-	-	-	3,300	3,300
Deferred revenue - unavailable	72,181	799,795	10,480	61,942	944,398
Total Liabilities	\$ 131,066	\$ 974,113	\$ 100,392	\$ 91,588	\$ 1,297,159
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 415,683	\$ -	\$ -	\$ 415,683
Real estate tax shortfall	21,160	-	-	-	21,160
Recorder's compliance fund	72,196	-	-	-	72,196
State-aid highway projects	-	132,294	-	-	132,294
Township road restoration	-	162,512	-	-	162,512
Security deposits	250	-	-	-	250
Law library	37,698	-	-	-	37,698
Sheriff's contingency	4,063	-	-	-	4,063
Recorder's equipment	72,230	-	-	-	72,230
Enhanced 911	199,939	-	-	-	199,939
Help America Vote Act	19,442	-	-	-	19,442
Unreserved					
Designated for K-9 unit	5,913	-	-	-	5,913
Undesignated	3,723,225	(11,278)	1,380,555	-	5,092,502
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	212,043	212,043
Total Fund Balances	\$ 4,156,116	\$ 699,211	\$ 1,380,555	\$ 212,043	\$ 6,447,925
Total Liabilities and Fund Balances	\$ 4,287,182	\$ 1,673,324	\$ 1,480,947	\$ 303,631	\$ 7,745,084

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)	\$ 6,447,925
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.	47,713,846
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	944,398
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	\$ (388,907)
Net OPEB liability	(45,704)
	<u>(434,611)</u>
Net Assets of Governmental Activities (Exhibit 1)	<u>\$ 54,671,558</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 5

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,148,241	\$ 672,672	\$ 431,450	\$ 26,008	\$ 3,278,371
Special assessments	210,787	-	-	57,289	268,076
Licenses and permits	4,232	-	-	400	4,632
Intergovernmental	1,352,334	5,021,370	1,310,767	65,248	7,749,719
Charges for services	237,875	23,407	258,223	231,942	751,447
Interest on investments	37,027	-	-	-	37,027
Miscellaneous	109,466	79,567	104,129	21,900	315,062
Total Revenues	\$ 4,099,962	\$ 5,797,016	\$ 2,104,569	\$ 402,787	\$ 12,404,334
Expenditures					
Current					
General government	\$ 1,742,961	\$ -	\$ -	\$ 1,590	\$ 1,744,551
Public safety	1,174,377	-	-	-	1,174,377
Highways and streets	-	4,532,293	-	-	4,532,293
Sanitation	-	-	-	355,803	355,803
Human services	10,464	-	2,152,018	11,827	2,174,309
Health	299,298	-	-	-	299,298
Culture and recreation	309,108	-	-	-	309,108
Conservation of natural resources	368,988	-	-	42,468	411,456
Intergovernmental					
Highways and streets	-	252,798	-	-	252,798
Total Expenditures	\$ 3,905,196	\$ 4,785,091	\$ 2,152,018	\$ 411,688	\$ 11,253,993
Excess of Revenues Over (Under)					
Expenditures	\$ 194,766	\$ 1,011,925	\$ (47,449)	\$ (8,901)	\$ 1,150,341
Fund Balance - January 1	3,961,350	(299,952)	1,428,004	220,944	5,310,346
Increase (decrease) in reserved for inventories	-	(12,762)	-	-	(12,762)
Fund Balance - December 31	\$ 4,156,116	\$ 699,211	\$ 1,380,555	\$ 212,043	\$ 6,447,925

**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, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,150,341

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	\$ 2,382,786	
Net book value of assets disposed of	(1,359)	
Current year depreciation	<u>(1,453,405)</u>	928,022

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

Deferred revenue - December 31	\$ 944,398	
Deferred revenue - January 1	<u>(1,217,231)</u>	(272,833)

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	\$ 28,921	
Change in inventories	(12,762)	
Net OPEB liability	<u>(45,704)</u>	<u>(29,545)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,775,985

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 7

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

	<u>Children's Collaborative Investment Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 56,988	\$ 170,347
Accrued interest receivable	45	-
	<hr/>	<hr/>
Total Assets	\$ 57,033	\$ 170,347
	<hr/>	<hr/>
<u>Liabilities</u>		
Due to other governments	\$ -	\$ 158,902
Funds held in trust	-	11,445
	<hr/>	<hr/>
Total Liabilities	\$ -	\$ 170,347
	<hr/>	<hr/>
<u>Net Assets</u>		
Net assets, held in trust for pooled participants	\$ 57,033	
	<hr/>	

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 8

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

	<u>Family Service Collaborative Investment Trust</u>
<u>Additions</u>	
Contributions from participants	\$ 191,963
Investment earnings	
Interest	<u>1,509</u>
Total Additions	\$ 193,472
<u>Deductions</u>	
Pool participant withdrawals	<u>136,439</u>
Change in Net Assets	\$ 57,033
Net Assets - Beginning of the Year	<u>-</u>
Net Assets - End of the Year	<u><u>\$ 57,033</u></u>

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**NORMAN COUNTY
ADA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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.D., 6.E., and 6.F., 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 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 types:

Children's Collaborative Investment Trust Fund accounts for the external pooled and non-pooled investments on behalf of the Children's Collaborative Serving Norman County Families.

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed, 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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$38,536.

2. External Investment Pools

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. 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.

4. 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.

5. 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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

6. 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.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

9. Fund Equity

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

10. Use of Estimates

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

**NORMAN COUNTY
ADA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

County Homes Special Revenue Fund

At December 31, 2009, the County Homes Special Revenue Fund had a fund balance deficit of \$3,162. The deficit fund balance is a result of the County not having enough renters to cover the costs incurred. As of March 31, 2010, all of the homes are occupied, and the fund balance is positive.

Ditch Special Revenue Fund

In the Ditch Special Revenue Fund, 6 of the 35 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, 2009:

Account balances	\$ 116,921
Account deficits	<u>(18,816)</u>
Total Fund Balances	<u>\$ 98,105</u>

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, 2009.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 3,905,196	\$ 3,417,515	\$ 487,681
Special Revenue Funds			
Road and Bridge	4,785,091	3,617,351	1,167,740
Solid Waste	355,803	354,705	1,098

**NORMAN COUNTY
ADA, MINNESOTA**

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	\$ 5,843,835
Fiduciary funds	
Cash and pooled investments	
Investment trust fund	56,988
Agency funds	<u>170,347</u>
 Total Cash and Investments	 <u>\$ 6,071,170</u>

a. Deposits

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

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, 2009, the County's deposits were not exposed to custodial credit risk.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (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, 2009, the County had no investments.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 83,921	\$ -
Special assessments	63,342	35,635
Accounts	53,687	-
Interest	5,145	-
Due from other governments	1,276,106	-
Total	\$ 1,482,201	\$ 35,635

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 790,336	\$ -	\$ 1,359	\$ 788,977
Construction in progress	3,817,590	-	3,817,590	-
Total capital assets not depreciated	\$ 4,607,926	\$ -	\$ 3,818,949	\$ 788,977
Capital assets depreciated				
Buildings	\$ 2,716,583	\$ 49,170	\$ -	\$ 2,765,753
Machinery, furniture, and equipment	3,964,857	361,653	-	4,326,510
Infrastructure	52,501,419	5,789,553	-	58,290,972
Total capital assets depreciated	\$ 59,182,859	\$ 6,200,376	\$ -	\$ 65,383,235
Less: accumulated depreciation for				
Buildings	\$ 1,174,779	\$ 65,814	\$ -	\$ 1,240,593
Machinery, furniture, and equipment	2,640,650	316,450	-	2,957,100
Infrastructure	13,189,532	1,071,141	-	14,260,673
Total accumulated depreciation	\$ 17,004,961	\$ 1,453,405	\$ -	\$ 18,458,366
Total capital assets depreciated, net	\$ 42,177,898	\$ 4,746,971	\$ -	\$ 46,924,869
Governmental Activities Capital Assets, Net	\$ 46,785,824	\$ 4,746,971	\$ 3,818,949	\$ 47,713,846

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

General government	\$	74,510
Public safety		52,131
Highways and streets, including depreciation of infrastructure assets		1,300,796
Human services		25,968
Total Depreciation Expense	\$	1,453,405

B. Interfund Receivables and Payables

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	Other governmental funds	\$ 3,096
Human Services Special Revenue Fund	General Fund	269
Total Due To/From Other Funds		\$ 3,365

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.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

Accounts	\$	158,815
Salaries		25,086
Contracts		124,673
Due to other governments		<u>37,522</u>
Total Payables	\$	<u><u>346,096</u></u>

2. Deferred Revenue

Deferred revenue as of December 31, 2009, for the County is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Funds		
Taxes	\$ 74,665	\$ -
Special assessments	85,574	-
State-aid highway allotments	493,671	-
Charges for services	2,834	-
Grants	225,332	-
Highway and streets	<u>62,322</u>	<u>-</u>
Total Governmental Funds	<u>\$ 944,398</u>	<u>\$ -</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2009. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities		
Roads and bridges	<u>\$ 10,108,210</u>	<u>\$ 152,106</u>

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB liability	\$ -	\$ 45,704	\$ -	\$ 45,704	\$ -
Compensated absences	417,828	288,264	317,185	388,907	124,322
Total Long-Term Liabilities	<u>\$ 417,828</u>	<u>\$ 333,968</u>	<u>\$ 317,185</u>	<u>\$ 434,611</u>	<u>\$ 124,322</u>

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.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent.

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

	2009
Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10

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

	2009	2008	2007
Public Employees Retirement Fund	\$ 167,751	\$ 159,824	\$ 148,283
Public Employees Police and Fire Fund	38,644	36,135	27,787

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans (Continued)

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

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 780	\$ 780
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.0 percent.

C. Other Postemployment Benefits (OPEB)

Beginning in 2009, Norman County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

This statement required the County to calculate and record a net OPEB obligation at December 31, 2009. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2009.

Plan Description

Norman County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Norman County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2009, there were 75 participants in the plan, including 4 retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	66,214
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	66,214
Contributions made		(20,510)
		(20,510)
Increase in net OPEB obligation	\$	45,704
Net OPEB Obligation - Beginning of Year		-
		-
Net OPEB Obligation - End of Year	\$	45,704
		45,704

The County's annual OPEB cost for December 31, 2009, was \$66,214. The percentage of annual OPEB cost contributed to the plan was 31 percent, and the net OPEB obligation for 2009 was \$45,704. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2009.

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial liability for benefits was \$508,463, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$508,463. The covered payroll (annual payroll of active employees covered by the plan) was \$2,750,246, and the ratio of the UAAL to the covered payroll was 18.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 29 years.

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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Risk Management (Continued)

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, 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.

B. 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.

C. 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)

D. 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 consisted of \$222,082 for compensated absences and \$5,065 for lease purchases at December 31, 2008 (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 2009 was \$354,414.

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

**NORMAN COUNTY
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Norman-Mahnomen Community Health Board (Continued)

agreement forming the Multi-County Nursing Service and started doing business as 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.

Norman-Mahnomen Public Health's long-term liabilities were \$23,514 at December 31, 2008 (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 2009 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 Authority

The Norman County-Ada-Twin Valley Joint 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

**NORMAN COUNTY
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

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 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 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 and the Cities of Ada and Twin Valley. Norman County's contribution for 2009 was \$4,030.

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

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

The purpose of the Northwest Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

**NORMAN COUNTY
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

E. 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.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Related Organizations (Continued)

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 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.

F. 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.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomon, 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.

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.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (Continued)

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. Norman County's contribution for 2009 was \$186.

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

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 Norman County Social Services, 15 Second Avenue East, Ada, Minnesota 56510.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

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, comprising 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 that created this 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.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

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, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 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 \$79,955 to the Agassiz Regional Library during 2009.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Norman County's responsibility does not extend beyond making this appointment.

REQUIRED SUPPLEMENTARY INFORMATION

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**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,324,503	\$ 2,324,503	\$ 2,148,241	\$ (176,262)
Special assessments	-	-	210,787	210,787
Licenses and permits	4,457	4,457	4,232	(225)
Intergovernmental	744,975	744,975	1,352,334	607,359
Charges for services	269,202	269,202	237,875	(31,327)
Investment earnings	120,500	120,500	37,027	(83,473)
Miscellaneous	49,957	49,957	109,466	59,509
Total Revenues	\$ 3,513,594	\$ 3,513,594	\$ 4,099,962	\$ 586,368
Expenditures				
Current				
General government				
Commissioners	\$ 186,380	\$ 186,380	\$ 170,592	\$ 15,788
Courts	12,000	12,000	26,454	(14,454)
Law library	1,688	1,688	855	833
County auditor/treasurer	265,662	265,662	252,071	13,591
County assessor	194,493	194,493	177,322	17,171
Elections	550	550	-	550
Accounting and auditing	60,000	60,000	61,575	(1,575)
Data processing	65,000	65,000	58,021	6,979
Attorney	141,876	141,876	134,398	7,478
Victim assistance	58,707	58,707	64,198	(5,491)
Recorder	250,695	250,695	226,152	24,543
Planning and zoning	27,125	27,125	25,064	2,061
County buildings	156,900	156,900	208,103	(51,203)
Buildings and plant	157,497	157,497	130,225	27,272
Telecommunications	3,000	3,000	2,884	116
Veterans service officer	70,038	70,038	71,385	(1,347)
Cemeteries	-	-	75	(75)
Unallocated - general government	110,800	110,800	133,587	(22,787)
Total general government	\$ 1,762,411	\$ 1,762,411	\$ 1,742,961	\$ 19,450

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 688,183	\$ 688,183	\$ 660,692	\$ 27,491
Emergency services	12,500	12,500	20,655	(8,155)
Hazardous materials training	16,225	16,225	4,943	11,282
Safety coordinator	22,109	22,109	17,857	4,252
E-911 system	53,500	53,500	70,841	(17,341)
Community corrections	354,098	354,098	354,414	(316)
Civil defense	35,594	35,594	41,082	(5,488)
Police and fire	200	200	342	(142)
Other public safety	1,500	1,500	3,551	(2,051)
Total public safety	\$ 1,183,909	\$ 1,183,909	\$ 1,174,377	\$ 9,532
Human services				
Senior citizen centers	\$ 9,464	\$ 9,464	\$ 9,464	\$ -
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	\$ 10,464	\$ 10,464	\$ 10,464	\$ -
Health				
Nursing service	\$ 90,632	\$ 90,632	\$ 96,308	\$ (5,676)
Ambulance	-	-	202,990	(202,990)
Total health	\$ 90,632	\$ 90,632	\$ 299,298	\$ (208,666)
Culture and recreation				
Historical society	\$ 7,650	\$ 7,650	\$ 7,650	\$ -
Agassiz trail project	-	-	192,039	(192,039)
Winter shows	800	800	800	-
County library	79,955	79,955	79,955	-
Celebrations	420	420	420	-
Snowmobile trails	-	-	28,244	(28,244)
Total culture and recreation	\$ 88,825	\$ 88,825	\$ 309,108	\$ (220,283)

**NORMAN COUNTY
ADA, MINNESOTA**

**Schedule 1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	\$ 108,759	\$ 108,759	\$ 107,115	\$ 1,644
Soil and water conservation	70,200	70,200	71,729	(1,529)
Agricultural society	17,150	17,150	17,150	-
Forfeited tax	-	-	62,791	(62,791)
Weed control	78,479	78,479	60,864	17,615
Predator control	6,186	6,186	1,711	4,475
Water planning	-	-	47,128	(47,128)
Other	500	500	500	-
Total conservation of natural resources	\$ 281,274	\$ 281,274	\$ 368,988	\$ (87,714)
Total Expenditures	\$ 3,417,515	\$ 3,417,515	\$ 3,905,196	\$ (487,681)
Excess of Revenues Over (Under) Expenditures	\$ 96,079	\$ 96,079	\$ 194,766	\$ 98,687
Fund Balance - January 1	3,961,350	3,961,350	3,961,350	-
Fund Balance - December 31	\$ 4,057,429	\$ 4,057,429	\$ 4,156,116	\$ 98,687

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 909,000	\$ 909,000	\$ 672,672	\$ (236,328)
Intergovernmental	2,180,000	2,180,000	5,021,370	2,841,370
Charges for services	5,000	5,000	23,407	18,407
Miscellaneous	50,000	50,000	79,567	29,567
Total Revenues	\$ 3,144,000	\$ 3,144,000	\$ 5,797,016	\$ 2,653,016
Expenditures				
Current				
Highways and streets				
Administration	\$ 370,205	\$ 370,205	\$ 341,134	\$ 29,071
Maintenance	1,674,656	1,674,656	1,702,532	(27,876)
Construction	938,135	938,135	1,973,237	(1,035,102)
Equipment and maintenance shop	634,355	634,355	515,390	118,965
Total highways and streets	\$ 3,617,351	\$ 3,617,351	\$ 4,532,293	\$ (914,942)
Intergovernmental				
Highways and streets	-	-	252,798	(252,798)
Total Expenditures	\$ 3,617,351	\$ 3,617,351	\$ 4,785,091	\$ (1,167,740)
Excess of Revenues Over (Under) Expenditures	\$ (473,351)	\$ (473,351)	\$ 1,011,925	\$ 1,485,276
Fund Balance - January 1	(299,952)	(299,952)	(299,952)	-
Increase (decrease) in reserved for inventories	-	-	(12,762)	(12,762)
Fund Balance - December 31	\$ (773,303)	\$ (773,303)	\$ 699,211	\$ 1,472,514

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 480,070	\$ 480,070	\$ 431,450	\$ (48,620)
Intergovernmental	1,272,362	1,272,362	1,310,767	38,405
Charges for services	230,650	230,650	258,223	27,573
Miscellaneous	61,500	61,500	104,129	42,629
Total Revenues	\$ 2,044,582	\$ 2,044,582	\$ 2,104,569	\$ 59,987
Expenditures				
Current				
Human services				
Income maintenance	\$ 666,351	\$ 666,351	\$ 667,204	\$ (853)
Social services	1,592,813	1,592,813	1,484,814	107,999
Total Expenditures	\$ 2,259,164	\$ 2,259,164	\$ 2,152,018	\$ 107,146
Excess of Revenues Over (Under) Expenditures	\$ (214,582)	\$ (214,582)	\$ (47,449)	\$ 167,133
Fund Balance - January 1	1,428,004	1,428,004	1,428,004	-
Fund Balance - December 31	\$ 1,213,422	\$ 1,213,422	\$ 1,380,555	\$ 167,133

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 508,463	\$ 508,463	0.0%	\$2,750,246	18.5%

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

**NORMAN COUNTY
ADA, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Gravel Reserve Tax Special Revenue Funds. 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, 2009.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,905,196	\$ 3,417,515	\$ 487,681
Road and Bridge Special Revenue Fund	4,785,091	3,617,351	1,167,740

**NORMAN COUNTY
ADA, MINNESOTA**

3. Other Postemployment Benefits Funding Status

Beginning in 2009, Norman County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one actuarial valuation is available. Future reports will provide additional trend analysis to meet the three-valuation funding status requirement as the information becomes available.

SUPPLEMENTARY INFORMATION

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**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, demolition landfill, and public education. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

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**NORMAN COUNTY
ADA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	County Homes	Ditch	Gravel Reserve Tax	Solid Waste	Total
<u>Assets</u>					
Cash and pooled investments	\$ 380	\$ 99,566	\$ 62,787	\$ 55,334	\$ 218,067
Undistributed cash in agency funds	-	1,635	-	16,655	18,290
Taxes receivable					
Current	-	-	-	348	348
Prior	-	-	-	243	243
Special assessments receivable					
Current	-	105	-	-	105
Prior	-	59	-	-	59
Noncurrent	-	35,635	-	-	35,635
Accounts receivable	-	-	1,627	29,257	30,884
Total Assets	\$ 380	\$ 137,000	\$ 64,414	\$ 101,837	\$ 303,631
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 193	\$ -	\$ -	\$ 5,615	\$ 5,808
Due to other funds	-	3,096	-	-	3,096
Due to other governments	49	-	-	17,393	17,442
Customer deposits	3,300	-	-	-	3,300
Deferred revenue - unavailable	-	35,799	-	26,143	61,942
Total Liabilities	\$ 3,542	\$ 38,895	\$ -	\$ 49,151	\$ 91,588
Fund Balances					
Unreserved					
Undesignated	(3,162)	98,105	64,414	52,686	212,043
Total Liabilities and Fund Balances	\$ 380	\$ 137,000	\$ 64,414	\$ 101,837	\$ 303,631

**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, 2009**

	<u>County Homes</u>	<u>Ditch</u>	<u>Gravel Reserve Tax</u>	<u>Solid Waste</u>	<u>Total</u>
Revenues					
Taxes	\$ -	\$ -	\$ 4,410	\$ 21,598	\$ 26,008
Special assessments	-	57,289	-	-	57,289
Licenses and permits	-	-	-	400	400
Intergovernmental	-	-	-	65,248	65,248
Charges for services	-	4,000	-	227,942	231,942
Miscellaneous	21,900	-	-	-	21,900
Total Revenues	\$ 21,900	\$ 61,289	\$ 4,410	\$ 315,188	\$ 402,787
Expenditures					
Current					
General government	\$ -	\$ 1,590	\$ -	\$ -	\$ 1,590
Sanitation	-	-	-	355,803	355,803
Human services	11,827	-	-	-	11,827
Conservation of natural resources	-	42,468	-	-	42,468
Total Expenditures	\$ 11,827	\$ 44,058	\$ -	\$ 355,803	\$ 411,688
Excess of Revenues Over (Under) Expenditures	\$ 10,073	\$ 17,231	\$ 4,410	\$ (40,615)	\$ (8,901)
Fund Balance - January 1	(13,235)	80,874	60,004	93,301	220,944
Fund Balance - December 31	\$ (3,162)	\$ 98,105	\$ 64,414	\$ 52,686	\$ 212,043

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 5

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 21,600	\$ 21,600	\$ 21,900	\$ 300
Expenditures				
Current				
Human services				
Low-income housing	16,500	16,500	11,827	4,673
Excess of Revenues Over (Under)				
Expenditures	\$ 5,100	\$ 5,100	\$ 10,073	\$ 4,973
Fund Balance - January 1	(13,235)	(13,235)	(13,235)	-
Fund Balance - December 31	<u>\$ (8,135)</u>	<u>\$ (8,135)</u>	<u>\$ (3,162)</u>	<u>\$ 4,973</u>

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 6

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 24,004	\$ 24,004	\$ 21,598	\$ (2,406)
Licenses and permits	400	400	400	-
Intergovernmental	60,996	60,996	65,248	4,252
Charges for services	222,000	222,000	227,942	5,942
Total Revenues	\$ 307,400	\$ 307,400	\$ 315,188	\$ 7,788
Expenditures				
Current				
Sanitation				
Recycling	\$ 64,666	\$ 64,666	\$ 81,411	\$ (16,745)
Landfill	22,000	22,000	22,000	-
Fosston incinerator	246,652	246,652	233,905	12,747
Household hazardous waste	21,387	21,387	18,487	2,900
Total Expenditures	\$ 354,705	\$ 354,705	\$ 355,803	\$ (1,098)
Excess of Revenues Over (Under)				
Expenditures	\$ (47,305)	\$ (47,305)	\$ (40,615)	\$ 6,690
Fund Balance - January 1	93,301	93,301	93,301	-
Fund Balance - December 31	\$ 45,996	\$ 45,996	\$ 52,686	\$ 6,690

**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.

Children's Collaborative (Serving Norman County Families) - to account for the collection and payment of state and federal grants and membership contributions for the Collaborative. This agency fund was closed in 2009.

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**NORMAN COUNTY
ADA, MINNESOTA**

Statement B-1

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 213,721	\$ 214,859	\$ (1,138)
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 213,721	\$ 214,859	\$ (1,138)
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 192,095	\$ 3,721,031	\$ 3,741,641	\$ 171,485
<u>Liabilities</u>				
Due to other governments	\$ 153,402	\$ 3,700,784	\$ 3,694,146	\$ 160,040
Funds held in trust	38,693	20,247	47,495	11,445
Total Liabilities	\$ 192,095	\$ 3,721,031	\$ 3,741,641	\$ 171,485
 <u>CHILDREN'S COLLABORATIVE (SERVING NORMAN COUNTY FAMILIES)</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 153,800	\$ -	\$ 153,800	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 2,009	\$ -	\$ 2,009	\$ -
Due to other governments	151,791	-	151,791	-
Total Liabilities	\$ 153,800	\$ -	\$ 153,800	\$ -

**NORMAN COUNTY
ADA, MINNESOTA**

**Statement B-1
(Continued)**

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 345,895	\$ 3,934,752	\$ 4,110,300	\$ 170,347
<u>Liabilities</u>				
Accounts payable	\$ 2,009	\$ -	\$ 2,009	\$ -
Due to other governments	305,193	3,914,505	4,060,796	158,902
Funds held in trust	38,693	20,247	47,495	11,445
Total Liabilities	\$ 345,895	\$ 3,934,752	\$ 4,110,300	\$ 170,347

OTHER SCHEDULES

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**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 7

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2009**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments			
Undesignated			
Interest-bearing checking (4)	0.05% to 1.13%	Continuous	\$ 2,545,210
Money market checking (1)	0.50%	Continuous	3,000,000
Certificates of deposit (1)	1.05%	June 30, 2010	<u>500,000</u>
Total undesignated			\$ 6,045,210
Designated for real estate tax shortfall			
Certificates of deposit (2)	1.45% to 1.50%	December 22, 2010	<u>21,160</u>
Total Deposits and Investments			<u>\$ 6,066,370</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2009**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Prior	Deferred
County Ditches					
5	\$ 4,631	\$ -	\$ -	\$ -	\$ -
6	456	1	-	-	301
7	10,435	82	11	-	2,662
8	944	5	-	-	280
9	1,462	185	-	-	3,622
14	1,044	-	-	-	303
17	1,134	-	-	5	320
22	(5,651)	148	-	-	10,582
23	2,901	19	-	-	-
24	644	-	-	-	979
25	5,765	-	-	-	-
26	88	-	-	-	-
28 & 3	410	-	-	-	-
29	124	34	5	-	1,121
29 Lat. 1	1,611	22	8	1	-
31	3,843	-	-	-	-
33	24,583	31	9	37	-
34	8,939	-	-	-	505
36	769	-	-	-	663
39	(908)	-	-	-	461
40	2,387	-	-	-	559
41	1,623	-	-	-	-
42	19,944	339	45	-	-
46	323	45	-	-	304
47	6,230	195	6	2	4,806
49	1,234	7	13	-	511
62	1,666	14	8	13	282
65	130	487	-	-	1,021
69	3,422	8	-	-	-
73	4,626	-	-	-	1,963
75	(5,824)	-	-	1	1,476
Borup State Ditch	80	-	-	-	-
Judicial Ditches					
54 South	6,617	-	-	-	-
55	(6,099)	13	-	-	2,914
57	(17)	-	-	-	-
Total	\$ 99,566	\$ 1,635	\$ 105	\$ 59	\$ 35,635

Schedule 8

<u>Total</u>	<u>Liabilities</u>			<u>Fund Balance Unreserved Undesignated</u>	<u>Total Liabilities and Fund Balance</u>
	<u>Due to Other Funds</u>	<u>Deferred Revenue</u>	<u>Total</u>		
\$ 4,631	\$ -	\$ -	\$ -	\$ 4,631	\$ 4,631
758	-	301	301	457	758
13,190	342	2,673	3,015	10,175	13,190
1,229	510	280	790	439	1,229
5,269	283	3,622	3,905	1,364	5,269
1,347	-	303	303	1,044	1,347
1,459	-	325	325	1,134	1,459
5,079	-	10,582	10,582	(5,503)	5,079
2,920	-	-	-	2,920	2,920
1,623	-	979	979	644	1,623
5,765	-	-	-	5,765	5,765
88	-	-	-	88	88
410	-	-	-	410	410
1,284	596	1,126	1,722	(438)	1,284
1,642	-	9	9	1,633	1,642
3,843	-	-	-	3,843	3,843
24,660	-	45	45	24,615	24,660
9,444	-	505	505	8,939	9,444
1,432	-	663	663	769	1,432
(447)	-	461	461	(908)	(447)
2,946	-	559	559	2,387	2,946
1,623	-	-	-	1,623	1,623
20,328	890	45	935	19,393	20,328
672	-	303	303	369	672
11,239	368	4,815	5,183	6,056	11,239
1,765	-	525	525	1,240	1,765
1,983	-	303	303	1,680	1,983
1,638	-	1,022	1,022	616	1,638
3,430	-	-	-	3,430	3,430
6,589	-	1,963	1,963	4,626	6,589
(4,347)	-	1,476	1,476	(5,823)	(4,347)
80	-	-	-	80	80
6,617	66	-	66	6,551	6,617
(3,172)	41	2,914	2,955	(6,127)	(3,172)
(17)	-	-	-	(17)	(17)
<u>\$ 137,000</u>	<u>\$ 3,096</u>	<u>\$ 35,799</u>	<u>\$ 38,895</u>	<u>\$ 98,105</u>	<u>\$ 137,000</u>

**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 9

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

Shared Revenue

State

Highway users tax	\$ 3,906,859
County program aid	834,120
PERA rate reimbursement	13,183
Disparity reduction aid	15,683
Police aid	30,943
Market value credit	348,796
Market value credit - mobile home	719
	<u>719</u>

Total Shared Revenue **\$ 5,150,303**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 242,612
	<u>242,612</u>

Payments

Local

Payments in lieu of taxes	\$ 26,320
	<u>26,320</u>

Grants

State

Minnesota Department/Board of	
Corrections	\$ 5,664
Public Safety	249,608
Transportation	9,907
Natural Resources	132,333
Human Services	378,924
Water and Soil Resources	73,105
Office of Environmental Assistance	55,475
Peace Officer Standards and Training Board	1,982
	<u>1,982</u>

Total State **\$ 906,998**

Federal

Department of	
Agriculture	\$ 45,025
Justice	34,982
Transportation	191,852
Health and Human Services	504,713
Homeland Security	646,914
	<u>646,914</u>

Total Federal **\$ 1,423,486**

Total State and Federal Grants **\$ 2,330,484**

Total Intergovernmental Revenue **\$ 7,749,719**

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**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 10

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of 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. A significant deficiency relating to the audit of the major federal award programs is 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." The significant deficiency is a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Norman County expresses a qualified opinion.
- F. A finding relative to a major federal award program for Norman County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|--|--------------|
| Highway Planning and Construction Cluster | |
| Highway Planning and Construction | CFDA #20.205 |
| Recreational Trails Program | CFDA #20.219 |
| Disaster Grants - Public Assistance
(Presidentially Declared Disasters) | CFDA #97.036 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Norman County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

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:

We keep working on this. Management is fully aware of this lack of segregation of duties.

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:

The County will consider training and hiring an outside consultant to assist in the preparation of the basic financial statements.

06-2 Audit Adjustments

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

During our audit, we proposed adjustments that resulted in significant changes to the County's financial statements. The County provides a modified accrual general ledger, GASB34 Audit List, and other supporting schedules necessary for preparing fund level and government-wide financial statements.

Adjustments were made to the Road and Bridge Special Revenue Fund to reflect revenues and expenditures in the amount of \$252,798 to recognize town road allotments that were passed through to the townships; to increase due from other governments in the amount of \$215,245 for additional receivables relating to disaster assistance, bridge bonding, and receivables from other counties for joint projects; to defer revenue by \$215,931 to reflect the receivables not collected within the revenue recognition period; and to reclassify some other material revenues to the proper revenue classification.

Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide financial statements.

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:

We will review our procedures to ensure accuracy.

PREVIOUSLY REPORTED ITEMS RESOLVED

Controls Within the Recorder's Office (07-1)

The County Recorder's Office did not have a formal monitoring process to ensure all collections and disbursements were properly handled, resulting in errors in remitting passport fees; an unreconciled balance in the Recorder's checking account; collections on receivables not correctly split, which resulted in the understating of the amounts collected for the technology fund, compliance fund, and state share; the state share of well certificates and surcharges were posted as revenues and expenditures in the General Fund rather than running through an agency fund; and, at the time of our cash count on April 7, 2009, the shared Drivers License/County Recorder petty cash balance was over by \$368.

Resolution

The County Recorder's Office now properly handles collections and disbursements and is reconciling its checking account. On March 31, 2010, the Drivers License/County Recorder petty cash balance was short by \$9.80, which is believed to be due to two mailing fees of \$4.90 each. The Recorder has agreed to follow up on that difference.

Documenting and Monitoring Internal Controls (08-1)

Norman County did not have formal procedures in place for documenting the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks, and the monitoring of its internal control structure on a regular basis.

Resolution

Norman County has established a committee that has met several times. Progress has been made by discussing some of the transaction cycles and updating documentation of controls currently in place. The intent of the committee is to brainstorm about potential risks and, based on those discussions and review of the policies and processes in place, make recommendations to the Board for any changes to improve or update controls as necessary.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL AND COMPLIANCE

ITEM ARISING THIS YEAR

09-1 Subrecipient Monitoring (CFDA #20.219)

Norman County, acting as the pass-through entity, was awarded a Recreational Trails Program grant. This grant was passed-through to the Agassiz Recreational Trail Board. Norman County was unable to provide any documentation that any monitoring procedures were being performed.

As a pass-through entity, the County is responsible for the following monitoring requirements:

- Award Identification - At the time of the award, identifying to the subrecipient the federal award information (CFDA title and number, award name, name of federal agency, and applicable compliance requirements).
- During-the-Award Monitoring - Monitoring the subrecipient's use of federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the other provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits - Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all findings. In cases of continued inability or unwillingness of a recipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- Pass-Through Entity Impact - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

We recommend the County implement internal control policies and procedures to ensure compliance requirements over subrecipients are met in accordance with OMB Circular A-133.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

Rick Munter

Action Planned:

We will get receipts, etc., to show the work has been done before transferring funds.

Anticipated Completion Date:

Immediately we will implement the action planned.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Cash Balance Deficits

Five of the 35 individual ditch systems had cash deficits totaling \$18,499 at December 31, 2009, with the largest being \$6,099. Provided the fund has money for that purpose, Minn. Stat. § 385.31 permits payment of expenditures. As allowed by Minn. Stat. § 103E.655, subd. 2, loans may 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 will continue to work on this problem. It has been getting better each year and hopefully in 2010 the problem will be solved.

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. As a result of prior findings, the County Auditor-Treasurer obtained a new board resolution, but that resolution does not approve the pledge of collateral to Norman County. Under the new resolution, the bank board merely delegates the authority to give security to certain bank employees; it does not (as required by FIRREA) approve an assignment of bank assets to Norman County.

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 of compliance with FIRREA from its depositories to ensure a perfected security interest in the collateral pledged.

Client's Response:

We have worked with this bank for a number of years and haven't solved the problem. We will have to consider moving our funds to other institutions.

PREVIOUSLY REPORTED ITEM RESOLVED

Cash Overdraft (08-2)

The County Homes Special Revenue Fund had a cash deficit of \$12,346 at December 31, 2008.

Resolution

The County Homes Special Revenue Fund had a positive cash balance at December 31, 2009.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

09-2 Ditch Fund Balance Deficits

Six of the 35 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2009, totaling \$18,816, the largest being \$6,127. Two of the ditch systems have sufficient current levies to cover the deficits, however, four of the ditch systems do not. As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

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

Client's Response:

We continue to work on this and as you know it has gotten better. Hopefully it will be eliminated in 2010.

PREVIOUSLY REPORTED ITEMS RESOLVED

Road and Bridge Special Revenue Fund Balance Deficit (08-3)

At December 31, 2008, the Road and Bridge Special Revenue Fund had a fund balance deficit of \$299,952.

Resolution

At December 31, 2009, the Road and Bridge Special Revenue Fund had a positive fund balance of \$699,211.

County Homes Fund Balance Deficit (08-4)

At December 31, 2008, the County Homes Special Revenue Fund had a fund balance deficit of \$13,235.

Resolution

Although the County Homes Special Revenue Fund still had a fund balance deficit of \$3,162 at December 31, 2009, with recent renovations, the occupancy rate has increased, resulting in increased revenue. The fund balance is expected to be positive sometime early in 2010. Management is monitoring the financial activities of the County Homes Special Revenue Fund.



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

Board of County Commissioners
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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6 and 06-1 to be significant deficiencies.

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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness and tax increment financing because Norman County has no long-term debt or tax increment financing.

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 a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

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

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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2010

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

Board of County Commissioners
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 each of its major federal programs for the year ended December 31, 2009. Norman County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in item 09-1 in the accompanying Schedule of Findings and Questioned Costs, Norman County did not comply with requirements regarding subrecipient monitoring applicable to its Recreational Trails Program. Compliance with such requirements is necessary, in our opinion, for Norman County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Norman County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-1 to be a material weakness.

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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 11, 2010. Our audit was performed for the purpose of forming opinions on Norman County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 11, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**NORMAN COUNTY
ADA, MINNESOTA**

Schedule 11

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for the SNAP	10.561	\$ 43,625
State Administrative Matching Grants for the SNAP - ARRA	10.561	1,400
Total U.S. Department of Agriculture		\$ 45,025
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	\$ 34,982
U.S. Department of Transportation		
Highway Planning and Construction Cluster		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 62,707
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	97,570
Passed Through Minnesota Department of Transportation Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2,980
Total U.S. Department of Transportation		\$ 163,257
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 3,084
Temporary Assistance for Needy Families	93.558	69,555
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	75,622
Child Support Enforcement - ARRA	93.563	11,700
Refugee and Entrant Assistance - State Administered Programs	93.566	115
Child Care and Development Cluster		
Child Care and Development Block Grant	93.575	828
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	5,876
Child Welfare Services - State Grants	93.645	5,355
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	59,524
Foster Care Title IV-E - ARRA	93.658	2,403
Social Services Block Grant	93.667	85,826
Chafee Foster Care Independence Program	93.674	4,700
Medical Assistance Program	93.778	162,742
Block Grants for Community Mental Health Services	93.958	811
Total U.S. Department of Health and Human Services		\$ 488,141

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**NORMAN COUNTY
ADA, MINNESOTA**

**Schedule 11
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 527,658
Emergency Management Performance Grant	97.042	20,181
Homeland Security Grant Program	97.067	2,963
Total U.S. Department of Homeland Security		\$ 550,802
Total Federal Awards		\$ 1,282,207

**NORMAN COUNTY
ADA, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,423,486
Grants expended in 2008, recognized as revenue in 2009	
Highway Planning and Construction	(28,595)
Medical Assistance Program	(16,672)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(96,112)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,282,107</u>

**NORMAN COUNTY
ADA, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Norman County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.219	Recreational Trails Program	<u>\$ 97,570</u>

6. American Recovery and Reinvestment Act

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