

**MOWER COUNTY
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2008

**MOWER COUNTY
AUSTIN, MINNESOTA
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AUSTIN, MINNESOTA
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INTRODUCTORY SECTION

**MOWER COUNTY
AUSTIN, MINNESOTA
ORGANIZATION
DECEMBER 31, 2008**

Elected			<u>Term Expires</u>
Commissioners			
Chair	Richard P. Cummings	District 1	January 2009
Vice-Chair	Dave "Tolly" Tollefson *	District 5	January 2011
Board Member	Raymond Tucker	District 2	January 2009
Board Member	David Hillier	District 3	January 2011
Board Member	Dick Lang	District 4	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
Appointed			
Assessor	Richard Peterson		December 2012
Coroner	Dr. David Strobel		December 2010
Coordinator	Craig Oscarson		Indefinite
Engineer	Michal Hanson		May 2011
Finance Director	Donna Welsh		Indefinite
Human Services Director	Julie Stevermer		Indefinite
Veterans Service Officer	Wayne Madson		Indefinite

* 2009 Board Chair

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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, 2008, 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, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2008, including the Mower County HRA as of September 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, Mower County adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended December 31, 2008. This statement results in the County reporting a liability for postemployment benefits other than pensions that the County provides to its employees and retirees.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2009, 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 schedule of funding progress for postemployment benefit plans, management's discussion and analysis and budgetary comparison information on pages 4 through 15 and 56 through 63, 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 65 to 70 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 14, 2009

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REQUIRED SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

This section of Mower County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2008. 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, 2008 and the prior year, 2007 is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-2008 fiscal years include the following:

- ◆ County-wide net assets increased 4.5 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 \$36,561,462 and were \$1,336,872 less than expenditures; this is primarily due use of reserves for capital projects and an increase social service program services.
- ◆ The General Fund's fund balance increased \$7,577,913 from the prior year; this is due primarily to justice center bonding.
- ◆ The Road and Bridge Fund's fund balance increased \$329,667 from the prior year, and is due primarily to increased tax.
- ◆ The Social Service Fund's balance decreased by \$133,084 primarily due to increased need for services.

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.

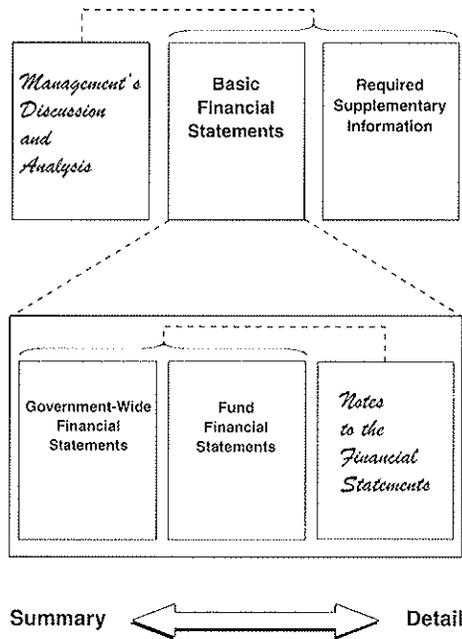
**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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, 2008**

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.

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	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.
Required Financial Statements	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.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	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.
Type of Inflow/Outflow Information	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, 2008**

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, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

NET ASSETS

The County's net assets were \$117,909,713 on December 31, 2008. (See Table A-1).

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

	Governmental Activities		Percentage Change
	2008	2007	
Current and Other Assets	\$ 46,792,878	\$ 37,110,544	26.1 %
Capital Assets	86,289,161	78,958,346	9.3
Total Assets	133,082,039	116,068,890	14.7
Long-Term Liabilities Outstanding	12,128,888	1,331,741	810.8
Other Liabilities	3,043,438	1,948,131	56.2
Total Liabilities	15,172,326	3,279,872	362.6
Net Assets			
Invested in Capital Assets, Net of Related Debt	85,426,536	78,958,346	8.2
Restricted	2,008,518	559,210	259.2
Unrestricted	30,474,659	33,271,462	(8.4)
Total Net Assets	<u>\$ 117,909,713</u>	<u>\$ 112,789,018</u>	4.5

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET ASSETS

The County-wide total revenues were \$36,118,166 for the year ended December 31, 2008. Property taxes and intergovernmental revenues accounted for 84.7% 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
	2008	2007	
REVENUES			
Program Revenues			
Charges for Services	\$ 4,061,881	\$ 4,215,576	(3.6)%
Operating Grants and Contributions	12,308,772	12,401,062	(0.7)
Capital Grants and Contributions	2,845,930	2,501,112	13.8
General Revenues			
Property Taxes	11,544,849	10,106,176	14.2
Other Taxes	38,609	44,721	(13.7)
Unrestricted Grants and Contributions	3,888,047	4,108,411	(5.4)
Unrestricted Investment Earnings	1,406,993	1,657,808	(15.1)
Gain on Sale of Capital Assets	15,818	22,374	(29.3)
Miscellaneous	7,267	22,700	(68.0)
Total Revenues	<u>36,118,166</u>	<u>35,079,940</u>	3.0
EXPENSES			
General Government	2,949,405	4,871,822	(39.5)
Public Safety	8,195,977	6,790,843	20.7
Highways and Streets	7,096,857	6,679,858	6.2
Sanitation	672,377	555,841	21.0
Human Services	9,443,654	8,120,932	16.3
Health	1,580,922	1,551,655	1.9
Culture and Recreation	416,355	691,546	(39.8)
Conservation of Natural Resources	602,172	606,994	(0.8)
Economic Development	31,800	31,800	-
Interest	7,952	1,623	390.0
Total Expenses	<u>30,997,471</u>	<u>29,902,914</u>	3.7
CHANGE IN NET ASSETS BEFORE TRANSFERS	5,120,695	5,177,026	(1.1)
Net Assets - Beginning of Year	<u>112,789,018</u>	<u>107,611,992</u>	4.8
NET ASSETS - END OF YEAR	<u>\$ 117,909,713</u>	<u>\$ 112,789,018</u>	4.5

Total revenues surpassed expenses, increasing net assets \$5,120,695 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, 2008**

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 \$30,997,471.

- ◆ Some of the cost was paid by the users of the County's programs (\$4,061,881).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$15,154,702).
- ◆ Most of the County's remaining costs (\$11,780,888), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$11,544,849 in property taxes, \$3,888,047 of state aid, and with investment earnings and other general revenues.

Figure A-3 Sources of County's Revenues for Fiscal 2008

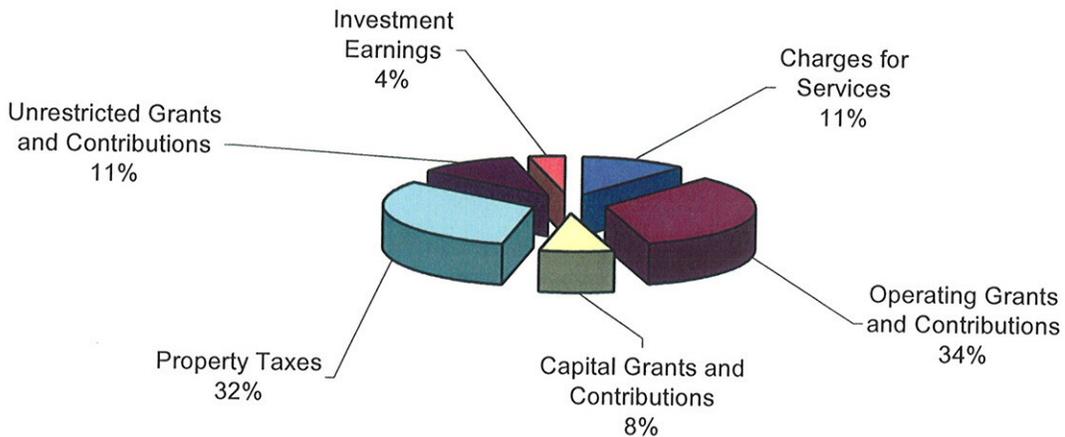
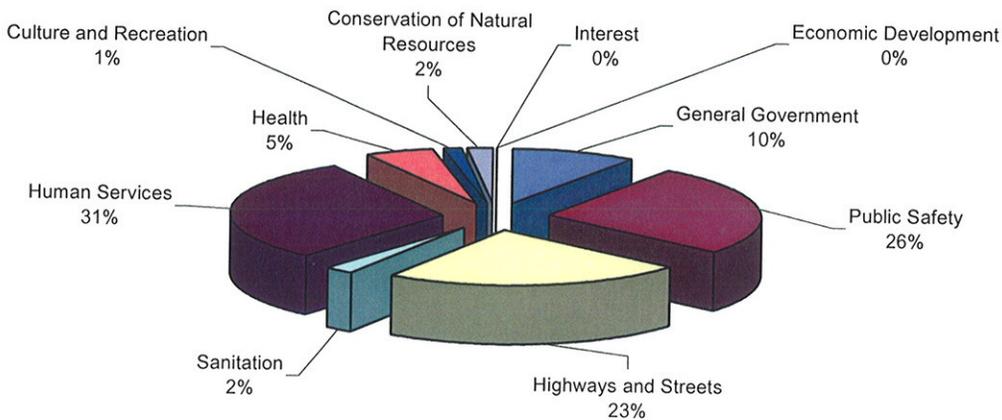


Figure A-4 County's Expenses for Fiscal 2008



**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET ASSETS (CONTINUED)

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

	<u>Total Cost of Services</u>			<u>Net Revenue (Cost) of Services</u>		
	2008	2007	Change	2008	2007	Change
General Government	\$ 2,949,405	\$ 4,871,822	(39.5)%	\$ (1,764,270)	\$ (3,473,107)	(49.2)%
Public Safety	8,195,977	6,790,843	20.7	(5,433,943)	(4,008,449)	35.6
Highways and Streets	7,096,857	6,679,858	6.2	(257,302)	489,112	(152.6)
Sanitation	672,377	555,841	21.0	(86,185)	155,838	(155.3)
Human Services	9,443,654	8,120,932	16.3	(3,916,923)	(2,775,770)	41.1
Health	1,580,922	1,551,655	1.9	372,616	(8,947)	(4264.7)
Culture and Recreation	416,355	691,546	(39.8)	(416,355)	(691,546)	(39.8)
Conservation of						
Natural Resources	602,172	606,994	(0.8)	(240,274)	(438,872)	(45.3)
Economic Development	31,800	31,800	-	(30,300)	(31,800)	(4.7)
Interest	7,952	1,623	390.0	(7,952)	(1,623)	390.0
Total Expenses	\$ 30,997,471	\$ 29,902,914	3.7	\$ (11,780,888)	\$ (10,785,164)	9.2

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 \$41,314,516.

Revenues for the County's governmental funds were \$36,561,462, while total expenditures were \$37,898,334.

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, 2008**

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 and Other Sources**

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
Taxes	\$ 6,972,585	\$ 6,393,004	\$ 579,581	9.1 %
Special Assessments	360,600	383,025	(22,425)	(5.9)
Intergovernmental	5,963,663	5,071,734	891,929	17.6
Charges for Services	1,792,453	2,027,341	(234,888)	(11.6)
Interest on Investments	1,406,233	1,658,104	(251,871)	(15.2)
Miscellaneous and Other	984,381	1,211,282	(226,901)	(18.7)
Total General Fund Revenue	<u>\$ 17,479,915</u>	<u>\$ 16,744,490</u>	<u>\$ 735,425</u>	4.4

Total General Fund revenue increased by \$735,425 or 4.4%, from the previous year. In addition, other financing sources (uses) totaled \$9,280,823. These sources are largely due to bonding for the justice center in 2008.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
General Government	\$ 4,989,338	\$ 4,785,927	\$ 203,411	4.3 %
Public Safety	5,644,022	6,242,415	(598,393)	(9.6)
Sanitation	593,420	541,425	51,995	9.6
Health	1,578,743	1,544,991	33,752	2.2
Culture and Recreation	356,060	423,731	(67,671)	(16.0)
Conservation of Natural Resources	457,606	479,687	(22,081)	(4.6)
Economic Development	31,800	31,800	-	-
Capital Outlay	5,531,836	1,800,372	3,731,464	207.3
Total General Fund Expenditures	<u>\$ 19,182,825</u>	<u>\$ 15,850,348</u>	<u>\$ 3,332,477</u>	21.0

The General Fund had total fund balance of \$30,429,441 at the end of the current fiscal year. The fund balance of the General Fund increased \$7,577,913 during the current fiscal year primarily due to bonding for the justice center.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of \$7,200,278 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$180,440 during the current fiscal year primarily due to intergovernmental revenues and tax increase.

The Social Services Fund had total fund balance of \$1,639,296 at the end of the current fiscal year. The fund balance of the Social Services Fund decreased \$133,084 during the current fiscal year primarily due to increases in expenditures over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ◆ Actual revenues were \$1,239,340 more than expected resulting primarily from increased interest revenue, increased charges for services, and an increase in intergovernmental revenues.
- ◆ The actual expenditures were \$10,287,312 less than budget and relate largely to \$8,340,564 fewer expenditures for capital outlay, and less public safety and general government expenditures 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 \$37,370 and an increase in the expenditure budget from original to final of \$101,561. These changes in the budget are to account for several unexpected items that came to the Board's attention during 2008.

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, 2008**

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

CAPITAL ASSETS

By the end of 2008, the County had invested almost \$132,861,000 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 \$2,459,395.

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

	Governmental Activities		Percentage Change
	2008	2007	
Land and Right of Way	\$ 16,127,943	\$ 12,789,107	26.1 %
Construction in Progress	3,933,861	1,578,876	149.2
Buildings	13,671,371	13,713,201	(0.3)
Improvements Other than Buildings	259,031	259,031	-
Machinery and Equipment	7,791,653	7,350,776	6.0
Software	126,747	126,747	-
Infrastructure	90,950,331	87,521,057	3.9
Accumulated Depreciation	(46,571,776)	(44,380,449)	4.9
Total	<u>\$ 86,289,161</u>	<u>\$ 78,958,346</u>	9.3

LONG-TERM LIABILITIES

At year-end, the County had \$12,347,956 in long-term liabilities outstanding.

- ◆ The County's total debt increased \$10,943,481 due largely to the implementation of Governmental Accounting Standard 45 regarding Other Postemployment Benefits Payable and issuance of bonding for the justice center.

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

	Governmental Activities		Percentage Change
	2008	2007	
Loans Payable	\$ 447,981	\$ 448,881	(0.2)%
Bonds Payable	10,000,000	-	100.0
Compensated Absences Payable	936,507	955,594	(2.0)
Other Postemployment Benefits Payable	963,468	-	100.0
Total	<u>\$ 12,347,956</u>	<u>\$ 1,404,475</u>	779.2

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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

FACTORS BEARING ON THE COUNTY'S FUTURE AND 2009 BUDGET

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent news is that the state will decrease revenues to the County again in 2009.

The County has set the 2009 expenditure budget at \$57,057,547, an increase of \$5,575,019 from the 2008 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, 2008**

ASSETS	Governmental Activities	Discretely Presented Component Unit
Cash and Pooled Investments	\$ 24,214,585	\$ 940,464
Petty Cash and Change Funds	3,180	-
Restricted Cash	9,783	-
Tenant Deposit Cash	-	26,758
Cash with Escrow Agent	9,852,408	-
Taxes Receivable - Current	-	50,938
Taxes Receivable - Delinquent	263,339	-
Accounts Receivable (Net)	297,313	2,976
Accrued Interest Receivable	202,489	3,643
Due from Other Governments	3,015,465	-
Loans Receivable	7,593,912	-
Notes Receivable	163,100	-
Inventories	368,704	-
Prepaid Items	-	21,958
Special Assessments Receivable - Deferred	674,863	-
Special Assessments Receivable - Delinquent	66,803	-
Deferred Debt Issue Costs	37,825	-
Restricted Investments - Temporary	28,597	1,034,927
Restricted Accrued Interest Receivable - Temporary	512	-
Non-Depreciable Capital Assets		
Land	16,127,943	42,304
Construction in Progress	3,933,861	-
Depreciable Capital Assets		
Infrastructure (Net)	55,997,836	-
Buildings (Net)	7,200,592	1,654,929
Improvements Other Than Buildings (Net)	100,088	132,175
Machinery, Vehicles, Furniture, and Equipment (Net)	2,886,899	130,443
Software (Net)	41,942	-
Total Assets	133,082,039	4,041,515
LIABILITIES		
Accounts Payable	1,079,197	31,351
Salaries Payable	406,940	13,369
Accrued Expenses	1,370	-
Contracts Payable	370,000	-
Retainage Payable	368,697	-
Due to Other Governments	745,935	11,880
Deferred Revenue	-	183
Compensated Absences Payable - Due Within One Year	59,078	7,000
Loans and Bonds Payable - Due Within One Year	9,990	30,558
Tenant Deposits Payable	-	26,757
Compensated Absences Payable - Due in More than One Year	877,429	13,063
Other Post Employment Benefit Obligation	963,468	-
Facility Lease Revenue Bonds Payable	10,000,000	-
Unamortized Discount on Lease Revenue Bonds	(150,000)	-
Loans and Bonds Payable - Due in More than One Year	437,991	544,448
Total Liabilities	15,172,326	678,609
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	85,426,536	1,384,845
Restricted for		
General Government	530,736	-
Public Safety	465,739	-
Conservation	138,327	-
HRA Housing	-	1,073,724
Debt Service	873,716	-
Unrestricted	30,474,659	904,337
Total Net Assets	\$ 117,909,713	\$ 3,362,906

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**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

FUNCTION/PROGRAMS Primary Government Governmental Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Discretely Presented Component Unit
	Net Assets Governmental Activities				
General Government	\$ 2,949,405	\$ 1,052,122	\$ 133,013	\$ -	\$ (1,764,270)
Public Safety	8,195,977	423,800	837,667	1,500,567	(5,433,943)
Highways and Streets	7,096,857	759,509	4,779,219	1,300,827	(257,302)
Sanitation	672,377	548,674	-	37,518	(86,185)
Human Services	9,443,654	273,349	5,253,382	-	(3,916,923)
Health	1,580,922	871,323	1,082,215	-	372,616
Culture and Recreation	416,355	-	-	-	(416,355)
Conservation of Natural Resources	602,172	133,104	221,776	7,018	(240,274)
Economic Development	31,800	-	1,500	-	(30,300)
Interest	7,952	-	-	-	(7,952)
Total Governmental Activities	\$ 30,997,471	\$ 4,061,881	\$ 12,308,772	\$ 2,845,930	(11,780,888)
Component Unit					
Housing and Redevelopment Authority	\$ 1,007,585	\$ 708,378	\$ 47,696	\$ 70,376	\$ (181,135)
General Revenues					
Property Taxes					90,574
Mortgage Registry and Deed Tax					22,339
Payments in Lieu of Tax					16,270
Grants and Contributions not Restricted to Specific Programs					3,888,047
Unrestricted Investment Earnings					1,406,993
Miscellaneous					7,267
Gain From Sale of Capital Assets					15,818
Total General Revenues					16,901,583
CHANGE IN NET ASSETS					(60,400)
Net Assets - Beginning of Year					112,789,018
NET ASSETS - END OF YEAR					\$ 117,909,713

See accompanying Notes to the Financial Statements. (17)

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Pooled Investments	\$ 15,536,001	\$ 6,567,072	\$ 1,503,739	\$ 607,773	\$ 24,214,585
Petty Cash and Change Funds	2,680	-	500	-	3,180
Cash with Fiscal Agent	9,783	-	-	-	9,783
Cash with Escrow Agent	8,977,592	-	-	874,816	9,852,408
Taxes Receivable - Delinquent	156,919	53,940	52,480	-	263,339
Special Assessments Receivable					
Deferred	483,006	-	-	191,857	674,863
Delinquent	57,783	-	-	9,020	66,803
Accounts Receivable	157,848	3,979	135,486	-	297,313
Notes Receivable	163,100	-	-	-	163,100
Accrued Interest Receivable	202,219	-	-	270	202,489
Loans Receivable	7,046,878	-	-	547,034	7,593,912
Due from Other Governments	430,013	1,884,979	693,927	6,546	3,015,465
Inventories	-	368,704	-	-	368,704
Deferred Debt Issue Costs	37,825	-	-	-	37,825
Restricted Investments - Temporary	-	-	-	28,597	28,597
Restricted Accrued Interest Receivable	-	-	-	512	512
Total Assets	\$ 33,261,647	\$ 8,878,674	\$ 2,386,132	\$ 2,266,425	\$ 46,792,878
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 451,792	\$ 108,715	\$ 504,062	\$ 14,628	\$ 1,079,197
Salaries Payable	234,013	49,266	123,661	-	406,940
Claims and Judgements Payable	2,231	-	-	-	2,231
Accrued Expenses	-	-	-	1,370	1,370
Contracts Payable	370,000	-	-	-	370,000
Retainage Payable	332,556	36,141	-	-	368,697
Due to Other Governments	663,671	2,849	79,415	-	745,935
Deferred Revenue - Unavailable	777,943	1,481,425	39,698	204,926	2,503,992
Total Liabilities	2,832,206	1,678,396	746,836	220,924	5,478,362
Fund Balances					
Reserved for					
Law Library	70,179	-	-	-	70,179
Recorder Equipment	233,946	-	-	-	233,946
DARE	362	-	-	-	362
Sheriff's Contingency	7,084	-	-	-	7,084
Canteen	22,136	-	-	-	22,136
E-911	436,157	-	-	-	436,157
Loans Receivable	7,209,978	-	-	547,033	7,757,011
Attorney Forfeited Property	28,277	-	-	-	28,277
Veteran's Van	37,117	-	-	-	37,117
Natural Resources Block Grant	138,327	-	-	-	138,327
Land Records	161,217	-	-	-	161,217
Inventories	-	368,704	-	-	368,704
Unreserved					
Designated for Future Expenditures	13,665,785	2,160,000	25,225	-	15,851,010
Designated for Cash Flows	5,025,300	1,286,000	1,403,400	-	7,714,700
Designated for Compensated Absences	562,179	163,656	210,671	-	936,506
Designated for Medical Insurance	1,111,424	-	-	-	1,111,424
Designated in Nonmajor Special Revenue Funds	-	-	-	447,981	447,981
Designated in Nonmajor Debt Service Funds	-	-	-	873,716	873,716
Undesignated	1,719,973	3,221,918	-	-	4,941,891
Unreserved, Undesignated Reported in Nonmajor Special Revenue Funds	-	-	-	176,771	176,771
Total Fund Balances	30,429,441	7,200,278	1,639,296	2,045,501	41,314,516
Total Liabilities and Fund Balances	\$ 33,261,647	\$ 8,878,674	\$ 2,386,132	\$ 2,266,425	\$ 46,792,878

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 41,314,516

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. 86,289,161

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 2,503,992

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	\$	(447,981)	
Capital Lease Payable		(10,000,000)	
Discount on Bonds and Notes Issued		150,000	
Other Post Employment Benefits		(963,468)	
Compensated Absences		(936,507)	(12,197,956)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 117,909,713

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,972,585	\$ 2,363,238	\$ 2,193,607	\$ -	\$ 11,529,430
Special Assessments	360,600	-	-	68,019	428,619
Licenses and Permits	88,405	12,878	-	-	101,283
Intergovernmental	5,963,663	6,051,185	6,525,848	710,715	19,251,411
Charges for Services	1,792,453	752,739	273,349	-	2,818,541
Fines and Forfeits	74,364	-	-	-	74,364
Gifts and Contributions	42,916	-	890	-	43,806
Interest on Investments	1,406,233	-	-	41,263	1,447,496
Miscellaneous	778,696	66,802	-	21,014	866,512
Total Revenues	17,479,915	9,246,842	8,993,694	841,011	36,561,462
EXPENDITURES					
Current					
General Government	4,989,338	-	-	-	4,989,338
Public Safety	5,644,022	-	-	-	5,644,022
Highways and Streets	-	8,711,975	-	12,601	8,724,576
Sanitation	593,420	-	-	-	593,420
Human Services	-	-	9,133,042	-	9,133,042
Health	1,578,743	-	-	-	1,578,743
Culture and Recreation	356,060	-	-	-	356,060
Conservation	457,606	-	-	139,111	596,717
Economic Development	31,800	-	-	-	31,800
Capital Outlay					
General Government	909,283	-	-	-	909,283
Public Safety	4,569,253	-	-	-	4,569,253
Highways and Streets	-	433,040	-	266,388	699,428
Sanitation	53,300	-	-	-	53,300
Debt Service					
Principal Retirement	-	-	-	11,400	11,400
Interest	-	-	-	7,952	7,952
Total Expenditures	19,182,825	9,145,015	9,133,042	437,452	37,898,334
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,702,910)	101,827	(139,348)	403,559	(1,336,872)
OTHER FINANCING SOURCES (USES)					
Transfers In	244,890	-	6,264	-	251,154
Transfers Out	(6,264)	-	-	(244,890)	(251,154)
Capital Lease Purchase	9,165,417	-	-	834,583	10,000,000
Proceeds from Loan	-	-	-	10,500	10,500
Proceeds from Sale of Capital Assets	26,780	78,613	-	-	105,393
Discount on Bond Issuance	(150,000)	-	-	-	(150,000)
Total Other Financing Sources (Uses)	9,280,823	78,613	6,264	600,193	9,965,893
NET CHANGE IN FUND BALANCES	7,577,913	180,440	(133,084)	1,003,752	8,629,021
Fund Balance - Beginning of Year	22,851,528	6,870,611	1,772,380	1,041,749	32,536,268
CHANGE IN RESERVED FOR INVENTORIES	-	149,227	-	-	149,227
FUND BALANCE - END OF YEAR	\$ 30,429,441	\$ 7,200,278	\$ 1,639,296	\$ 2,045,501	\$ 41,314,516

**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, 2008**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 8,629,021**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 9,879,785	
Net Book Value of Capital Assets Disposed	(89,575)	
Current Year Depreciation	<u>(2,459,395)</u>	7,330,815

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(194,907)
--	-----------

Long term debt 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:	
Facility Lease Revenue Bonds Issued	(10,000,000)
Bond Discount	150,000
Loans Issued	(10,500)
Bond Issuance Costs	

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	11,400

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	19,107	
Change in Other Post Employment Benefits Payable	(963,468)	
Change in Inventories	<u>149,227</u>	<u>(795,134)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 5,120,695**

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 822,440
LIABILITIES	
Accounts Payable	\$ 114,822
Salaries Payable	6,416
Due to Other Governments	<u>701,202</u>
Total Liabilities	<u>\$ 822,440</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mower County's (County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 th 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, 2008**

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, 2008**

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. For reporting purposes, the general fund contains the activity related to the construction of the Justice Center.

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, 2008**

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, 2008, based on market prices. Pursuant to Minn. Stat. §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

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, 2008**

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. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items it was able to identify since 1927. Costs were estimated based upon a conversion from current construction converted to 2001 dollars.

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, 2008**

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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide and proprietary financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The government-wide statement of net assets reports \$2,008,518 of restricted net assets, of which \$937,222 is restricted by enabling legislation.

11. 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

Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2008:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 9,133,042	\$ 8,449,705	\$ 683,337
Ditch	142,257	59,309	82,948

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

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, 2008, the County's deposits in banks were entirely covered by federal deposit insurance or collateral held as described in the preceding paragraph.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

As of December 31, 2008, the County had the following investments:

Investment Type	Fair Value	Maturity		
		Less Than 2 Years	2-5 Years	5 + Years
Federal Home Loan Bank	\$ 2,102,913	\$ -	\$ 1,219,489	\$ 883,424
Federal National Association	3,334,593	1,734	1,041,797	2,291,062
Federal Home Loan Mortgage	5,160,353	15,146	2,547,825	2,597,382
Fannie Mae	2,498,291	-	300,582	2,197,709
Freddie Mac	1,823,925	-	905,883	918,042
Farm Credit Note	520,161	-	520,161	-
Municipal Bonds	950,044	-	-	950,044
Mutual Funds	11,981,979	11,981,979	-	-
MAGIC Fund	3,911,260	3,911,260	-	-
Negotiable Certificates of Deposit	1,612,232	-	1,335,550	276,682
Total	\$ 33,895,751	\$ 15,910,119	\$ 7,871,287	\$ 10,114,345

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2008:

<u>Investment Type</u>	<u>S & P Rating</u>	<u>Fair Value</u>
Federal Home Loan Bank	AAA	\$ 2,102,913
Federal National Association	AAA	3,334,593
Federal Home Loan Mortgage	AAA	5,160,353
Fannie Mae	AAA	2,498,291
Freddie Mac	AAA	1,823,925
Farm Credit Note	AAA	520,161
Municipal Bonds	Aa2	950,044
Mutual Funds:		
Western Asset Government Money Market Fund	AAAm	108,501
UBS Select Prime Institutional Fund	AAAm	2,351,570
First American Government Obligation Fund	AAAm	9,521,904
Morgan Keegan & Company	N/R	4
MN Assoc of Govts Investing for Counties (MAGIC) Fund	N/R	3,911,260
Negotiable Certificates of Deposits	N/R	1,612,232
Total		<u>\$ 33,895,751</u>

N/A - Not available

N/R - Not rated

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, 2008, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, obligations backed by U.S. Treasury and/or U.S. Agency securities, and investments held by Trustees, may be held without limit.

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

Issuer	Reported Amount	Percentage
Federal Home Loan Bank	\$ 2,102,913	6%
Federal National Association	3,334,593	10%
Federal Home Loan Mortgage	5,160,353	15%
Fannie Mae	2,498,291	7%
Freddie Mac	1,823,925	5%
MN Assoc of Govts Investing for Counties (MAGIC) Fund	3,911,260	12%
UBS Select Prime Institutional Fund	2,351,570	7%
First American Govt Obligation Fund	9,521,904	28%
	<u>\$30,704,809</u>	

Balance Sheet Presentation

Total County cash and investments at December 31, 2008 consisted of:

Deposits	\$ 1,032,062
Cash on Hand	3,180
Investments	33,895,751
Total	<u>\$ 34,930,993</u>

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

Cash and Pooled Investments	\$ 24,214,585
Petty Cash and Change Funds	3,180
Restricted Cash	9,783
Restricted Investments	28,597
Cash with Fiscal Agent	9,852,408
Agency Fund Cash and Investments	822,440
Total	<u>\$ 34,930,993</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	
Accounts Receivable	\$ 1,133,049
Less: Allowance for Uncollectibles	
Nursing Department	(10,396)
Social Services Department	<u>(825,340)</u>
 Total Governmental Activities, Net	 <u><u>\$ 297,313</u></u>

3. Loans and Notes Receivable

The County has made various economic development and other loans to businesses and other governmental entities under a variety of repayment terms. In addition, the County has made loans to individuals under a sewer improvement loan program. Repayment of these loans is over ten years, with interest at 2%. Delinquent sewer improvement loans are added to the special assessment tax rolls. The funds for the sewer improvement revolving loan program were originally received from the State of Minnesota in the form of a loan to the County.

Activity in these loans and notes receivable is as follows for the year ended December 31, 2008:

	Beginning Balance	Additions	Payments	Ending Balance
Economic Development Loans	\$ 7,279,667	\$ -	\$ 232,789	\$ 7,046,878
Sewer Improvement Loans	471,994	176,500	101,460	547,034
Notes Receivable	372,300	-	209,200	163,100
Total	<u><u>\$ 8,123,961</u></u>	<u><u>\$ 176,500</u></u>	<u><u>\$ 543,449</u></u>	<u><u>\$ 7,757,012</u></u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 2,511,818	\$ 3,338,836	\$ -	\$ 5,850,654
Right of Way	10,277,289	-	-	10,277,289
Construction in Progress	1,578,876	2,354,985	-	3,933,861
Total Capital Assets, Not Depreciated	<u>14,367,983</u>	<u>5,693,821</u>	<u>-</u>	<u>20,061,804</u>
Capital Assets Being Depreciated				
Buildings	8,824,635	-	41,830	8,782,805
Buildings Improvements	4,888,566	-	-	4,888,566
Improvements Other Than Building	259,031	-	-	259,031
Machinery, Furniture, Equipment, and Vehicles	7,350,776	756,690	315,813	7,791,653
Software	126,747	-	-	126,747
Infrastructure	87,521,057	3,429,274	-	90,950,331
Total Capital Assets Being Depreciated	<u>108,970,812</u>	<u>4,185,964</u>	<u>357,643</u>	<u>112,799,133</u>
Less: Accumulated Depreciation for				
Buildings	3,446,632	178,677	-	3,625,309
Buildings Improvements	2,596,795	248,675	-	2,845,470
Improvements Other Than Building	145,989	12,954	-	158,943
Machinery, Furniture, Equipment, and Vehicles	4,483,698	689,124	268,068	4,904,754
Software	74,450	10,355	-	84,805
Infrastructure	33,632,885	1,319,610	-	34,952,495
Total Accumulated Depreciation	<u>44,380,449</u>	<u>2,459,395</u>	<u>268,068</u>	<u>46,571,776</u>
Total Capital Assets, Depreciated, Net	<u>64,590,363</u>	<u>1,726,569</u>	<u>89,575</u>	<u>66,227,357</u>
Governmental Activities Capital Assets, Net	<u>\$ 78,958,346</u>	<u>\$ 7,420,390</u>	<u>\$ 89,575</u>	<u>\$ 86,289,161</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

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

Governmental Activities

General Government	\$ 366,041
Public Safety	127,711
Highways and Streets, Including Infrastructure	1,834,055
Sanitation	51,269
Human Services	11,124
Health	1,991
Culture and Recreation	60,295
Conservation of Natural Resources	<u>6,909</u>
Depreciation Expense - Governmental Activities	<u><u>\$ 2,459,395</u></u>

B. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to Social Services Fund from General Fund	\$ 6,264	Attorney Fees
Transfers to Transit Fund from General Fund	<u>244,890</u>	Close-Out Fund
Total Transfers	<u><u>\$ 251,154</u></u>	

As of December 31, 2008, there were no interfund receivables or payables.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2008. The projects include the following:

	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 208,538	\$ 208,538
Public Safety	2,124,284	704,378
Total	<u>\$ 2,332,822</u>	<u>\$ 912,916</u>

2. Leases

Operating Leases

The County leases space for Social Services under a long-term operating lease. Total cost for the lease was \$139,954 for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2009	\$ 139,954
2010	139,954
2011	128,928
2012	73,797
2013	73,797
2014	61,497
Total Operating Lease Payments	<u>\$ 617,927</u>

3. Other Postemployment Benefits

a) **Plan Description and Funding Policy**

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, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

a) Plan Description and Funding Policy (continued)

Retirees (Continued):

- (1) 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 2008, there were 10 participants for this plan at a cost of \$125,957.
- (2) 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 2008, there were seven participants for the plan at a cost of \$75,314.76.
- (3) 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 2008, there were 70 participants for the plan at a cost of \$703,316.87.
- (4) 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 2008, 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, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

b) Annual OPEB Cost and Net OPEB Obligation

An entity's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution	\$ 1,868,057
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	1,868,057
Contributions Made	(904,589)
Net OPEB Obligation - Beginning of Year	-
 Net OPEB Obligation - End of Year	 \$ 963,468

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$1,868,057	48.42%	\$ 963,468

c) Funded Status and Funding Progress

Funded Status

As of January 1, 2008, the most recent actuarial valuation date, the County's unfunded actuarial accrued liability (UAAL) was \$22,494,031. The annual payroll for active employees covered by the plan in the actuarial valuation was \$11,738,940 for a ratio of UAAL to covered payroll of 191.62%.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Other Postemployment Benefits (Continued)

c. Funded Status and Funding Progress (Continued)

Funding Progress

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

d) Actuarial Methods and Assumptions

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

In the County's January 1, 2008 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The UAAL is being amortized as a level percentage of projected payrolls on a 20-year closed basis. The remaining amortization period at December 31, 2008 was 19 years.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

On December 30, 2008, the Mower County Housing and Redevelopment Authority (HRA) issued the HRA's \$10,000,000 Lease Revenue Bonds (Mower County Court Facilities Project), Series 2008A. The County has a capital lease agreement with the HRA whereby the County will make lease payments equal to all bond principal payments, bond interest payments, and trustee fees incurred by the HRA related to this bond issuance. The debt service payments will be funded through a special debt service levy. The County has scheduled tax levy requirements to support this debt during the scheduled amortization period ending in 2029. When the lease terminates in February 2029, the ownership of the Justice Center passes from the HRA to the County.

Type of Debt	Final Maturity	Installment Amount	Interest Rate %	Amount Original	Balance 12/31/08
General Obligation Capital Notes:					
1998 and 2001 Septic Loans	2020	\$5,000 - \$10,000	-	\$ 100,000	\$ 100,000
2002 Septic Loans	2016	\$2,500 - \$10,000	-	100,000	58,600
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	-	40,169	40,169
2008 Septic Loans	2027	\$2,500 - \$5,400	-	10,500	10,500
Total General Obligation Capital Notes				489,381	447,981
Bonds:					
Facility Lease Revenue Bonds, Series 2008A	2029	\$250,000 - \$775,000	2.5%-5.9%	10,000,000	10,000,000
Total Long Term Debt				<u>\$ 10,489,381</u>	<u>\$10,447,981</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, were as follows:

Year Ending December 31	State Loans		Facility Lease Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 9,990	\$ -	\$ -	\$ 332,965
2010	15,291	-	250,000	496,322
2011	15,604	-	340,000	488,097
2012	20,922	-	350,000	477,047
2013	21,254	-	360,000	464,618
2014-2018	197,296	-	2,040,000	2,080,620
2019-2023	144,360	-	2,570,000	1,522,588
2024-2028	23,264	-	3,315,000	723,661
2029	-	-	775,000	22,863
Totals	<u>\$ 447,981</u>	<u>\$ -</u>	<u>\$10,000,000</u>	<u>\$ 6,608,781</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 448,881	\$ 10,500	\$ 11,400	\$ 447,981	\$ 9,990
Facility Lease Bonds Payable	-	10,000,000	-	10,000,000	-
Compensated Absences	955,594	1,032,798	1,051,885	936,507	59,078
Other Postemployment Benefits Payable	-	963,468	-	963,468	-
Long-Term Liabilities	<u>\$ 1,404,475</u>	<u>\$ 12,006,766</u>	<u>\$ 1,063,285</u>	<u>\$12,347,956</u>	<u>\$ 69,068</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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.

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, 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Funding Policy (Continued)

PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. 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, 6.5% for Coordinated Plan PERF members, 12.9% for PEPFF members, and 8.75% for PECF members.

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.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. Plan Contributions

The County's contributions to the PERF, PEPFF, PECF, and PEDCP for the years ending December 31, 2008, 2007, and 2006 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2008	\$ 564,202	\$ 166,842	\$ 50,541	\$ 1,261
2007	521,411	143,334	50,506	1,272
2006	507,011	122,127	48,859	1,177

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.

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

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 RISK MANAGEMENT (CONTINUED)

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.

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.

During the year, the County paid \$-0- to the Collaborative.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

B. Joint Ventures (Continued)

1. Family Services Collaborative (Continued)

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. During the year, the County paid \$0 to AMCAT. 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.

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 \$114,079 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

C. Jointly-Governed Organizations (Continued)

4. Southeastern Minnesota Community Action Council

The Southeastern Minnesota Community Action Council provides various elder care programs on behalf of member counties. During the year, the County paid \$2,000 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 \$6,000 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 \$308,662 to the Council.

7. Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides water quality services to several counties. The County paid \$4,000 to the Board during the year.

8. Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Board has been organized to ensure communication among member counties for emergency service purposes. The County paid \$500 to the Board during the year.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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. 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:

Deposits - Unrestricted	\$	967,222
Restricted Assets:		
Deposits		7,205
Investments		1,027,722
Total Cash and Investments	\$	2,002,149

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, 2008**

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, 2008, 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, 2008**

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, 2008, the HRA had the following restricted investments:

	<u>At Estimated Market Value</u>
Held in Escrow at the MHFA	\$ 1,027,722

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 \$42,413 and \$43,976 for the years ended September 30, 2008 and 2007, 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, 2008**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

2. Assets (Continued)

Balance Sheet Presentation

Deposits	\$ 940,464
Tenant Deposit Cash	26,758
Restricted Assets	1,034,927
Total	\$ 2,002,149
Deposits	\$ 967,222
Restricted Investments - Minnesota Housing Finance Agency	1,034,927
Total	\$ 2,002,149

Capital Assets

HRA capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
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	1,432	378	-	1,810
Transportation	18,021	-	-	18,021
Total Accumulated Depreciation	19,453	378	-	19,831
Total Capital Assets, Being Depreciated, Net	\$ 1,688	\$ (378)	\$ -	\$ 1,310

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-Type Activities:				
Capital Asset, Not Being Depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated				
Land Improvements	328,668	-	-	328,668
Buildings	3,771,908	101,365	-	3,873,273
Furnishings	337,606	8,544	(5,464)	340,686
Maintenance Equipment	53,582	-	-	53,582
Total Capital Assets Being Depreciated	<u>4,491,764</u>	<u>109,909</u>	<u>(5,464)</u>	<u>4,596,209</u>
Accumulated Depreciation for:				
Land Improvements	178,508	17,985		196,493
Buildings	2,111,038	107,306		2,218,344
Furnishings	221,590	19,372	(5,464)	235,498
Maintenance Equipment	28,740	897		29,637
Total Accumulated Depreciation	<u>2,539,876</u>	<u>145,560</u>	<u>(5,464)</u>	<u>2,679,972</u>
Total Capital Assets, Being Depreciated, Net	<u>1,951,888</u>	<u>(35,651)</u>	<u>-</u>	<u>1,916,237</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,994,192</u>	<u>\$ (35,651)</u>	<u>\$ -</u>	<u>\$ 1,958,541</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>\$ 145,560</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, 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	\$ 503,576	\$ 28,373
Mortgage Payable	2024	8.75	123,000	71,430	2,185
			<u>\$ 980,870</u>	<u>\$ 575,006</u>	<u>\$ 30,558</u>

Debt Service Requirements

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

Year Ending September 30	Mortgage Payable	
	Principal	Interest
2009	\$ 30,558	\$ 38,055
2010	32,657	35,956
2011	34,902	33,711
2012	37,302	31,311
2013	39,869	28,744
2014-2018	244,534	98,531
2019-2023	148,476	18,799
2024	6,708	253
Total	<u>\$ 575,006</u>	<u>\$ 285,360</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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance
Mortgages Payable	\$ 603,583	\$ -	\$ 28,577	\$ 575,006
Compensated Absences	17,784	16,518	14,239	20,063
	<u>\$ 621,367</u>	<u>\$ 16,518</u>	<u>\$ 42,816</u>	<u>\$ 595,069</u>

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MOWER COUNTY
AUSTIN, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS
YEAR ENDED DECEMBER 31, 2008

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
January 1, 2008	\$ -	\$22,494,031	\$22,494,031	0.00%	\$ 11,738,940	191.62%

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,499,192	\$ 6,499,192	\$ 6,972,585	\$ 473,393
Special Assessments	344,348	344,348	360,600	16,252
Licenses and Permits	12,900	12,900	88,405	75,505
Intergovernmental	5,713,243	5,750,613	5,963,663	213,050
Charges for Services	1,995,838	1,995,838	1,792,453	(203,385)
Fines and Forfeits	41,038	41,038	74,364	33,326
Gifts and Contributions	-	-	42,916	42,916
Investments Earnings	1,145,746	1,145,746	1,406,233	260,487
Miscellaneous	450,900	450,900	778,696	327,796
Total Revenues	16,203,205	16,240,575	17,479,915	1,239,340
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	609,046	563,282	290,803	272,479
Courts	100,411	100,411	145,861	(45,450)
Law Library	36,931	36,931	35,070	1,861
County Administration	505,106	505,106	505,148	(42)
County Auditor-Treasurer	350,891	350,891	339,692	11,199
County Assessor	458,257	466,025	455,754	10,271
Elections	128,052	128,052	70,603	57,449
Auditing	88,100	88,100	111,067	(22,967)
Information Systems	442,149	442,149	418,517	23,632
Risk	101,779	101,779	101,379	400
Attorney	662,726	670,841	640,779	30,062
Recorder	297,548	297,548	240,383	57,165
Planning and Zoning	149,685	149,685	140,324	9,361
Buildings and Plant	620,503	620,503	491,595	128,908
Transit	30,334	30,334	12,980	17,354
Veterans Service	135,480	135,480	130,342	5,138
Other General Government	1,139,703	1,146,467	859,041	287,426
Total General Government	5,856,701	5,833,584	4,989,338	844,246

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 2,433,019	\$ 2,449,588	\$ 2,055,423	\$ 394,165
E911	592,089	592,089	125,498	466,591
Coroner	44,300	44,300	49,930	(5,630)
County Jail	1,785,066	1,820,066	1,791,588	28,478
County Jail Canteen	14,400	14,400	13,297	1,103
Law Enforcement Center	702,326	706,326	432,833	273,493
Community Corrections	866,308	866,308	864,558	1,750
Sentence to Serve	35,800	35,800	35,806	(6)
DARE Program	-	-	1,187	(1,187)
Civil/Bailiff	35,776	35,776	36,773	(997)
Other Public Safety	45,516	45,516	237,129	(191,613)
Total Public Safety	6,554,600	6,610,169	5,644,022	966,147
SANITATION				
Solid Waste	558,905	558,905	593,420	(34,515)
HEALTH				
Nursing Service	1,221,503	1,221,503	1,103,704	117,799
Maternal and Child Health	59,760	59,760	56,943	2,817
County Health Officer	1,400	1,400	1,400	-
Women, Infants and Children	218,160	251,969	238,623	13,346
Other	186,622	186,622	178,073	8,549
Total Health	1,687,445	1,721,254	1,578,743	142,511
CULTURE AND RECREATION				
Historical Society	35,000	35,000	35,000	-
Parks	-	-	29,483	(29,483)
Senior Citizens	43,000	43,000	43,000	-
Regional Library	247,702	247,702	219,018	28,684
Other	22,700	22,700	29,559	(6,859)
Total Culture and Recreation	348,402	348,402	356,060	(7,658)

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 156,831	\$ 156,831	\$ 164,500	\$ (7,669)
Soil and Water Conservation	151,930	151,930	151,930	-
Feedlot	77,631	77,631	37,610	40,021
Agricultural Inspection	18,242	18,242	8,253	9,989
County Fair	45,414	45,414	45,414	-
Water Planning	43,575	43,575	45,732	(2,157)
Environmental Services	-	-	4,167	(4,167)
 Total Conservation of Natural Resources	 493,623	 493,623	 457,606	 36,017
ECONOMIC DEVELOPMENT				
Development Corporation	31,800	31,800	31,800	-
 Total Current	 15,531,476	 15,597,737	 13,650,989	 1,946,748
CAPITAL OUTLAY				
General Government	-	-	909,283	(909,283)
Public Safety	13,587,100	13,587,100	4,569,253	9,017,847
Sanitation	-	35,300	53,300	(18,000)
Culture and Recreation	250,000	250,000	-	250,000
 Total Capital Outlay	 13,837,100	 13,872,400	 5,531,836	 8,340,564
 Total Expenditures	 29,368,576	 29,470,137	 19,182,825	 10,287,312
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	 (13,165,371)	 (13,229,562)	 (1,702,910)	 11,526,652

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OTHER FINANCING USES				
Transfers In	\$ -	\$ -	\$ 244,890	\$ 244,890
Transfers Out	-	-	(6,264)	(6,264)
Proceeds from Capital Lease Purchase	12,087,100	12,087,100	9,165,417	(2,921,683)
Discounts on Bonds/Notes Issued	-	-	(150,000)	(150,000)
Proceeds from Sale of Assets	-	-	26,780	26,780
Total Other Financing Sources (Uses)	<u>12,087,100</u>	<u>12,087,100</u>	<u>9,280,823</u>	<u>(2,806,277)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,078,271)</u>	<u>\$ (1,142,462)</u>	7,577,913	<u>\$ 8,720,375</u>
Fund Balance - Beginning of Year			<u>22,851,528</u>	
FUND BALANCE - END OF YEAR			<u>\$ 30,429,441</u>	

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,711,005	\$ 2,711,005	\$ 2,363,238	\$ (347,767)
Special Assessments	13,000	13,000	12,878	(122)
Intergovernmental	9,121,805	9,521,805	6,051,185	(3,470,620)
Charges for Services	210,000	210,000	752,739	542,739
Miscellaneous	58,500	58,500	66,802	8,302
Total Revenues	12,114,310	12,514,310	9,246,842	(3,267,468)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	514,276	508,934	499,127	9,807
Maintenance	2,837,828	2,837,828	2,605,081	232,747
Construction	7,116,177	7,339,001	4,606,276	2,732,725
Equipment Maintenance and Shop	703,461	886,437	839,769	46,668
Other	191,568	191,568	161,722	29,846
Total Highways and Streets	11,363,310	11,763,768	8,711,975	3,051,793
CAPITAL OUTLAY				
Highways and Streets	751,000	751,000	433,040	317,960
Total Expenditures	12,114,310	12,514,768	9,145,015	3,369,753
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(458)	101,827	101,369
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	78,613	78,613
NET CHANGE IN FUND BALANCE	\$ -	\$ (458)	180,440	\$ 179,982
Fund Balance - Beginning of Year			6,870,611	
CHANGE IN RESERVED FOR INVENTORY			149,227	
FUND BALANCE - END OF YEAR			\$ 7,200,278	

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,514,760	\$ 2,184,760	\$ 2,193,607	\$ 8,847
Intergovernmental	5,257,529	5,367,432	6,525,848	1,158,416
Charges for Services	278,343	278,343	273,349	(4,994)
Gifts and Contributions	-	-	890	890
Total Revenues	8,403,632	8,183,535	8,993,694	809,269
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,874,030	2,896,083	2,729,839	166,244
Social Services	5,529,602	5,553,622	6,403,203	(849,581)
Total Human Services	8,403,632	8,449,705	9,133,042	(683,337)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(266,170)	(139,348)	125,932
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	6,264	6,264	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (259,906)	(133,084)	\$ 125,932
Fund Balance - Beginning of Year			1,772,380	
FUND BALANCE - END OF YEAR			\$ 1,639,296	

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, 2008**

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, 2008:

	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 9,133,042	\$ 8,449,705	\$ 683,337
Ditch	142,257	59,309	82,948

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

SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
DECEMBER 31, 2008**

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.

NONMAJOR DEBT SERVICE FUND

The Bond Fund accounts for the accumulation of resources for, and the payment, of debt principal, interest, and related costs of the County's debt.

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, 2008**

	Special Revenue				
	Ditch	Heartland Express	Sewer Improvement	Bond Fund	
ASSETS					
Cash and Pooled Investments	\$ 182,972	\$ 3,536	\$ 421,265	\$ -	\$ -
Cash With Fiscal Agent	-	-	-	874,816	-
Loans Receivable	-	-	547,034	-	-
Special Assessments Receivable - Deferred	191,857	-	-	-	-
Special Assessments Receivable - Delinquent	2,002	-	7,018	-	-
Accrued Interest Receivable	-	-	-	270	-
Due from Other Governments	5,546	1,000	-	-	-
Restricted Investments - Temporary	-	-	28,597	-	-
Restricted Accrued Interest Receivable	-	-	512	-	-
Total Assets	\$ 382,377	\$ 4,536	\$ 1,004,426	\$ 875,086	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 10,092	\$ 4,536	\$ -	\$ -	\$ -
Accrued Expenses	-	-	-	1,370	-
Deferred Revenue - Unavailable	197,908	-	7,018	-	-
Total Liabilities	208,000	4,536	7,018	1,370	-
FUND BALANCES					
Reserved					
Reserved for Loans Receivable	-	-	547,033	-	-
Unreserved					
Designated for Debt Services	-	-	447,981	873,716	-
Undesignated	174,377	-	2,394	-	-
Total Fund Balances	174,377	-	997,408	873,716	-
Total Liabilities and Fund Balances	\$ 382,377	\$ 4,536	\$ 1,004,426	\$ 875,086	\$ -

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Special Revenue			Bond Fund	Total Nonmajor Governmental Funds
	Ditch	Heartland Express	Sewer Improvements		
REVENUES					
Special Assessments	\$ 68,019	\$ -	\$ -	\$ -	\$ 68,019
Intergovernmental	39,745	670,970	-	-	710,715
Investment Earnings	-	-	760	40,503	41,263
Miscellaneous	6,582	135	14,297	-	21,014
Total Revenues	114,346	671,105	15,057	40,503	841,011
EXPENDITURES					
CURRENT					
Highways and Streets	-	12,601	-	-	12,601
Conservation of Natural Resources	139,111	-	-	-	139,111
CAPITAL OUTLAY					
Highways and Streets	-	266,388	-	-	266,388
DEBT SERVICE					
Principal	-	-	11,400	-	11,400
Interest	6,582	-	-	1,370	7,952
Total Expenditures	145,693	278,989	11,400	1,370	437,452
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,347)	392,116	3,657	39,133	403,559
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	(244,890)	-	-	(244,890)
Proceeds from Loan	-	-	10,500	-	10,500
Capital Lease Issued	-	-	-	834,583	834,583
Total Other Financing Sources (Uses)	-	(244,890)	10,500	834,583	600,193
NET CHANGE IN FUND BALANCES	(31,347)	147,226	14,157	873,716	1,003,752
Fund Balance - Beginning of Year	205,724	(147,226)	983,251	-	1,041,749
FUND BALANCE - END OF YEAR	\$ 174,377	\$ -	\$ 997,408	\$ 873,716	\$ 2,045,501

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 49,000	\$ 49,000	\$ 68,019	\$ 19,019
Intergovernmental	-	-	39,745	39,745
Miscellaneous	-	-	6,582	6,582
Total Revenues	49,000	49,000	114,346	65,346
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	59,309	59,309	139,111	(79,802)
DEBT SERVICE				
Interest	-	-	6,582	(6,582)
Total Expenditures	59,309	59,309	145,693	(86,384)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (10,309)</u>	<u>\$ (10,309)</u>	(31,347)	<u>\$ (21,038)</u>
Fund Balance - Beginning of Year			205,724	
FUND BALANCE - END OF YEAR			<u>\$ 174,377</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SEWER IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 760	\$ 760
Charges for Services	10,000	10,000	14,297	4,297
Total Revenues	10,000	10,000	15,057	5,057
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	160,000	160,000	-	160,000
DEBT SERVICE				
Principal	-	-	11,400	(11,400)
Total Sanitation	160,000	160,000	11,400	148,600
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(150,000)	(150,000)	3,657	153,657
OTHER FINANCING SOURCES (USES)				
Loans issued	-	-	10,500	10,500
CHANGE IN FUND BALANCE	\$ (150,000)	\$ (150,000)	14,157	\$ 164,157
Fund Balance - Beginning of Year			983,251	
FUND BALANCE - END OF YEAR			\$ 997,408	

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
ASSETS				
Cash and Pooled Investments	\$ 83,314	\$ 885,321	\$ 881,432	\$ 87,203
LIABILITIES				
Due to Other Governments	\$ 83,314	\$ 885,321	\$ 881,432	\$ 87,203
<u>FAMILY CONNECTIONS COLLABORATIVE</u>				
ASSETS				
Cash and Pooled Investments	\$ 173,242	\$ 291,828	\$ 308,551	\$ 156,519
LIABILITIES				
Salaries Payable	\$ 7,052	\$ -	\$ 636	\$ 6,416
Due to Other Governments	166,190	291,828	307,915	150,103
Total Liabilities	\$ 173,242	\$ 291,828	\$ 308,551	\$ 156,519
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 324,880	\$ 31,516,301	\$ 31,377,285	\$ 463,896
LIABILITIES				
Due to Other Governments	\$ 324,880	\$ 31,516,301	\$ 31,377,285	\$ 463,896
<u>SOCIAL WELFARE FUND</u>				
ASSETS				
Cash and Pooled Investments	\$ 83,902	\$ 1,109,509	\$ 1,078,589	\$ 114,822
LIABILITIES				
Accounts Payable	\$ 83,902	\$ 1,109,509	\$ 1,078,589	\$ 114,822
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 665,338	\$ 33,802,959	\$ 33,645,857	\$ 822,440
LIABILITIES				
Accounts Payable	\$ 83,902	\$ 1,109,509	\$ 1,078,589	\$ 114,822
Salaries Payable	7,052	-	636	6,416
Due to Other Governments	574,384	32,693,450	32,566,632	701,202
Total Liabilities	\$ 665,338	\$ 33,802,959	\$ 33,645,857	\$ 822,440

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 4,815,537
County Program Aid	2,155,033
PERA Rate Reimbursement	40,232
Disparity Reduction Aid	174,077
Police Aid	132,661
Enhanced 911	121,930
Market Value Credit	1,475,789
Total Shared Revenue	8,915,259
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	399,520
PAYMENTS	
LOCAL	
Payments in Lieu of Taxes	16,270
Grants	1,530,000
Total Payments	1,546,270
GRANTS	
STATE	
Minnesota Department/Board of Peace Officers	7,210
Corrections	325,161
Health	197,376
Human Services	2,668,483
Pollution Control Agency	102,521
Total State	3,522,527
FEDERAL	
Department of Agriculture	488,812
Justice	117,923
Transportation	1,056,970
Environmental Protection Agency	9,155
Election Assistance Commission	567
Health and Human Services	3,018,179
Homeland Security	176,229
Total Federal	4,867,835
Total State and Federal Grants	8,390,362
Total Intergovernmental Revenue	\$ 19,251,411

**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 (County), Minnesota, as of and for the year ended December 31, 2008, which collectively comprise Mower County's basic financial statements and have issued our report thereon dated August 14, 2009. The financial statements of the Mower County HRA are as of and for the year ended September 30, 2008. 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.

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

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 08-01, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

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.

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, we consider the significant deficiencies described above as 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*.

This communication is intended solely for the information and use of management, the Board of County 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 14, 2009

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 (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, 2008. 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 \$395,556 in federal awards during the year ended September 30, 2008, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2008. 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, 2008.

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 that inconsequential will not be prevented or detected by the County's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more that 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, Board of County Commissioners, 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 14, 2009

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**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008**

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. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance with OMB Circular A-133".
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:

Recreational Trails Program	CFDA No. 20.219
Federal Transit Capital Investment Grants	CFDA No. 20.500
Temporary Assistance for Needy Families	CFDA No. 93.558
Child Support Enforcement	CFDA No. 93.563
Social Services Block Grant – Title XX	CFDA No. 93.667
Medical Assistance Grant Cluster	CFDA No. 93.778
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, 2008**

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 modified accrual 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, 2008**

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.

SIGNIFICANT DEFICIENCY - FINANCIAL REPORTING

08-1 APPROVED BUDGETS

Criteria: County management should develop procedures that ensure that Board approved budgets are accurately entered into the financial reporting system.

Condition: One error, regarding capital outlay, was noted in the data-entry of Board approved budgets. The County does not have a review process related to budget data entry.

Cause: The County has a limited number of personnel within its finance department.

Effect: The design of the internal controls budget data entry could affect the ability of the County to complete accurate and timely management analysis.

Recommendation: We recommend County management develop a review procedure related to data entry of budgetary activity.

PREVIOUSLY REPORTED ITEMS RESOLVED

CAPITAL ASSET CHANGES (07-1)

The County did not have a policy which requires documentation of reviews to capital asset listings.

RESOLUTION

The County has set up a system in which reviews by both the individual departments and the finance department are documented in writing.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008**

MAJOR PROGRAM DEFICIENCY PREVIOUSLY REPORTED ITEMS RESOLVED

REVIEW OF GRANT REPORTING (07-2)

The County did not have a policy which required review of grant reports prior to submission.

RESOLUTION

The County's Social Service Fund has set up a system in which reviews are completed by a supervisor prior to report submission.

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, 2008**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

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.

MINNESOTA LEGAL COMPLIANCE PREVIOUSLY REPORTED ITEMS RESOLVED

07-3 PUBLICATION OF LIST OF CLAIMS

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

RESOLUTION

The County began publishing claims in accordance with the statute.

07-5 UNCLAIMED PROPERTY TAX OVERPAYMENT

When there was an overpayment of property taxes, the County did not publish the required information per *Minnesota Statute* §276.19.

RESOLUTION

The County began publishing the information in accordance with the statute.

07-6 BID FILES

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.

RESOLUTION

No such issues were noted during our testing of bid files in the current year.

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**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 215,351
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	273,461
Total U.S. Department of Agriculture		488,812
U.S. Department of Justice		
Direct Domestic Violence Against Women Program	16.527	107,248
Passed Through Minnesota Department of Public Safety Title V Delinquency Prevention Program	16.523	10,675
Total U.S. Department of Justice		117,923
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Recreational Trails Program	20.219	416,000
Federal Transit Capital Investment Grants (grant cluster)	20.500	495,014
Total U.S. Department of Transportation		911,014
U.S. Environmental Protection Agency		
Passed Through SE Minnesota Watershed District Nonpoint Grant	66.460	9,155
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	567

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Immunization Grant	93.268	\$ 2,600
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	47,539
Maternal and Child Health Services Block Grant	93.994	44,420
Passed Through Minnesota Department of Human Services Family Preservation and Support Services	93.556	25,214
Temporary Assistance for Needy Families	93.558	509,027
Child Support Enforcement	93.563	824,005
Low-Income Home Energy Assistance	93.566	549
Child Care Development Block Grant (grant cluster)	93.575	36,476
Child Care Resource and Referral Program (grant cluster)	93.596	10,597
Foster Care Title IV-E	93.658	129,844
Social Services Block Grant Title XX	93.667	259,089
Chafee Foster Care Independent Living	93.674	7,167
State Children's Insurance Program	93.767	558
Medical Assistance (Medicaid; Title XIX) (grant cluster)	93.778	1,117,425
Community Mental Health Block Grant	93.958	3,669
Total U.S. Department of Health and Human Services		3,018,179
U.S. Department of Homeland Security		
Direct		
Emergency Management Performance Grant	97.042	23,490
Passed Through United Way of America Emergency Shelter Grant	97.024	1,500
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance	97.036	143,601
Hazard Mitigation Grant	97.039	7,638
Total U.S. Department of Homeland Security		176,229
Total Federal Awards		\$ 4,721,879

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
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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 2008, the County did not pass any federal grants through to subrecipients.

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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, 2008, and have issued our report thereon dated August 14, 2009.

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 item 07-4.

This report is intended solely for the information and use of management, Board of County Commissioners, 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 14, 2009

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