

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2007**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2007**

<b>INTRODUCTORY SECTION</b>	
<b>ORGANIZATION</b>	<b>1</b>
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&amp;A)</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET ASSETS</b>	<b>16</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>17</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>18</b>
<b>RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE                 GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES</b>	<b>19</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –                 GOVERNMENTAL FUNDS</b>	<b>20</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND                 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE                 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES</b>	<b>21</b>
<b>STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS</b>	<b>22</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>23</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A</b>	
<b>BUDGETARY COMPARISON SCHEDULE – GENERAL FUND</b>	<b>53</b>
<b>BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE FUND</b>	<b>56</b>
<b>BUDGETARY COMPARISON SCHEDULE – SOCIAL SERVICES FUND</b>	<b>57</b>
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>58</b>

MOWER COUNTY  
AUSTIN, MINNESOTA  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007

FINANCIAL SECTION (CONTINUED)

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	61
BUDGETARY COMPARISON SCHEDULE – DITCH FUND	62
BUDGETARY COMPARISON SCHEDULE – SEWER IMPROVEMENT FUND	63
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS	64
SCHEDULE OF INTERGOVERNMENTAL REVENUE	66

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND SINGLE AUDIT (A-133)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	67
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	69
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	71
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	77
REPORT ON MINNESOTA LEGAL COMPLIANCE	80

## INTRODUCTORY SECTION

**MOWER COUNTY  
AUSTIN, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2007**

<b>Elected</b>			<u>Term Expires</u>
<b>Commissioners</b>			
Chair	Dick Lang	District 4	January 2011
Vice Chair	Richard P. Cummings *	District 1	January 2009
Board Member	Raymond Tucker	District 2	January 2009
Board Member	David Hillier	District 3	January 2011
Board Member	Dave "Tolly" Tollefson	District 5	January 2011
County Attorney	Kristen Nelsen		January 2011
County Auditor-Treasurer	Doug Groh		January 2011
County Recorder	Susan Davis		January 2011
County Sheriff	Terese Amazi		January 2011
<b>Appointed</b>			
Assessor	Richard Peterson		December 2008
Coroner	Dr. David Strobel		December 2010
Coordinator	Craig Oscarson		Indefinite
Engineer	Michal Hanson		May 2011
Finance Director	Donna Welsh		Indefinite
Human Services Director	Bruce Henricks		Indefinite
Veterans Service Officer	Wayne Madson		Indefinite

\* 2008 Board Chair

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Mower County  
Austin, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County (County), Minnesota as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Mower County's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include the Mower County Housing and Redevelopment Authority's (HRA) activities as of and for the year ended September 30, 2007.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County, Minnesota, as of December 31, 2007, including the Mower County HRA as of September 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Mower County's internal control over financial reporting and 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 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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 15 and 53 through 58, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mower County's basic financial statements. The supplementary information listed in the table of contents and included on pages 60 to 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments*, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**LarsonAllen LLP**

Austin, Minnesota  
August 15, 2008

## REQUIRED SUPPLEMENTARY INFORMATION

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

This section of Mower County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2007. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2007 and the prior year, 2006 is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2006-2007 fiscal years include the following:

- ◆ County-wide net assets increased 4.8 percent over the prior year; this is primarily due to the investment of tax revenues and intergovernmental revenues into capital assets.
- ◆ Overall fund-level revenues totaled \$34,732,513 and were \$1,208,943 more than expenditures; this is primarily due increased tax revenues, charges for services and capital grants.
- ◆ The General Fund's fund balance increased \$489,213 from the prior year; this is due primarily to increased tax revenues, charges for services, and investment revenue.
- ◆ The Road and Bridge Fund's fund balance increased \$1,210,144 from the prior year, and is due primarily to increased tax and intergovernmental revenues.
- ◆ The Social Services' fund balance decreased \$500,694 primarily due to additional programs being implemented in 2007.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- ◆ The first two statements are county-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- ◆ The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the county-wide statements.
  - The governmental funds statements tell how basic services such as general government, social services, and highways and streets were financed in the short term as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

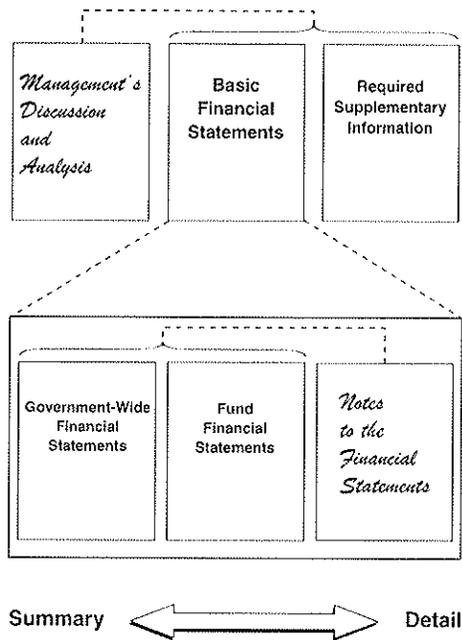
MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Annual Report Format**



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements</b>			
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	Statement of net assets.	Balance sheet.	Statement of fiduciary net assets.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of changes in fiduciary net assets.
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**COUNTY-WIDE STATEMENTS**

The county-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two county-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – are one way to measure the County's financial health or position.

- ◆ Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of county buildings and other facilities.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**COUNTY-WIDE STATEMENTS (CONTINUED)**

In the county-wide financial statements the County's activities are shown in one category:

- ◆ Governmental activities – The County's basic services are included here. Property taxes and state aids finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

**THE COUNTY HAS TWO KINDS OF FUNDS:**

- ◆ Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the county-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ◆ Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the county-wide financial statements because the County cannot use these assets to finance its operations.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**NET ASSETS**

The County's net assets were \$112,789,018 on December 31, 2007. (See Table A-1).

**Table A-1  
The County's Net Assets**

	Governmental Activities		Percentage Change
	2007	2006	
Current and Other Assets	\$ 37,110,544	\$ 35,077,088	5.8 %
Capital Assets	78,958,346	75,423,075	4.7
Total Assets	116,068,890	110,500,163	5.0
Long-Term Liabilities Outstanding	1,331,741	1,594,137	(16.5)
Other Liabilities	1,948,131	1,294,034	50.5
Total Liabilities	3,279,872	2,888,171	13.6
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	78,958,346	75,423,075	4.7
Restricted	559,210	2,449,764	(77.2)
Unrestricted	33,271,462	29,739,153	11.9
Total Net Assets	\$ 112,789,018	\$ 107,611,992	4.8

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET ASSETS**

The County-wide total revenues were \$35,079,940 for the year ended December 31, 2007. Property taxes and intergovernmental revenues accounted for 83.0% of total revenue for the year. (See Table A-2).

**Table A-2  
Change in Net Assets**

	Governmental Activities for the Fiscal Year Ended December 31,		Percentage Change
	2007	2006	
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 4,215,576	\$ 3,240,703	30.1 %
Operating Grants and Contributions	12,401,062	11,707,059	5.9
Capital Grants and Contributions	2,501,112	1,166,419	114.4
General Revenues			
Property Taxes	10,106,176	9,152,215	10.4
Other Taxes	44,721	47,273	(5.4)
Unrestricted Grants and Contributions	4,108,411	4,074,139	0.8
Unrestricted Investment Earnings	1,657,808	1,475,625	12.3
Gain on Sale of Capital Assets	22,374	11,689	91.4
Miscellaneous	22,700	27,592	(17.7)
Total Revenues	35,079,940	30,902,714	13.5
<b>EXPENSES</b>			
General Government	4,871,822	4,080,646	19.4
Public Safety	6,790,843	6,149,148	10.4
Highways and Streets	6,679,858	6,780,463	(1.5)
Sanitation	555,841	534,584	4.0
Human Services	8,120,932	7,327,883	10.8
Health	1,551,655	1,577,905	(1.7)
Culture and Recreation	691,546	530,541	30.3
Conservation of Natural Resources	606,994	952,051	(36.2)
Economic Development	31,800	31,800	-
Interest	1,623	-	100.0
Total Expenses	29,902,914	27,965,021	6.9
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>			
	5,177,026	2,937,693	76.2
Net Assets - Beginning of Year	107,611,992	104,674,299	2.8
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 112,789,018</b>	<b>\$ 107,611,992</b>	4.8

Total revenues surpassed expenses, increasing net assets \$5,177,026 over last year.

Mower County received significant additional revenues for operating and capital grants received from the State of Minnesota.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

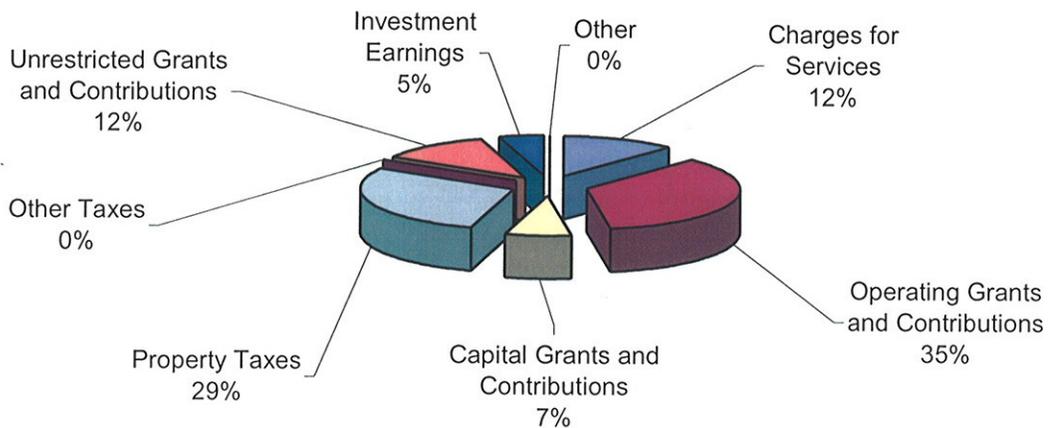
**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET ASSETS (CONTINUED)**

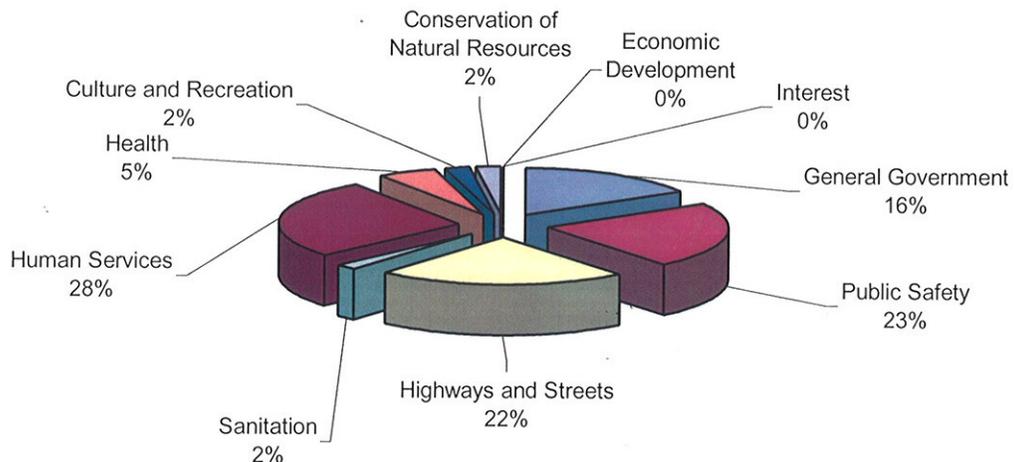
The County-wide cost of all governmental activities this year was \$29,902,914.

- ◆ Some of the cost was paid by the users of the County's programs (\$4,215,576).
- ◆ The federal and state governments subsidized certain programs with grants and contributions (\$14,902,174).
- ◆ Most of the County's remaining costs (\$10,785,164), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$10,106,176 in property taxes, \$4,108,411 of state aid, and with investment earnings and other general revenues.

**Figure A-3 Sources of County's Revenues for Fiscal 2007**



**Figure A-4 County's Expenses for Fiscal 2007**



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET ASSETS (CONTINUED)**

**Table A-3  
Total and Net Cost of Services**

	Total Cost of Services			Net Revenue (Cost) of Services		
	2007	2006	Change	2007	2006	Change
General Government	\$ 4,871,822	\$ 4,080,646	19.4 %	\$ (3,473,107)	\$ (2,795,103)	24.3 %
Public Safety	6,790,843	6,149,148	10.4	(4,008,449)	(4,621,788)	(13.3)
Highways and Streets	6,679,858	6,780,463	(1.5)	489,112	(1,272,334)	(138.4)
Sanitation	555,841	534,584	4.0	155,838	(220,889)	(170.6)
Human Services	8,120,932	7,327,883	10.8	(2,775,770)	(2,426,231)	14.4
Health	1,551,655	1,577,905	(1.7)	(8,947)	(45,777)	(80.5)
Culture and Recreation	691,546	530,541	30.3	(691,546)	(530,541)	30.3
Conservation of						
Natural Resources	606,994	952,051	(36.2)	(438,872)	(213,929)	105.1
Economic Development	31,800	31,800	-	(31,800)	275,752	(111.5)
Interest	1,623	-	100.0	(1,623)	-	100.0
<b>Total Expenses</b>	<b>\$ 29,902,914</b>	<b>\$ 27,965,021</b>	<b>6.9</b>	<b>\$ (10,785,164)</b>	<b>\$ (11,850,840)</b>	<b>(9.0)</b>

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL**

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$32,536,268.

Revenues for the County's governmental funds were \$34,732,513, while total expenditures were \$33,523,570.

**GENERAL FUND**

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues:

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	December 31, 2007	December 31, 2006	(Decrease)	Percent
Taxes	\$ 6,393,004	\$ 5,789,617	\$ 603,387	10.4 %
Special Assessments	383,025	411,798	(28,773)	(7.0)
Intergovernmental	5,071,734	5,519,676	(447,942)	(8.1)
Charges for Services	2,027,341	1,810,082	217,259	12.0
Interest on Investments	1,658,104	1,475,983	182,121	12.3
Miscellaneous and Other	1,211,282	832,572	378,710	45.5
Total General Fund Revenue	<u>\$ 16,744,490</u>	<u>\$ 15,839,728</u>	<u>\$ 904,762</u>	5.7

Total General Fund revenue increased by \$904,762, or 5.7%, from the previous year. This increase is due to additional taxes, charges for services, and interest on investments in 2007.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5  
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2007	December 31, 2006	Increase (Decrease)	Percent
General Government	\$ 4,785,927	\$ 4,860,001	\$ (74,074)	(1.5)%
Public Safety	6,242,415	6,082,927	159,488	2.6
Sanitation	541,425	535,456	5,969	1.1
Human Services	-	3,302	(3,302)	(100.0)
Health	1,544,991	1,568,557	(23,566)	(1.5)
Culture and Recreation	423,731	339,575	84,156	24.8
Conservation of Natural Resources	479,687	476,130	3,557	0.7
Economic Development	31,800	31,800	-	-
Capital Outlay	1,800,372	608,364	1,192,008	195.9
Total General Fund Revenue	<u>\$ 15,850,348</u>	<u>\$ 14,506,112</u>	<u>\$ 1,344,236</u>	9.3

The General Fund had total fund balance of \$22,851,528 at the end of the current fiscal year. The fund balance of the General Fund increased \$489,213 during the current fiscal year primarily due to increased interest on investments and tax revenues.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**OTHER MAJOR FUNDS ANALYSIS**

The Road and Bridge Fund had total fund balance of \$6,870,611 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$1,210,144 during the current fiscal year primarily due to increases in intergovernmental revenues and tax revenues.

The Social Services Fund had total fund balance of \$1,772,380 at the end of the current fiscal year. The fund balance of the Social Services Fund decreased \$500,694 during the current fiscal year primarily due to increases in a variety expenditures over the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- ◆ Actual revenues were \$919,004 more than expected resulting primarily from increased interest revenue, tax revenue, and charges for services.
- ◆ The actual expenditures were \$1,103,403 less than budget and relate to fewer expenditures for capital outlay, health and general government than what was expected.

The County made several adjustments to the budget during the year resulting in an increase in the revenue budget from original to final of \$243,533 and an increase in the expenditure budget from original to final of \$143,783. These changes in the budget are to account for several unexpected items that came to the Board's attention during 2007.

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

The Capital Projects Fund is currently being used to track the capital improvement projects approved by the board over the past years. The majority of the construction expenditures are for the construction of buildings needed to provide services that come with growth, particularly in the law enforcement and court functions.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**CAPITAL ASSETS**

By the end of 2007, the County had invested more than \$123,300,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6). (More detailed information about capital assets can be found in Note 3A to the financial statements.) Total depreciation expense for the year was \$2,673,589.

**Table A-6  
The County's Capital Assets**

	Governmental Activities		Percentage Change
	2007	2006	
Land and Right of Way	\$ 12,789,107	\$ 12,780,415	0.1 %
Construction in Progress	1,578,876	116,667	1253.3
Buildings	13,713,201	13,182,691	4.0
Improvements Other than Buildings	259,031	259,031	-
Machinery and Equipment	7,350,776	7,097,971	3.6
Software	126,747	126,747	-
Infrastructure	87,521,057	83,845,905	4.4
Accumulated Depreciation	(44,380,449)	(41,986,351)	5.7
Total	<u>\$ 78,958,346</u>	<u>\$ 75,423,076</u>	4.7

**LONG-TERM LIABILITIES**

At year-end, the County had \$1,404,495 in long-term liabilities (some of which is classified as due within one year) outstanding.

- ◆ The County's total debt increased \$13,504 due to increased compensated absences and issuance of additional loans payable.

**Table A-7  
The County's Long-term Liabilities**

	Governmental Activities		Percentage Change
	2007	2006	
Loans and Bonds Payable	\$ 448,881	\$ 448,712	0.0 %
Compensated Absences	955,614	942,279	1.4
Total	<u>\$ 1,404,495</u>	<u>\$ 1,390,991</u>	1.0

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**FACTORS BEARING ON THE COUNTY'S FUTURE AND 2008 BUDGET**

The County is dependent on the state of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again.

The County has set the 2008 expenditure budget at \$51,482,528, an increase of \$22,104,400 from the 2007 expenditure budget due to anticipated justice center building costs.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the county's finances and to demonstrate the county's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Oscarson, County Coordinator, or Donna Welsh, Finance Director at (507) 437-9493.

## **BASIC FINANCIAL STATEMENTS**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

ASSETS	Governmental Activities	Discretely Presented Component Unit
Cash and Pooled Investments	\$ 23,746,626	\$ 976,869
Petty Cash and Change Funds	3,130	-
Cash with Fiscal Agent	7,552	-
Tenant Deposit Cash	-	26,548
Taxes Receivable - Current	-	53,596
Taxes Receivable - Delinquent	206,630	-
Accounts Receivable	231,948	4,498
Accrued Interest Receivable	215,882	5,793
Due from Other Governments	3,591,087	-
Loans Receivable	7,751,661	-
Notes Receivable	372,300	-
Inventories	219,477	-
Prepaid Items	-	20,890
Special Assessments Receivable - Deferred	686,744	-
Special Assessments Receivable - Delinquent	49,158	-
Restricted Investments - Temporary	28,270	1,025,459
Restricted Accrued Interest Receivable - Temporary	79	-
Non-Depreciable Capital Assets		
Land	12,789,107	42,304
Construction in Progress	1,578,876	-
Depreciable Capital Assets		
Infrastructure (Net)	53,888,172	-
Buildings (Net)	7,669,774	1,660,870
Improvements Other Than Buildings (Net)	113,042	150,160
Machinery, Vehicles, Furniture, and Equipment (Net)	2,867,078	142,546
Software (Net)	52,297	-
<b>Total Assets</b>	<b>116,068,890</b>	<b>4,109,533</b>
<b>LIABILITIES</b>		
Accounts Payable	745,778	13,939
Salaries Payable	282,804	11,303
Contracts Payable	322,212	-
Retainage Payable	273,156	-
Due to Other Governments	251,427	12,493
Deferred Revenue	-	1,599
Compensated Absences Payable - Due Within One Year	61,354	7,000
Loans and Bonds Payable - Due Within One Year	11,400	26,758
Tenant Deposits Payable	-	25,526
Compensated Absences Payable - Due in More than One Year	894,260	10,784
Loans and Bonds Payable - Due in More than One Year	437,481	576,825
<b>Total Liabilities</b>	<b>3,279,872</b>	<b>686,227</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of Related Debt	78,958,346	1,392,297
Restricted for		
General Government	516,032	-
Public Safety	34,352	-
Conservation	8,826	-
HRA Housing	-	1,025,459
Unrestricted	33,271,462	1,005,550
<b>Total Net Assets</b>	<b>\$ 112,789,018</b>	<b>\$ 3,423,306</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007**

FUNCTION/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets	
					Governmental Activities	Discretely Presented Component Units
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	\$ 4,871,822	\$ 1,161,119	\$ 237,596	\$ -	\$ (3,473,107)	
Public Safety	6,260,333	905,337	1,346,547	-	(4,008,449)	
Highways and Streets	7,210,368	283,122	4,963,393	2,452,965	489,112	
Sanitation	555,841	663,593	-	48,086	155,838	
Human Services	8,120,932	330,182	5,014,980	-	(2,775,770)	
Health	1,551,655	749,911	792,797	-	(8,947)	
Culture and Recreation	691,546	-	-	-	(691,546)	
Conservation of Natural Resources	606,994	122,312	45,749	61	(438,872)	
Economic Development	31,800	-	-	-	(31,800)	
Interest	1,623	-	-	-	(1,623)	
<b>Total Governmental Activities</b>	<b>\$ 29,902,914</b>	<b>\$ 4,215,576</b>	<b>\$ 12,401,062</b>	<b>\$ 2,501,112</b>	<b>(10,785,164)</b>	
<b>Component Unit</b>						
Housing and Redevelopment Authority	\$ 989,950	\$ 786,863	\$ 48,554	\$ 43,735	\$ -	\$ (110,798)
<b>General Revenues</b>						
Property Taxes					10,106,176	90,045
Mortgage Registry and Deed Tax					26,896	-
Payments in Lieu of Tax					17,825	-
Grants and Contributions not Restricted to Specific Programs					4,108,411	9,871
Unrestricted Investment Earnings					1,657,808	68,911
Miscellaneous					22,700	-
Gain From Sale of Capital Assets					22,374	-
<b>Total General Revenues</b>					<b>15,962,190</b>	<b>168,827</b>
<b>CHANGE IN NET ASSETS</b>					<b>5,177,026</b>	<b>58,029</b>
Net Assets - Beginning of Year					107,611,992	3,365,277
<b>NET ASSETS - END OF YEAR</b>					<b>\$ 112,789,018</b>	<b>\$ 3,423,306</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 15,599,354	\$ 5,999,664	\$ 1,461,920	\$ 685,688	\$ 23,746,626
Petty Cash and Change Funds	2,630	-	500	-	3,130
Cash with Fiscal Agent	7,552	-	-	-	7,552
Taxes Receivable - Delinquent	127,995	38,581	40,054	-	206,630
Special Assessments Receivable					
Deferred	497,579	-	-	189,165	686,744
Delinquent	47,624	-	-	1,534	49,158
Accounts Receivable	102,992	2,029	126,927	-	231,948
Notes Receivable	372,300	-	-	-	372,300
Accrued Interest Receivable	215,882	-	-	-	215,882
Loans Receivable	7,279,667	-	-	471,994	7,751,661
Due from Other Governments	220,740	2,241,258	1,125,653	3,436	3,591,087
Inventories	-	219,477	-	-	219,477
Restricted Investments - Temporary	-	-	-	28,270	28,270
Restricted Accrued Interest Receivable	-	-	-	79	79
<b>Total Assets</b>	<b>\$ 24,474,315</b>	<b>\$ 8,501,009</b>	<b>\$ 2,755,054</b>	<b>\$ 1,380,166</b>	<b>\$ 37,110,544</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 298,519	\$ 73,707	\$ 373,552	\$ -	\$ 745,778
Salaries Payable	168,974	44,702	69,128	-	282,804
Contracts Payable	201,234	120,978	-	-	322,212
Retainage Payable	273,156	-	-	-	273,156
Due to Other Governments	40,015	138	63,556	147,718	251,427
Deferred Revenue - Unavailable	640,889	1,390,873	476,438	190,699	2,698,899
<b>Total Liabilities</b>	<b>1,622,787</b>	<b>1,630,398</b>	<b>982,674</b>	<b>338,417</b>	<b>4,574,276</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Law Library	44,568	-	-	-	44,568
Recorder Equipment	198,634	-	-	-	198,634
DARE	1,549	-	-	-	1,549
Canteen	21,277	-	-	-	21,277
Loans Receivable	7,651,967	-	-	471,993	8,123,960
Sheriff Forfeited Property	7,084	-	-	-	7,084
Attorney Forfeited Property	13,016	-	-	-	13,016
Veteran's Van	5,243	-	-	-	5,243
Sheriff's Donations	4,442	-	-	-	4,442
Natural Resources Block Grant	8,826	-	-	-	8,826
Land Records	254,571	-	-	-	254,571
Inventories	-	219,477	-	-	219,477
<b>Unreserved</b>					
Designated for Future Expenditures	4,702,729	2,160,000	138,500	-	7,001,229
Designated for Cash Flows	3,834,500	1,355,500	1,257,400	-	6,447,400
Designated for Compensated Absences	547,159	175,453	232,981	-	955,593
Designated for Medical Insurance	1,111,424	-	-	-	1,111,424
Designated in Nonmajor Special Revenue Funds	-	-	-	288,437	288,437
Undesignated	4,444,539	2,960,181	143,499	-	7,548,219
Unreserved, Undesignated Reported in Nonmajor Special Revenue Funds	-	-	-	281,319	281,319
<b>Total Fund Balances</b>	<b>22,851,528</b>	<b>6,870,611</b>	<b>1,772,380</b>	<b>1,041,749</b>	<b>32,536,268</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,474,315</b>	<b>\$ 8,501,009</b>	<b>\$ 2,755,054</b>	<b>\$ 1,380,166</b>	<b>\$ 37,110,544</b>

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

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>32,536,268</b>
---	-----------	-------------------

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		78,958,346
--	--	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,698,899
---	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Loans Payable	\$ (448,881)	
Compensated Absences	(955,614)	(1,404,495)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>112,789,018</u></b>
--	-----------	---------------------------

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 6,393,004	\$ 1,860,115	\$ 1,861,490	\$ -	\$ 10,114,609
Special Assessments	383,025	-	-	122,145	505,170
Licenses and Permits	86,042	21,810	-	-	107,852
Intergovernmental	5,071,734	7,650,721	5,389,873	3,436	18,115,764
Charges for Services	2,027,341	699,700	330,182	-	3,057,223
Fines and Forfeits	55,748	-	-	-	55,748
Gifts and Contributions	12,525	-	655	-	13,180
Interest on Investments	1,658,104	-	-	1,284	1,659,388
Miscellaneous	1,056,967	31,802	-	14,810	1,103,579
<b>Total Revenues</b>	<b>16,744,490</b>	<b>10,264,148</b>	<b>7,582,200</b>	<b>141,675</b>	<b>34,732,513</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	4,785,927	-	-	-	4,785,927
Public Safety	6,242,415	-	-	-	6,242,415
Highways and Streets	-	8,895,640	-	1,270	8,896,910
Sanitation	541,425	-	-	-	541,425
Human Services	-	-	8,112,894	-	8,112,894
Health	1,544,991	-	-	-	1,544,991
Culture and Recreation	423,731	-	-	-	423,731
Conservation	479,687	-	-	91,285	570,972
Economic Development	31,800	-	-	-	31,800
<b>Capital Outlay</b>					
General Government	20,282	-	-	-	20,282
Public Safety	1,578,876	-	-	-	1,578,876
Highways and Streets	-	-	-	530,510	530,510
Culture and Recreation	201,214	-	-	-	201,214
<b>Debt Service</b>					
Principal Retirement	-	-	-	40,000	40,000
Interest	-	-	-	1,623	1,623
<b>Total Expenditures</b>	<b>15,850,348</b>	<b>8,895,640</b>	<b>8,112,894</b>	<b>664,688</b>	<b>33,523,570</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>894,142</b>	<b>1,368,508</b>	<b>(530,694)</b>	<b>(523,013)</b>	<b>1,208,943</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	30,000	384,554	414,554
Transfers Out	(414,554)	-	-	-	(414,554)
Proceeds from Loan	-	-	-	40,169	40,169
Proceeds from Sale of Capital Assets	9,625	31,455	-	-	41,080
<b>Total Other Financing Sources (Uses)</b>	<b>(404,929)</b>	<b>31,455</b>	<b>30,000</b>	<b>424,723</b>	<b>81,249</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>489,213</b>	<b>1,399,963</b>	<b>(500,694)</b>	<b>(98,290)</b>	<b>1,290,192</b>
Fund Balance - Beginning of Year	22,362,315	5,660,467	2,273,074	1,140,039	31,435,895
<b>DECREASE IN RESERVED FOR INVENTORIES</b>	<b>-</b>	<b>(189,819)</b>	<b>-</b>	<b>-</b>	<b>(189,819)</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 22,851,528</b>	<b>\$ 6,870,611</b>	<b>\$ 1,772,380</b>	<b>\$ 1,041,749</b>	<b>\$ 32,536,268</b>

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

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 1,290,192**

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.

Expenditures for General Capital Assets, Infrastructure, and Other Related			
Capital Asset Adjustments	\$	6,227,566	
Net Book Value of Capital Assets Disposed		(18,706)	
Current Year Depreciation		<u>(2,673,589)</u>	3,535,271

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	554,886
--	---------

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:	(40,169)
---	----------

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

Principal Repayments		
Loans Payable		40,000

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	(13,335)	
Change in Inventories	<u>(189,819)</u>	<u>(203,154)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 5,177,026**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

	<u>Agency</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 665,338</u>
<b>LIABILITIES</b>	
Accounts Payable	83,902
Due to Other Governments	<u>581,436</u>
Total Liabilities	<u>\$ 665,338</u>

## NOTES TO THE FINANCIAL STATEMENTS

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Mower County was established February 20, 1855 and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Mower County (primary government) and its component units for which the County is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and had the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the primary government. Based on the criteria for determining component units, the County reports the Mower County Housing and Redevelopment Authority (HRA) as a discrete component unit. The HRA information is reported as of September 30, 2007. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Coordinator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Mower County is discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Mower County Housing and Redevelopment Auth. (HRA) provides services pursuant to Minn. Statute 469.001-.047.	The County appoints members, and the HRA is a financial burden.	Mower County HRA 59039 – 200 <sup>th</sup> Street Austin, MN 55912

Joint Ventures

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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, 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 fiduciary fund types:

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 agency capacity.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Mower County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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

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

Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

All receivables are shown net of an allowance for uncollectibles.

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

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 for land, \$25,000 for improvements other than buildings, buildings, and building improvements, as well as \$5,000 for all other capital assets, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government and the component unit is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvements other than Buildings	5-20
Buildings	20-125
Building Improvements	20-50
Public Domain Infrastructure	50-75
Machinery, Furniture, Equipment, and Vehicles	2-20
Software	2-5

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual leave, paid time off (PTO), 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.

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

8. Long-Term Obligations

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

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

9. Fund Equity

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget for the year ended December 31, 2007:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 8,112,894	\$ 7,936,807	\$ 176,087

The excess of expenditures over budget was generally funded by the use of existing fund balance.

B. Deficit Fund Balance

As of December 31, 2007, one special revenue fund, Heartland Express, had a deficit fund balance of \$147,226. The deficit will be funded through future operations and transfers.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

A. Assets

1. Deposits and Investments

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Authorized collateral includes treasury bills, notes, and bonds; issue 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk – Deposits

In the case of deposits, 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 policy for deposit custodial credit risk but rather follows *Minnesota Statutes* for deposits.

*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2007, the County's deposits in banks were entirely covered by federal deposit insurance or collateral held as described in the preceding paragraph.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

The funds of the County shall be deposited or invested in accordance with *Minnesota Statute* 118A, any other applicable laws, and the County investment policy. The objectives, in order of priority, will be to preserve principal, maintain liquidity, and earn the optimum rate of return.

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

- (a) 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;
- (b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) bankers' acceptances of United States banks;
- (e) 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
- (f) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In accordance with the County's investment policy, investments will be sufficiently diverse to avoid risk and enhance return.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2007, the County had the following investments:

Investment Type	Fair Value	Maturity		
		Less Than 2 Years	2-5 Years	5 + Years
Federal Home Loan Bank	\$ 7,371,181	\$ 2,544,084	\$ 4,476,003	\$ 351,095
Federal National Association	1,096,840	-	706,298	390,543
Federal Home Loan Mortgage	5,769,662	-	1,936,978	3,832,684
Fannie Mae	1,913,244	352,946	824,490	735,808
Freddie Mac	1,612,233	-	699,465	912,768
Farm Credit Note	1,696,948	294,041	599,907	803,000
Mutual Funds	246,058	246,058	-	-
MAGIC Fund	3,522,345	3,522,345	-	-
Negotiable Certificates of Deposit	195,945	195,945	-	-
<b>Total</b>	<b>\$ 23,424,457</b>	<b>\$ 7,155,419</b>	<b>\$ 9,243,140</b>	<b>\$ 7,025,898</b>

Credit Risk

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

Following is a summary of the credit risk and fair values as of December 31, 2007:

Investment Type	S & P Rating	Fair Value
Federal Home Loan Bank	AAA	\$ 7,371,181
Federal National Association	AAA	1,096,840
Federal Home Loan Mortgage	AAA	5,769,662
Fannie Mae	AAA	1,913,244
Freddie Mac	AAA	1,612,233
Farm Credit Note	AAA	1,696,948
Mutual Funds	N/A	246,058
Magic Fund	N/R	3,522,345
Negotiable Certificates of Deposits	N/R	195,945
<b>Total</b>		<b>\$ 23,424,457</b>

N/A - Not available

N/R - Not rated

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2007, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. Agency Securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

Investments in any one issuer that represent five percent or more of the County's investments are:

<u>Issuer</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 7,371,181	37 %
Federal National Association	1,096,841	6
Federal Home Loan Mortgage	5,769,662	30
Fannie Mae Step Up Note	1,913,244	10
Freddie Mac	1,612,233	8
Farm Credit Note	1,696,948	9
	<u>\$ 19,460,109</u>	

Balance Sheet Presentation

Total County cash and pooled investments at December 31, 2007 consisted of:

Deposits	\$ 329,721
Cash on Hand	3,130
Investments	<u>23,424,457</u>
	<u>\$ 23,757,308</u>

Deposits and investments are reported in the County's financial statements as follows:

Cash and Pooled Investments	\$ 23,746,626
Petty Cash and Change Funds	3,130
Cash with Fiscal Agent	<u>7,552</u>
	<u>\$ 23,757,308</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

2. Receivables

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

Governmental Activities		
Accounts Receivable	\$	970,743
Less: Allowance for Uncollectibles		
Nursing Department		(10,396)
Social Services Department		<u>(728,399)</u>
Total Governmental Activities, Net	\$	<u>231,948</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 2,511,818	\$ -	\$ -	\$ 2,511,818
Right of Way	10,268,597	8,692	-	10,277,289
Construction in Progress	116,667	1,744,176	281,967	1,578,876
Total Capital Assets, Not Depreciated	<u>12,897,082</u>	<u>1,752,868</u>	<u>281,967</u>	<u>14,367,983</u>
Capital Assets Being Depreciated				
Buildings	8,294,125	530,510	-	8,824,635
Buildings Improvements	4,888,566	-	-	4,888,566
Improvements Other Than Building	259,031	-	-	259,031
Machinery, Furniture, Equipment, and Vehicles	7,097,971	551,002	298,197	7,350,776
Software	126,747	-	-	126,747
Infrastructure	83,845,905	3,675,152	-	87,521,057
Total Capital Assets Being Depreciated	<u>104,512,345</u>	<u>4,756,664</u>	<u>298,197</u>	<u>108,970,812</u>
Less: Accumulated Depreciation for				
Buildings	3,275,260	171,372	-	3,446,632
Buildings Improvements	2,348,120	248,675	-	2,596,795
Improvements Other Than Building	133,035	12,954	-	145,989
Machinery, Furniture, Equipment, and Vehicles	4,074,211	688,978	279,491	4,483,698
Software	58,799	15,651	-	74,450
Infrastructure	32,096,926	1,535,959	-	33,632,885
Total Accumulated Depreciation	<u>41,986,351</u>	<u>2,673,589</u>	<u>279,491</u>	<u>44,380,449</u>
Total Capital Assets, Depreciated, Net	<u>62,525,994</u>	<u>2,083,075</u>	<u>18,706</u>	<u>64,590,363</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,423,076</u>	<u>\$ 3,835,943</u>	<u>\$ 300,673</u>	<u>\$ 78,958,346</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

3. Capital Assets (Continued)

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

**Governmental Activities**

General Government	\$	360,922
Public Safety		120,969
Highways and Streets, Including Infrastructure		2,047,268
Sanitation		23,042
Human Services		10,793
Health		2,694
Culture and Recreation		71,275
Conservation of Natural Resources		36,626
		<u>36,626</u>
Depreciation Expense - Governmental Activities	\$	<u>2,673,589</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to Social Services Fund from General Fund	\$	30,000	Capital Asset Costs
Transfers to Transit Fund from General Fund		<u>384,554</u>	Capital Asset Costs
Total Transfers from General Fund	\$	<u>414,554</u>	

As of December 31, 2007, there were no interfund receivables or payables.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities

1. Construction Commitments

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

	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 548,291	\$ 548,291
Public Safety	1,840,785	449,168
Total	<u>\$ 2,389,076</u>	<u>\$ 997,459</u>

2. Leases

Operating Leases

The County leases space for Social Services under a noncancelable operating lease. Total cost for the lease was \$139,954 for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 139,954
2009	127,654
2010	73,797
2011	73,797
2012	73,797
2013-2014	147,594
Total Operating Lease Payments	<u>\$ 636,593</u>

The County leased equipment for the Department of Correctional Services under a noncancelable operating lease ending in Year 2007. Total cost of such lease was \$12,563 for the year ended December 31, 2007.

3. Other Post-Employment Benefits

Retirees

The County provides post-employment health care benefits for retirees and their dependents. This benefit is provided based on County Board motion dated January 5, 1999. Mower County offers various levels of retiree health insurance coverage based upon the date of hire, retirement date, and years of service. The County has four basic groups as follows:

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

3. Other Post-Employment Benefits (Continued)

Retirees (Continued)

- (a) Employees who retired prior to July 18, 1989, who meet the eligibility requirements are eligible to be included as a member of the County's group medical insurance program until death. The County pays the full single (\$491.50 per month) or family (\$1,311.50 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2007, there were 11 participants for this plan at a cost of \$112,114.
- (b) Employees who retired after July 17, 1989, and prior to November 1, 1992, who met the eligibility requirements are eligible to receive single medical insurance coverage. For family coverage after October 31, 1993, the retiree will pay \$25.61 per month plus one-half of the premium increases limited to a maximum premium adjustment of \$15 per month per adjustment. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2007, there were eight participants for the plan at a cost of \$65,934.
- (c) Employees who retire after October 31, 1992, and were hired before that date, and meet other eligibility requirements, are qualified to receive the same health insurance benefits as current County employees. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2007, there were 60 participants for the plan at a cost of \$556,426.
- (d) Employees who were hired after October 31, 1992, and meet other eligibility requirements are qualified to receive employer contribution to health insurance capped at the dollar amount being paid at the date of retirement. The retiree is responsible for all premium increases. Benefits terminate when the retiree qualifies for full Social Security benefits. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2007, this plan had no participants.

Elected Officials

After their County Service, elected County officials are entitled to the same benefits listed above. They must meet the age and years of service qualifying conditions to be eligible for health insurance benefits.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

4. Long-Term Debt

Loans Payable

In 1996, the County started a program that resulted in entering into several loan agreements with the Minnesota Department of Agriculture and the Minnesota Department of Employment and Economic Development for financing failing septic systems. The revolving loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system.

<u>Type of State Loans</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate %</u>	<u>Amount Original</u>	<u>Balance 12/31/07</u>
1998 and 2001 Septic Loans	2020	\$5,000 - \$10,000	-	\$ 100,000	\$ 100,000
2002 Septic Loans	2016	\$2,500 - \$10,000	-	100,000	70,000
2004 Septic Loans	2024	\$2,500 - \$14,736	-	124,712	124,712
2005 Septic Loans	2025	\$2,500 - \$5,400	-	54,000	54,000
2006 Septic Loans	2026	\$2,500 - \$5,400	-	60,000	60,000
2007 Septic Loans	2027	\$2,500 - \$5,400	-	<u>40,169</u>	<u>40,169</u>
Total General Obligation Capital Notes				<u>\$ 478,881</u>	<u>\$ 448,881</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	State Loans	
	Principal	Interest
2008	\$ 11,400	\$ -
2009	9,990	-
2010	15,291	-
2011	15,604	-
2012	20,922	-
2013 - 2017	182,483	-
2018 - 2022	155,555	-
2023 - 2027	37,636	-
Totals	<u>\$ 448,881</u>	<u>\$ -</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 448,712	\$ 40,169	\$ 40,000	\$ 448,881	\$ 11,400
Compensated Absences	942,279	1,009,466	996,131	955,614	61,354
Long-Term Liabilities	<u>\$ 1,390,991</u>	<u>\$ 1,049,635</u>	<u>\$ 1,036,131</u>	<u>\$ 1,404,495</u>	<u>\$ 72,754</u>

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

A. Defined Benefit Plan

1. Plan Description

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. 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 remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3 percent for each year of service. For PECF members, the annuity accrual rate is 1.9 percent for each year of service. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options that will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

2. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.00%. PEPFF members were required to contribute 7.80% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. PECF members are required to contribute 5.83% of their annual covered salary. Mower County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, 11.7% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.50% and 12.9%, respectively, effective January 1, 2008.

B. Defined Contribution Plan

Commissioners of the County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

C. Plan Contributions

The County's contributions to the PERF, PEPFF, PECF, and PEDCP for the years ending December 31, 2007, 2006, and 2005 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2007	\$ 521,411	\$ 143,334	\$ 50,506	\$ 1,272
2006	507,011	122,127	48,859	1,177
2005	447,162	102,334	47,680	1,194

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

**NOTE 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is a member of the Southeast Service Cooperative to establish, procure, and administer group employee benefits. 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 5 RISK MANAGEMENT (CONTINUED)**

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

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. The 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.

The County has entered into a joint powers agreement with other Minnesota counties to form the Southeast Service Cooperative for group employee benefits. Group employee benefits include, but are not limited to, health benefits coverage, life insurance, disability income protection, dental insurance, flexible spending programs, and other services as directed by the joint powers board.

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

B. Joint Ventures

1. Family Services Collaborative

The Mower County Family Services Collaborative was established in 1996 under the authority of Minn. Stat. 33 471.59 and 124D.23. The Collaborative includes Mower County; the City of Austin; SEMCAC; Mower County Township Association; and Independent School District Nos. 492, 495, 497, 499, and 500. All of these entities appoint members to the Collaborative's governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a Board of Directors. Mower County appoints two members to this 14-member Board. The Mower County Department of Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the Minnesota Department of Education.

Currently, the Collaborative does not prepare complete financial statements; therefore, the Collaborative does not have audited financial statements. Financial information can be obtained by contacting Todd Lysne, Mower County Social Service Collections and Financial Supervisor, Social Services Department, 201 First Street N.E., Austin, Minnesota 55912.

2. Austin Mower County Area Transit (AMCAT)

AMCAT was established July 2004 under the authority of Minn. Stat. § 471.59. The City of Austin and Mower County joined to promote efficient and economic delivery of public transit services to residents in participating jurisdictions. The AMCAT Board consists of five members, two from members of the Austin City Council and two from members of the Mower County Board, and one resident of Mower County that has been mutually appointed by the City Council and the County Board and serves as chair of the AMCAT Board. The City of Austin acts as fiscal agent and lead agency for the purpose of payments from the Department of Transportation for financial assistance. AMCAT does not levy taxes or borrow money. The City of Austin and Mower County equally share the net cost of this program. This joint powers agreement stays in effect until notice from either party of its desire and intention to withdraw. Withdrawal does not take effect until the next calendar year has been completed. Financial statements are available at the office of the fiscal agent, City of Austin, Tom Dankert, Administrative Services, 500 - 4th Avenue N.E., Austin, Minnesota 55912.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

C. Jointly-Governed Organizations

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

1. Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Mower County paid \$160,212 to the Cooperative.

2. Southeast Minnesota Emergency Management Services (EMS)

The EMS provides various health services to several counties. During the year, the County paid \$0 to the EMS.

3. Southeast Minnesota Recyclers Exchange (SEMREX)

The County paid \$1,300 to SEMREX for recycling coordination services.

4. Southeastern Minnesota Community Action Council

During the year, the County paid \$0 to the Southeastern Minnesota Community Action Council.

5. Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, the County paid \$5,000 to the Task Force.

6. Southeastern Minnesota Private Industry Council

The Southeastern Minnesota Private Industry Council provides various job training services to member counties. During the year, the County paid \$220,089 to the Council.

7. Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides water quality services to several counties. The County paid \$3,300 to the Board during the year.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES**

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Housing and Redevelopment Authority (HRA) is governed by a five-member Board of Directors appointed by the County Board. The HRA has a fiscal year-end of September 30.

Because of the significance of its financial relationship, Mower County considers the HRA a discrete component unit.

2. Basis of Presentation

The HRA prepares separate financial statements. These statements were prepared in accordance with GASB Statement 34.

3. Cash, Cash Equivalents, Investments, and Restricted Investments

For the purposes of reporting cash flows, the HRA considers all cash on hand, checking, and money market savings accounts, excluding amounts restricted by mortgage agreements, to be cash equivalents. Investments consist of non-negotiable certificates of deposit. Restricted investments represent balances that are held in escrow by agencies to which the HRA owes a mortgage payable--the Minnesota Housing Finance Agency (MHFA). The investments in these accounts cannot be spent without regulatory agency approval.

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments

The HRA's total cash and investments are reported as follows:

Component Unit	
Cash and Pooled Investments	\$ 976,869
Restricted Assets	
Cash and Pooled Investments	1,052,007
Total Cash and Investments	<u>\$ 2,028,876</u>

In accordance with *Minnesota Statutes*, the HRA maintains deposits at depository banks authorized by the HRA Board.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the HRA's deposits may not be returned to it. The HRA's deposit policy for custodial credit risk follows *Minnesota Statutes* for deposits.

*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or corporate surety bonds.

The HRA's deposits in banks at September 30, 2007, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with *Minnesota Statutes*.

Investments

The HRA may also invest idle funds, as authorized by *Minnesota Statutes*, as follows:

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 that either receive the highest credit rating and one of the two highest ratings by a statistical rating agency, with all of the investments having a final maturity of no more than 13 months, or holds itself out to be a money market mutual fund and is rated in one of the two highest ratings by a statistical rating agency;
- (c) general obligations rated "A" or better; revenue obligations rated "AA" or better;
- (d) general obligations of the Minnesota Housing Finance Agency rated "A" or better;
- (e) bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;
- (f) commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- (g) guaranteed investment contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; and

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Investments (Continued)

(h) repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Restricted Investments

At September 30, 2007, the HRA had the following restricted investments:

	At Estimated Market Value
Held in Escrow at the MHFA	\$ 1,019,497

The MHFA requires the HRA to establish various escrow and reserve accounts. These investments are restricted and held in an escrow account by the MHFA in the HRA's name in accordance with debt agreements. These restricted investments are administered by the MHFA. Eligible investments of these funds, as stated in the escrow agreement, include instruments of the U.S. government and its agencies, the State of Minnesota and its agencies, certain financial institution demand or time deposits, and certain shares of investment companies. The balances are stated at their cost, which approximates fair value. The HRA does not have the authority to invest or to disburse funds from these accounts. Expenditures must be approved by the MHFA, who then withdraws the funds and mails the funds to the HRA. Interest income generated by these investments totaled \$43,976 and \$38,445 for the years ended September 30, 2007 and 2006, respectively.

Interest Rate Risk

The HRA has an informal investment policy that addresses permissible investment, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected cash flows. Within these parameters, it is the HRA's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk

The HRA does not have a policy that limits the amount of the total portfolio that may be invested with any one depository. In general, other than escrowed funds, all other excess funds are invested in deposits and are covered under the HRA's collateral requirements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Balance Sheet Presentation

Deposits	\$ 976,869
Tenant Deposit Cash	26,548
Restricted Investments - MHFA	1,025,459
Total	\$ 2,028,876
Deposits	\$ 1,009,379
Restricted Investments - Minnesota Housing Finance Agency	1,019,497
Total	\$ 2,028,876

Capital Assets

HRA capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 3,120	\$ -	\$ -	\$ 3,120
Transportation	18,021	-	-	18,021
Total Capital Assets Being Depreciated	21,141	-	-	21,141
Accumulated Depreciation for:				
Equipment	1,054	378	-	1,432
Transportation	18,021	-	-	18,021
Total Accumulated Depreciation	19,075	378	-	19,453
Total Capital Assets, Being Depreciated, Net	\$ 2,066	\$ (378)	\$ -	\$ 1,688

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital Asset, Not Being Depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated				
Land Improvements	305,869	22,799	-	328,668
Buildings	3,756,842	17,848	(2,782)	3,771,908
Furnishings	303,634	33,972		337,606
Maintenance Equipment	53,794	576	(788)	53,582
Total Capital Assets Being Depreciated	<u>4,420,139</u>	<u>75,195</u>	<u>(3,570)</u>	<u>4,491,764</u>
Accumulated Depreciation for:				
Land Improvements	162,009	16,499	-	178,508
Buildings	2,006,937	106,883	(2,782)	2,111,038
Furnishings	205,217	16,373	-	221,590
Maintenance Equipment	26,607	2,921	(788)	28,740
Total Accumulated Depreciation	<u>2,400,770</u>	<u>142,676</u>	<u>(3,570)</u>	<u>2,539,876</u>
Total Capital Assets, Being Depreciated, Net	<u>2,019,369</u>	<u>(67,481)</u>	<u>-</u>	<u>1,951,888</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,061,673</u>	<u>\$ (67,481)</u>	<u>\$ -</u>	<u>\$ 1,994,192</u>

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

Governmental Activities	
General Government	<u>\$ 378</u>
Business-Type Activities	
Housing	<u>\$ 142,676</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

2. Liabilities

Long-Term Debt

Long-term debt outstanding at September 30, 2007, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rate (%)	Original Amount	Remaining Commitment	Due Within One Year
Mortgage Payable	2020	6.50	\$ 857,870	\$ 530,168	\$ 26,592
Mortgage Payable	2024	8.75	123,000	73,415	2,003
			<u>\$ 980,870</u>	<u>\$ 603,583</u>	<u>\$ 28,595</u>

Debt Service Requirements

Mortgage debt service requirements to maturity for the HRA are as follows:

Year Ending September 30	Mortgage Payable	
	Principal	Interest
2008	\$ 28,595	\$ 40,018
2009	30,558	38,055
2010	32,657	35,956
2011	34,902	33,711
2012	37,302	31,311
2013-2017	228,765	114,300
2018-2022	196,707	30,838
2023-2024	14,097	1,190
Total	<u>\$ 603,583</u>	<u>\$ 325,379</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the HRA for the year ended September 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance
Mortgages Payable	\$ 630,323	\$ -	\$ 26,740	\$ 603,583
Compensated Absences	16,857	14,645	13,718	17,784
	<u>\$ 647,180</u>	<u>\$ 14,645</u>	<u>\$ 40,458</u>	<u>\$ 621,367</u>

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,567,401	\$ 5,800,262	\$ 6,393,004	\$ 592,742
Special Assessments	368,967	368,967	383,025	14,058
Licenses and Permits	77,720	77,720	86,042	8,322
Intergovernmental	5,603,023	5,603,023	5,071,734	(531,289)
Charges for Services	1,811,944	1,811,944	2,027,341	215,397
Fines and Forfeits	62,350	62,350	55,748	(6,602)
Gifts and Contributions	-	-	12,525	12,525
Investments Earnings	980,988	980,988	1,658,104	677,116
Miscellaneous	1,109,560	1,120,232	1,056,967	(63,265)
<b>Total Revenues</b>	<b>15,581,953</b>	<b>15,825,486</b>	<b>16,744,490</b>	<b>919,004</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	240,843	242,904	239,739	3,165
Courts	63,151	63,724	159,636	(95,912)
Law Library	63,936	64,439	52,213	12,226
County Administration	436,517	448,806	532,474	(83,668)
County Auditor-Treasurer	144,937	144,950	322,353	(177,403)
GIS	234,032	234,608	-	234,608
County Assessor	415,533	416,360	435,805	(19,445)
Elections	113,410	113,419	39,691	73,728
Auditing	45,000	48,000	80,677	(32,677)
Information Systems	554,181	565,126	466,883	98,243
Risk	86,122	97,391	96,511	880
Attorney	673,657	683,360	625,185	58,175
Recorder	217,356	222,700	209,972	12,728
Planning and Zoning	144,847	144,847	147,089	(2,242)
Buildings and Plant	632,925	633,187	533,760	99,427
Transit	38,237	38,237	14,000	24,237
Maintenance	-	-	2,876	(2,876)
Veterans Service	118,093	118,095	128,598	(10,503)
Other General Government	1,209,563	1,209,642	698,328	511,314
<b>Total General Government</b>	<b>5,432,340</b>	<b>5,489,795</b>	<b>4,785,927</b>	<b>703,868</b>

*The Notes to the Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>PUBLIC SAFETY</b>				
Sheriff	\$ 2,414,688	\$ 2,434,536	\$ 2,072,602	\$ 361,934
E911	31,635	31,635	6,064	25,571
Coroner	44,300	44,300	35,043	9,257
County Jail	1,428,651	1,433,603	1,592,183	(158,580)
County Jail Canteen	16,400	16,400	19,084	(2,684)
Law Enforcement Center	453,784	453,784	574,637	(120,853)
Community Corrections	755,991	765,326	818,907	(53,581)
Sentence to Serve	34,000	34,000	34,851	(851)
DARE Program	-	-	812	(812)
Civil/Bailiff	31,410	31,534	81,277	(49,743)
Other Public Safety	773,913	774,613	1,006,955	(232,342)
Total Public Safety	5,984,772	6,019,731	6,242,415	(222,684)
<b>SANITATION</b>				
Solid Waste	537,190	562,984	541,425	21,559
<b>HUMAN SERVICES</b>				
Income Maintenance	-	19,783	-	19,783
<b>HEALTH</b>				
Nursing Service	1,468,512	1,468,933	1,115,546	353,387
Maternal and Child Health	57,881	57,881	54,554	3,327
County Health Officer	1,355	1,355	1,409	(54)
Women, Infants and Children	200,777	200,777	202,753	(1,976)
Other	192,441	192,441	170,729	21,712
Total Health	1,920,966	1,921,387	1,544,991	376,396
<b>CULTURE AND RECREATION</b>				
Historical Society	31,024	31,024	32,000	(976)
Parks	-	-	24,387	(24,387)
Senior Citizens	43,000	43,000	43,000	-
Regional Library	239,861	239,861	241,005	(1,144)
Other	60,450	60,450	83,339	(22,889)
Total Culture and Recreation	374,335	374,335	423,731	(49,396)

*The Notes to the Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	\$ 137,103	\$ 137,474	\$ 147,766	\$ (10,292)
Soil and Water Conservation	137,537	142,537	148,951	(6,414)
Feedlot	68,265	68,265	67,483	782
Agricultural Inspection	-	-	17,235	(17,235)
County Fair	45,943	45,943	45,414	529
Water Planning	42,390	42,390	52,641	(10,251)
Environmental Services	-	-	70	(70)
Other	-	-	127	(127)
 Total Conservation of Natural Resources	 431,238	 436,609	 479,687	 (43,078)
<b>ECONOMIC DEVELOPMENT</b>				
Development Corporation	31,800	31,800	31,800	-
<b>CAPITAL OUTLAY</b>				
General Government	374,316	374,316	20,282	354,034
Public Safety	1,413,011	1,413,011	1,578,876	(165,865)
Culture and Recreation	310,000	310,000	201,214	108,786
 Total Capital Outlay	 2,097,327	 2,097,327	 1,800,372	 296,955
 Total Expenditures	 16,809,968	 16,953,751	 15,850,348	 1,103,403
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>				
	(1,228,015)	(1,128,265)	894,142	2,022,407
<b>OTHER FINANCING USES</b>				
Transfers Out	-	-	(414,554)	(414,554)
Proceeds from Sale of Assets	-	-	9,625	9,625
Total Other Financing Sources (Uses)	-	-	(404,929)	(404,929)
 <b>NET CHANGE IN FUND BALANCE</b>	 <b>\$ (1,228,015)</b>	 <b>\$ (1,128,265)</b>	 489,213	 <b>\$ 1,617,478</b>
Fund Balance - Beginning of Year			22,362,315	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 22,851,528</b>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,165,641	\$ 2,165,641	\$ 1,860,115	\$ (305,526)
Special Assessments	9,500	9,500	21,810	12,310
Intergovernmental	4,346,202	6,708,224	7,650,721	942,497
Charges for Services	237,500	237,500	699,700	462,200
Miscellaneous	6,500	6,500	31,802	25,302
<b>Total Revenues</b>	<b>6,765,343</b>	<b>9,127,365</b>	<b>10,264,148</b>	<b>1,136,783</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	451,968	451,968	467,266	(15,298)
Maintenance	2,641,514	2,641,514	2,459,686	181,828
Construction	2,785,943	5,147,965	5,111,545	36,420
Equipment Maintenance and Shop	717,741	717,741	708,192	9,549
Other	168,177	168,177	175	168,002
Unallocated Highways and Streets	-	-	148,776	(148,776)
<b>Total Expenditures</b>	<b>6,765,343</b>	<b>9,127,365</b>	<b>8,895,640</b>	<b>231,725</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>1,368,508</b>	<b>1,368,508</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Assets	-	-	31,455	31,455
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>31,455</b>	<b>31,455</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,399,963</b>	<b>\$ 1,399,963</b>
Fund Balance - Beginning of Year			5,660,467	
<b>DECREASE IN RESERVED FOR INVENTORY</b>			<b>(189,819)</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 6,870,611</b>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,173,641	\$ 2,173,641	\$ 1,861,490	\$ (312,151)
Intergovernmental	4,796,979	4,805,579	5,389,873	584,294
Charges for Services	240,343	240,343	330,182	89,839
Gifts and Contributions	-	-	655	655
<b>Total Revenues</b>	<b>7,210,963</b>	<b>7,219,563</b>	<b>7,582,200</b>	<b>361,982</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	2,664,544	2,685,544	2,494,833	190,711
Social Services	4,971,608	5,251,263	5,618,061	(366,798)
<b>Total Human Services</b>	<b>7,636,152</b>	<b>7,936,807</b>	<b>8,112,894</b>	<b>(176,087)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(425,189)</b>	<b>(717,244)</b>	<b>(530,694)</b>	<b>185,895</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	30,000	30,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (425,189)</b>	<b>\$ (717,244)</b>	<b>(500,694)</b>	<b>\$ 215,895</b>
Fund Balance - Beginning of Year			2,273,074	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 1,772,380</b>	

*The Notes to the Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2007**

**I. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Heartland Express Special Revenue Fund, which is not budgeted. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the Mower County Coordinator so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board or County Coordinator if under \$5,000. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made expense reductions to meet unbudgeted state-aid reductions.

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

**II. EXCESS OF EXPENDITURES OVER BUDGET**

The following funds had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 8,112,894	\$ 7,936,807	\$ 176,087

The excess of expenditures over budgets were generally funded by the use of existing fund balance.

## **SUPPLEMENTARY INFORMATION**

## NONMAJOR SPECIAL REVENUE FUNDS

The Ditch Special Revenue Fund is used to account for the financing of public improvements or services for the construction, reconstruction, and maintenance of both County and joint-County drainage systems. These services are financed by special assessments against the benefited properties.

The Heartland Express Fund accounts for the operation of the County's bus system through June 30, 2004. Effective July 1, 2004, the operation of the bus system was transferred to the City of Austin.

The Sewer Improvement Fund accounts for sewer system improvement loans made through the County.

## AGENCY FUNDS

The State Revenue Fund accounts for monies received by the County that will be remitted to the various state agencies.

The Family Services Collaborative Fund accounts for the operations of the Mower County Family Services Collaborative.

The Taxes and Penalties Fund accounts for the collection and distribution of property taxes (current and delinquent).

The Social Welfare Agency Fund is used to account for the receipts and disbursements of the social welfare account.

The Sheriff's Inmate Fund is used to account for the receipts and disbursements of the County's inmates.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	Special Revenue			Total Nonmajor Governmental Funds
	Ditch	Heartland Express	Sewer Improvement	
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 202,780	\$ -	\$ 482,908	\$ 685,688
Loans Receivable	-	-	471,994	471,994
Special Assessments Receivable - Noncurrent	189,165	-	-	189,165
Special Assessments Receivable - Delinquent	1,534	-	-	1,534
Due from Other Governments	3,436	-	-	3,436
Restricted Investments - Temporary	-	-	28,270	28,270
Restricted Accrued Interest Receivable	-	-	79	79
<b>Total Assets</b>	<b>\$ 396,915</b>	<b>\$ -</b>	<b>\$ 983,251</b>	<b>\$ 1,380,166</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Governments	\$ 492	\$ 147,226	\$ -	\$ 147,718
Deferred Revenue - Unavailable	190,699	-	-	190,699
<b>Total Liabilities</b>	<b>191,191</b>	<b>147,226</b>	<b>-</b>	<b>338,417</b>
<b>FUND BALANCES</b>				
Reserved				
Reserved for Loans Receivable	-	-	471,993	471,993
Unreserved				
Designated for Debt Services	-	-	288,437	288,437
Undesignated	205,724	(147,226)	222,821	281,319
<b>Total Fund Balances</b>	<b>205,724</b>	<b>(147,226)</b>	<b>983,251</b>	<b>1,041,749</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 396,915</b>	<b>\$ -</b>	<b>\$ 983,251</b>	<b>\$ 1,380,166</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	Special Revenue			Total Nonmajor Governmental Funds
	Ditch	Heartland Express	Sewer Improvements	
<b>REVENUES</b>				
Special Assessments	\$ 122,145	\$ -	\$ -	\$ 122,145
Intergovernmental	3,436	-	-	3,436
Investment Earnings	-	-	1,284	1,284
Miscellaneous	1,623	-	13,187	14,810
<b>Total Revenues</b>	<b>127,204</b>	<b>-</b>	<b>14,471</b>	<b>141,675</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
Highways and Streets	-	1,270	-	1,270
Conservation of Natural Resources	91,285	-	-	91,285
<b>CAPITAL OUTLAY</b>				
Highways and Streets	-	530,510	-	530,510
<b>DEBT SERVICE</b>				
Principal	-	-	40,000	40,000
Interest	1,623	-	-	1,623
<b>Total Expenditures</b>	<b>92,908</b>	<b>531,780</b>	<b>40,000</b>	<b>664,688</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>34,296</b>	<b>(531,780)</b>	<b>(25,529)</b>	<b>(523,013)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	384,554	-	384,554
Proceeds from Loan	-	-	40,169	40,169
<b>NET CHANGE IN FUND BALANCES</b>	<b>34,296</b>	<b>(147,226)</b>	<b>14,640</b>	<b>(98,290)</b>
Fund Balance - Beginning of Year	171,428	-	968,611	1,140,039
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 205,724</b>	<b>\$ (147,226)</b>	<b>\$ 983,251</b>	<b>\$ 1,041,749</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 96,000	\$ 96,000	\$ 122,145	\$ 26,145
Intergovernmental	-	-	3,436	3,436
Miscellaneous	-	-	1,623	1,623
Total Revenues	96,000	96,000	127,204	31,204
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	113,028	113,028	91,285	21,743
<b>DEBT SERVICE</b>				
Interest	-	-	1,623	(1,623)
Total Expenditures	113,028	113,028	92,908	20,120
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ (17,028)</u>	<u>\$ (17,028)</u>	34,296	<u>\$ 51,324</u>
Fund Balance - Beginning of Year			171,428	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 205,724</u>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SEWER IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 170,000	\$ 170,000	\$ -	\$ (170,000)
Interest	-	-	1,284	1,284
Charges for Services	10,000	10,000	13,187	3,187
Total Revenues	180,000	180,000	14,471	(165,529)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	180,000	180,000	-	180,000
<b>DEBT SERVICE</b>				
Principal	-	-	40,000	(40,000)
Total Sanitation	180,000	180,000	40,000	140,000
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(25,529)</b>	<b>(25,529)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loans issued	-	-	40,169	40,169
<b>CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>14,640</b>	<b>\$ 14,640</b>
Fund Balance - Beginning of Year			968,611	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 983,251</b>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE REVENUE</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 112,120	\$ 1,033,971	\$ 1,062,777	\$ 83,314
<b>LIABILITIES</b>				
Due to Other Governments	\$ 112,120	\$ 1,033,971	\$ 1,062,777	\$ 83,314
 <b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 302,212	\$ 201,653	\$ 330,623	\$ 173,242
<b>LIABILITIES</b>				
Due to Other Governments	\$ 302,212	\$ 201,653	\$ 330,623	\$ 173,242
 <b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 354,488	\$ 28,117,816	\$ 28,147,424	\$ 324,880
<b>LIABILITIES</b>				
Due to Other Governments	\$ 354,488	\$ 28,117,816	\$ 28,147,424	\$ 324,880
 <b><u>SOCIAL WELFARE FUND</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 100,008	\$ 1,064,117	\$ 1,080,223	\$ 83,902
<b>LIABILITIES</b>				
Accounts Payable	\$ 100,008	\$ 1,064,117	\$ 1,080,223	\$ 83,902

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SHERIFF'S INMATE FUND</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 9,781	\$ -	\$ 9,781	\$ -
<b>LIABILITIES</b>				
Accounts Payable	\$ 9,781	\$ -	\$ 9,781	\$ -
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 878,609	\$ 30,417,557	\$ 30,630,828	\$ 665,338
<b>LIABILITIES</b>				
Accounts Payable	\$ 109,789	\$ 1,064,117	\$ 1,090,004	\$ 83,902
Due to Other Governments	768,820	29,353,440	29,540,824	581,436
Total Liabilities	\$ 878,609	\$ 30,417,557	\$ 30,630,828	\$ 665,338

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2007**

	Governmental Funds
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 6,313,289
County Program Aid	2,325,499
PERA Rate Reimbursement	40,232
Disparity Reduction Aid	178,040
Police Aid	122,127
Enhanced 911	111,769
Market Value Credit	1,561,204
Total Shared Revenue	10,652,160
<b>REIMBURSEMENT FOR SERVICES</b>	
<b>STATE</b>	
Minnesota Department of Human Services	2,456,154
<b>PAYMENTS</b>	
<b>LOCAL</b>	
Payments in Lieu of Taxes	17,825
Other	3,436
Total Payments	21,261
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department/Board of	
Corrections	306,051
Health	246,840
Natural Resources	45,749
Human Services	1,862,301
Veterans Services	4,200
Pollution Control Agency	90,956
Total State	2,556,097
<b>FEDERAL</b>	
Department of	
Agriculture	201,930
Housing and Urban Development	402,357
Justice	121,852
Transportation	600,000
Environmental Protection Agency	7,000
Health and Human Services	835,667
Homeland Security	261,286
Total Federal	2,430,092
Total State and Federal Grants	4,986,189
Total Intergovernmental Revenue	\$ 18,115,764

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*  
AND SINGLE AUDIT (A-133)**

**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  
Mower County  
Austin, Minnesota

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise Mower County's basic financial statements and have issued our report thereon dated August 15, 2008. The financial statements of the Mower County HRA are as of and for the year ended September 30, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Mower County's internal control over financial reporting in order to determine 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 Mower County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mower County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06-1, 06-2, 06-5, and 07-1, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

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

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-1, 06-2, and 06-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mower County's written corrective action plan response to the findings identified in our audit is included in the Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Commissioners, others within the organization, 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.



**LarsonAllen LLP**

Austin, Minnesota  
August 15, 2008

## 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  
Mower County  
Austin, Minnesota

### Compliance

We have audited the compliance of Mower County, Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Mower County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), which expended \$487,921 in federal awards during the year ended September 30, 2007, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2007. Our audit, described below did not include the operations of the HRA because the component unit engaged for its own separate audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Nonprofit 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 the 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 of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likely that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency 07-2, described in the accompanying schedule of findings and questioned costs, to be a significant deficiency in internal control over compliance.

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

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

This report is intended solely for the information and use of management, County Board, others within the organization, 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.



LarsonAllen LLP

Austin, Minnesota  
August 15, 2008

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2007**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Mower County, Minnesota.
2. Deficiencies in internal control were disclosed during the audit of the basic financial statements for the 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*". Control deficiencies 06-1, 06-2, and 06-5 are considered to be material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. 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 with OMB Circular A-133". It is not a material weakness.
5. The auditors' report on compliance for the major federal award programs for Mower County expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program were:

Domestic Violence Against Women Grant	CFDA No. 16.527
Highway Planning and Construction	CFDA No. 20.205
Temporary Assistance for Needy Families	CFDA No. 93.558
Social Services Block Grant – Title XX	CFDA No. 93.667
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County was not determined to be a low-risk auditee.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING**

06-1 SEGREGATION OF DUTIES – VARIOUS DEPARTMENTS

**Criteria:** County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

**Condition:** Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for various County departments.

**Cause:** The County has a limited number of personnel within several County departments.

**Effect:** The design of the internal controls over financial reporting could affect the ability of the County to record, process, summarize and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the County's inability to prevent/detect misappropriation of County assets.

**Recommendation:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement some oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

06-2 AUDIT ADJUSTMENTS

**Criteria:** County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions, including account coding, depreciation, and reporting of accruals and net assets.

**Condition:** As part of the audit we proposed material audit adjustments for recording of accruals, reclassifications of revenues to the proper accounts, adjustment of deferred revenue, adjustment to various Road and Bridge Fund accounts, corrections of non-system adjustments, and suggested additional note disclosures.

**Cause:** The County has a limited number of personnel.

**Effect:** The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate modified accrual basis financial information for external financial reporting purposes.

**Recommendation:** We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)**

06-5 TIMELY DEPOSITS

**Criteria:** Internal control frameworks recommend that collections be deposited on a daily basis to improve internal controls over cash.

**Condition:** Collections in various departments and offices within the County are not deposited in a timely manner. These departments and offices make deposits anywhere from weekly to monthly.

**Cause:** Past practice.

**Effect:** The risk of fraud and theft of collections is increased due to the increased time elapsed between deposits.

**Recommendation:** We recommend deposits be made on a daily basis in order to minimize the risk of fraud and theft.

**PREVIOUSLY REPORTED ITEMS RESOLVED**

MEDICAL ASSISTANCE ESTATE RECOVERIES (06-3)

Only one person at the County was responsible for monitoring medical assistance estate recovery revenues.

RESOLUTION

The County has set up a system in which multiple individuals monitor these revenues.

SUPPORTING DOCUMENTATION FOR DISBURSEMENTS (06-4)

Disbursements were noted during our testing which were not properly reviewed and authorized.

RESOLUTION

No such issues noted during the current audit.

**SIGNIFICANT DEFICIENCIES – FINANCIAL REPORTING**

07-1 CAPITAL ASSET CHANGES

**Criteria:** County management is responsible for establishing and maintaining internal controls for the proper authorization of all the County's accounting transactions, including changes to capital assets.

**Condition:** The County's individual departments review capital asset listings annually and suggest any changes or updates. In addition, changes made by the finance department are to be reviewed by another department head. However, the County does not have a policy which requires documentation of either of these reviews.

**Cause:** Past practice.

**Effect:** The controls over financial reporting and the authorization for changes to capital asset listings can be improved.

**Recommendation:** We recommend the County develop a policy requiring signed acknowledgement of receipt and review of capital asset listings and fixed asset changes initiated by the finance department.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007**

**CONTROL DEFICIENCIES**

06-6 BUSINESS CONTINUITY PLAN

**Criteria:** Standard internal control procedures recommend that organizations implement and update business continuity plans on a regular basis.

**Condition:** The County does not have a business continuity plan.

**Cause:** Unknown.

**Effect:** In case of a disaster, the County could be at an increased risk of losing critical financial data.

**Recommendation:** We recommend the County develop and implement a business continuity plan that addresses disaster recovery procedures.

06-7 POLICIES AND PROCEDURES

**Criteria:** General internal control suggests that entities develop, implement and monitor formal policies and procedures. These policies and procedures should be updated periodically to reflect current management intentions and circumstances.

**Condition:** The County does not have formal policies and procedures for journal entry procedures and various financial reporting policies are outdated.

**Cause:** Not known.

**Effect:** The controls over financial reporting and the journal entry processes are not as strong as they could be.

**Recommendation:** We recommend the County develop formal, written policies and procedures regarding journal entries and updated existing policies and procedures when circumstances dictate revising existing policies.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007**

**MAJOR PROGRAM SIGNIFICANT DEFICIENCY:**

**07-2 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (CFDA #93.558) and SOCIAL SERVICES BLOCK GRANT (TITLE XX) (CFDA #93.667)**

**Criteria:** Standard internal control procedures recommend that reports be reviewed by supervisory personnel prior to their submission.

**Condition:** During our testing of controls, we noted that grant reports for these two programs were submitted without review.

**Cause:** Past practice.

**Effect:** Reports could be submitted that contained unidentified errors.

**Recommendation:** We recommend that supervisors review and approve all grant reports prior to submission.

**CORRECTIVE ACTION PLAN:**

Contact Person: Bruce Hendricks, Human Services Director

Corrective Action Planned: The Human Services department will implement new procedures to ensure all grant reports receive supervisor approval prior to submission.

Anticipated Completion Date: December 31, 2008

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

**07-3 PUBLICATION OF LIST OF CLAIMS**

**Criteria:** Per *Minnesota Statute* § 375.12, the County is to publish with 30 days of each meeting the proceedings of its sessions in a qualified newspaper, including all claims exceeding \$300 and the total number of claims that did not exceed \$300 and their total dollar amount.

**Condition:** The County publishes the session minutes, but only publishes the information regarding claims annually, along with the publishing of the annual financial statement.

**Cause:** Past practice.

**Effect:** The County is not in compliance with state statute.

**Recommendation:** We recommend the County begin publishing claims in accordance with the statute.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

07-4 OUT OF STATE TRAVEL POLICY

**Criteria:** Per *Minnesota Statute* § 471.661, the County is to develop a policy that controls out-of-state travel for applicable elected officials.

**Condition:** The County has not developed an out-of-state travel policy. Per Board resolution, all out-of-state travel requests are directed to the Personnel Committee for recommendation regarding approval. Recommendation then goes back to the Board for approval.

**Cause:** Past practice.

**Effect:** The County is not in compliance with state statute and may not consistently apply out-of-state travel requirements.

**Recommendation:** We recommend the County develop a policy that addresses the relevant requirements of the statute.

07-5 UNCLAIMED PROPERTY TAX OVERPAYMENT

**Criteria:** Per *Minnesota Statute* § 276.19, the County is to publish various notices after certain time periods when there is an overpayment of property taxes.

**Condition:** The County does not publish the required information.

**Cause:** Past practice.

**Effect:** The County is not in compliance with state statute and may incur additional liability relative to holding the overpayments without publishing the proper notifications.

**Recommendation:** We recommend the County begin publishing the required information in accordance with the statute.

07-6 BID FILES

**Criteria:** Per *Minnesota Statute* § 471.345 contracts over \$50,000 should be let on sealed bids solicited by public notice in official newspaper.

**Condition:** Selected bid files tested did not have support for the public notice published in the official newspaper. The supporting documentation had not been retained by the County.

**Cause:** Unknown.

**Effect:** The County is not in compliance with state statute.

**Recommendation:** We recommend the County begin retaining the required information in accordance with the statute.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Direct		
Direct and Counter-Cyclical Payments Program	10.055	\$ 352
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	194,442
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	7,136
<b>Total U.S. Department of Agriculture</b>		<b>201,930</b>
<b>U.S. Department of Housing &amp; Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Small Cities Grant	14.228	402,357
<b>U.S. Department of Justice</b>		
Direct		
Domestic Violence Against Women Program	16.527	109,455
Passed Through Minnesota Department of Public Safety Title V Delinquency Prevention Program	16.523	12,397
<b>Total U.S. Department of Justice</b>		<b>121,852</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	600,000
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health Nonpoint Grant	66.460	7,000

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 68,018
Maternal and Child Health Services Block Grant	93.994	43,790
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	338,939
Child Care Development Block Grant	93.575	14,706
Child Care Resource and Referral Program	93.596	17,391
Child Welfare Services - State Grants	93.645	19,835
Foster Care Title IV-E	93.658	57,192
Social Services Block Grant Title XX	93.667	261,428
Chafee Foster Care Independent Living	93.674	10,649
State Children's Insurance Program	93.767	553
Community Mental Health Block Grant	93.958	3,166
<b>Total U.S. Department of Health and Human Services</b>		<b>835,667</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 30,000
Emergency Shelter Grant	97.024	1,500
Hazard Mitigation Grant	97.039	215,441
Emergency Management Performance Grant	97.042	14,345
<b>Total U.S. Department of Homeland Security</b>		<b>261,286</b>
<b>Total Federal Awards</b>		<b>\$ 2,430,092</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Mower County, except for those expended by its discretely presented component unit the Mower County Housing and Redevelopment Authority (HRA). The HRA had a separate audit. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the the County. Governmental funds use the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2007, the County did not pass any federal grants through to subrecipients.

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Mower County  
Austin, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County, Minnesota, as of and for the year ended December 31, 2007, and have issued our report thereon dated August 15, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Audit Guide for Local Government*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 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 *Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing districts, and county and city miscellaneous provisions. Our study included all of the listed categories, except tax increment financing districts, because the County does not have any tax increment financing districts.

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions, except as detailed in the Schedule of Findings and Questioned Costs as items 07-3 through 07-6.

This report is intended solely for the information and use of management, County Board, and the Office of the State Auditor of Minnesota and is not intended to be and should not be used by anyone other than those specified parties.



**LarsonAllen LLP**

Austin, Minnesota  
August 15, 2008