

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2009**





MOWER COUNTY  
AUSTIN, MINNESOTA  
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## INTRODUCTORY SECTION



**MOWER COUNTY  
AUSTIN, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2009**

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	Dave "Tolly" Tollefson **	District 5	January 2011
Vice-Chair	Raymond Tucker *	District 2	January 2013
Board Member	Tim Gabrielson	District 1	January 2013
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
<b>Appointed</b>			
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

\* 2010 Board Chair

\*\* Deceased in December 2009

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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, 2009, 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, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2009, including the Mower County HRA as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010, 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.

Board of County Commissioners  
Mower County

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  
September 8, 2010

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

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, 2009. 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, 2009 and the prior year, 2008 is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2008-2009 fiscal years include the following:

- ◆ County-wide net assets increased 1.9 percent over the prior year; this is primarily due to the investment of bond proceeds for the justice center construction. In addition, state aid funds were used for County bridge construction and state aid road resurfacing.
- ◆ Overall fund-level revenues totaled \$34,893,823 and were \$8,181,339 less than expenditures; this is primarily due to an increase in public safety capital outlay offset by the issuance of bonds.
- ◆ In the current year, there was a decrease in intergovernmental funding with an intensive plan to reduce expenses wherever possible. Social service needs saw an increase in expenses.
- ◆ The General Fund's fund balance decreased by \$7,794,511 from the prior year; this is largely due to the separation of capital projects from the general fund to the capital projects fund. Excluding this transfer, the General Fund shows an increase of \$962,852, primarily due to an emphasis on controlling costs.
- ◆ The Road and Bridge Fund's fund balance increased \$630,556 from the prior year, and is due primarily to emphasis on controlling costs and a decrease in inventory of \$101,805.
- ◆ The Social Service Fund's balance decreased by \$16,673 primarily due to increased need for services, but an internal transfer of \$362,959 prevented a negative undesignated fund balance.
- ◆ The Capital Projects Fund would reflect an increase of \$6,965,792, excluding the transfer in from the general fund. Any increase in this fund is due to bond proceeds not yet used on the justice center construction.

**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:

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

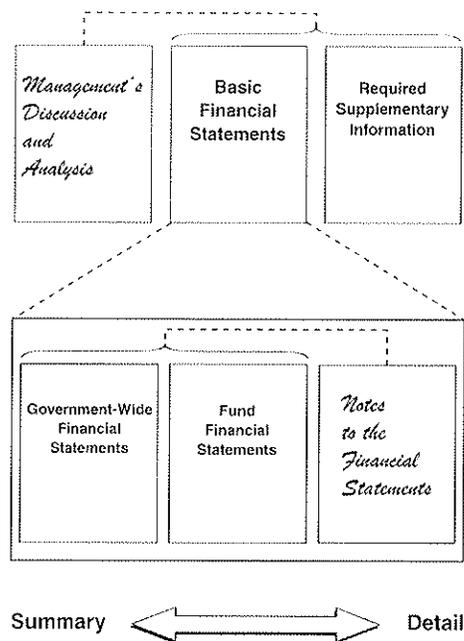
**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

- ◆ 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.

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, 2009**

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

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

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

**COUNTY-WIDE STATEMENTS**

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

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

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

**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, 2009**

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

**NET ASSETS**

The County's net assets were \$120,186,600 on December 31, 2009. (See Table A-1).

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

	Governmental Activities		Percentage Change
	2009	2008	
Current and Other Assets	\$ 56,766,801	\$ 46,792,878	21.3 %
Capital Assets	97,046,865	86,289,161	12.5
Total Assets	153,813,666	133,082,039	15.6
Long-Term Liabilities Outstanding	28,044,154	12,128,888	131.2
Other Liabilities	5,582,912	3,043,438	83.4
Total Liabilities	33,627,066	15,172,326	121.6
Net Assets			
Invested in Capital Assets, Net of Related Debt	86,329,920	85,426,536	1.1
Restricted	1,676,333	2,008,518	(16.5)
Unrestricted	32,180,347	30,474,659	5.6
Total Net Assets	\$ 120,186,600	\$ 117,909,713	1.9

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

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

**CHANGES IN NET ASSETS**

The County-wide total revenues were \$34,996,145 for the year ended December 31, 2009. Property taxes and intergovernmental revenues accounted for over 88% 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
	2009	2008	
<b>REVENUES</b>			
Program Revenues			
Charges for Services	\$ 3,158,685	\$ 4,061,881	(22.2)%
Operating Grants and Contributions	9,755,375	12,308,772	(20.7)
Capital Grants and Contributions	2,830,780	2,845,930	(0.5)
General Revenues			
Property Taxes	13,992,053	11,544,849	21.2
Other Taxes	47,003	38,609	21.7
Unrestricted Grants and Contributions	4,248,073	3,888,047	9.3
Unrestricted Investment Earnings	813,498	1,406,993	(42.2)
Gain on Sale of Capital Assets	-	15,818	(100.0)
Miscellaneous	150,678	7,267	1973.5
Total Revenues	34,996,145	36,118,166	(3.1)
<b>EXPENSES</b>			
General Government	5,662,446	2,949,405	92.0
Public Safety	6,144,239	8,195,977	(25.0)
Highways and Streets	7,588,969	7,096,857	6.9
Sanitation	636,857	672,377	(5.3)
Human Services	9,128,121	9,443,654	(3.3)
Health	1,628,554	1,580,922	3.0
Culture and Recreation	364,201	416,355	(12.5)
Conservation of Natural Resources	659,030	602,172	9.4
Economic Development	28,400	31,800	(10.7)
Interest	878,441	7,952	10946.8
Total Expenses	32,719,258	30,997,471	5.6
<b>CHANGE IN NET ASSETS</b>			
<b>BEFORE TRANSFERS</b>	2,276,887	5,120,695	(55.5)
Net Assets - Beginning of Year	117,909,713	112,789,018	4.5
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 120,186,600</b>	<b>\$ 117,909,713</b>	1.9

Total revenues surpassed expenses, increasing net assets \$2,276,887 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, 2009**

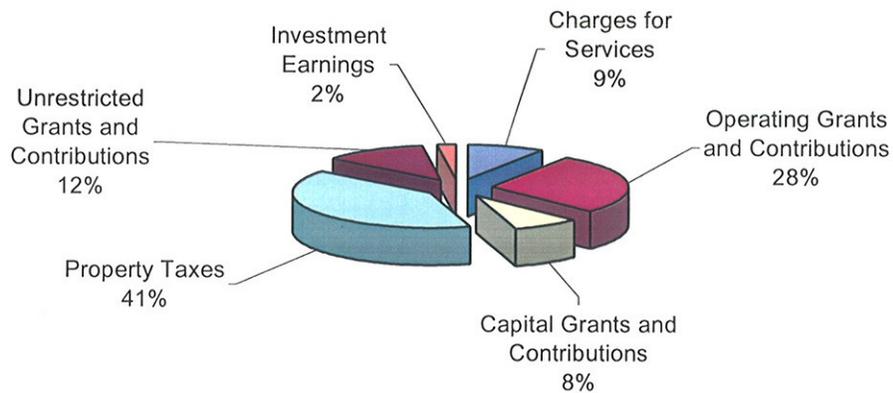
**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET ASSETS (CONTINUED)**

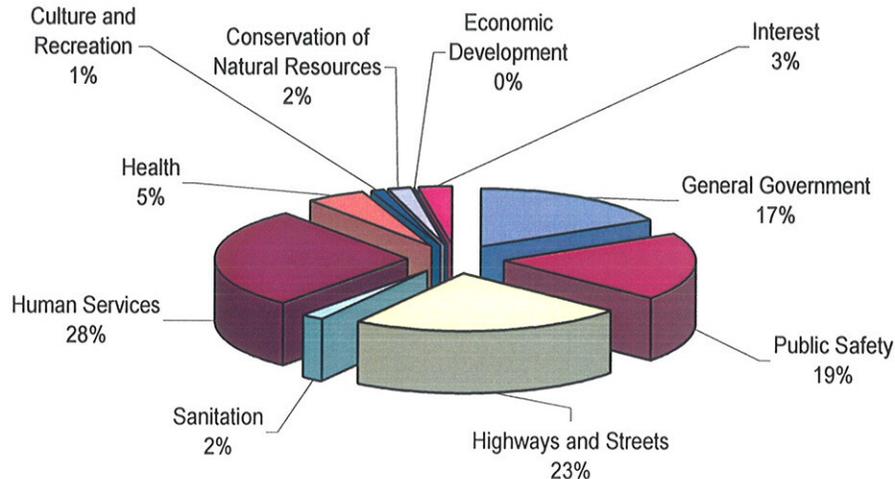
The County-wide cost of all governmental activities this year was \$32,719,258.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,158,685).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$12,586,155).
- ◆ Most of the County's remaining costs (\$16,974,418), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$13,992,053 in property taxes, \$4,248,073 of state aid, and with investment earnings and other general revenues.

**Figure A-3 Sources of County's Revenues for Fiscal 2009**



**Figure A-4 County's Expenses for Fiscal 2009**



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

**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>		
	2009	2008	Change	2009	2008	Change
General Government	\$ 5,662,446	\$ 2,949,405	92.0 %	\$ (4,452,108)	\$ (1,764,270)	152.3 %
Public Safety	6,144,239	8,195,977	(25.0)	(4,632,429)	(5,433,943)	(14.8)
Highways and Streets	7,588,969	7,096,857	6.9	(2,503,700)	(257,302)	873.1
Sanitation	636,857	672,377	(5.3)	(400,593)	(86,185)	364.8
Human Services	9,128,121	9,443,654	(3.3)	(3,862,324)	(3,916,923)	(1.4)
Health	1,628,554	1,580,922	3.0	55,905	372,616	(85.0)
Culture and Recreation	364,201	416,355	(12.5)	(295,843)	(416,355)	(28.9)
Conservation of						
Natural Resources	659,030	602,172	9.4	20,515	(240,274)	(108.5)
Economic Development	28,400	31,800	(10.7)	(25,400)	(30,300)	(16.2)
Interest	878,441	7,952	10946.8	(878,441)	(7,952)	10946.8
Total Expenses	<u>\$ 32,719,258</u>	<u>\$ 30,997,471</u>	5.6	<u>\$ (16,974,418)</u>	<u>\$ (11,780,888)</u>	44.1

**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 \$50,119,594.

Revenues for the County's governmental funds were \$34,893,823, while total expenditures were \$43,075,162.

**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, 2009**

**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, 2009	December 31, 2008	Increase (Decrease)	Percent
Taxes	\$ 6,548,350	\$ 6,972,585	\$ (424,235)	(6.1)%
Special Assessments	362,295	360,600	1,695	0.5
Intergovernmental	4,477,354	5,963,663	(1,486,309)	(24.9)
Charges for Services	1,787,222	1,792,453	(5,231)	(0.3)
Interest on Investments	815,455	1,406,233	(590,778)	(42.0)
Miscellaneous and Other	734,353	984,381	(250,028)	(25.4)
Total General Fund Revenue	<u>\$ 14,725,029</u>	<u>\$ 17,479,915</u>	<u>\$ (2,754,886)</u>	<u>(15.8)</u>

Total General Fund revenue decreased by \$2,754,886 or 15.8%, from the previous year. In addition, other financing sources (uses) totaled (\$8,739,204) in 2009 and \$9,280,823 in 2008. These other financing sources are largely due to transfer in 2009 to a separate capital project fund and 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, 2009	December 31, 2008	Increase (Decrease)	Percent
General Government	\$ 5,097,256	\$ 4,989,338	\$ 107,918	2.2 %
Public Safety	5,697,236	5,644,022	53,214	0.9
Sanitation	525,614	593,420	(67,806)	(11.4)
Health	1,631,523	1,578,743	52,780	3.3
Culture and Recreation	303,994	356,060	(52,066)	(14.6)
Conservation of Natural Resources	461,013	457,606	3,407	0.7
Economic Development	28,400	31,800	(3,400)	(10.7)
Capital Outlay	35,300	5,531,836	(5,496,536)	(99.4)
Total General Fund Expenditures	<u>\$ 13,780,336</u>	<u>\$ 19,182,825</u>	<u>\$ (5,402,489)</u>	<u>(28.2)</u>

The General Fund had total fund balance of \$22,634,930 at the end of the current fiscal year. The fund balance of the General Fund decreased \$7,794,511 during the current fiscal year primarily due to the creation of a new capital project fund and the transfer of prior year bond funds to that new fund.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

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

**OTHER MAJOR FUNDS ANALYSIS**

The Road and Bridge Fund had total fund balance of \$7,830,834 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$630,556 during the current fiscal year primarily due to a \$101,805 decrease in inventories, plus intergovernmental revenue and tax increases.

The Social Services Fund had total fund balance of \$1,622,623 at the end of the current fiscal year. The fund balance of the Social Services Fund decreased \$16,673 during the current fiscal year primarily due to increases in expenditures over the prior year, partially offset by a transfer from the General Fund.

The Capital Projects Fund was established in 2009 by the transfer of \$8,757,363 in assets from the General Fund. Excluding this transfer, the fund balance of Capital Projects Fund increased \$6,965,792 due to the issuance of bonds in excess of capital expenditures. The balance in this fund will be spent down in coming years as the justice center and other projects are completed.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- ◆ Actual revenues were \$167,826 less than expected resulting primarily from increased intergovernmental revenue, decreased investment earnings, and decreased tax revenues.
- ◆ The actual expenditures were \$1,814,674 less than budget and relate largely to \$721,039 fewer public safety expenditures and \$734,958 fewer 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 \$82,295 and an increase in the expenditure budget from original to final of \$442,423. These changes in the budget are to account for several unexpected items that came to the Board's attention during 2009.

**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, 2009**

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

**CAPITAL ASSETS**

By the end of 2009, the County had invested almost \$146,313,000 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 \$2,753,118.

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

	Governmental Activities		Percentage Change
	2009	2008	
Land and Right of Way	\$ 15,964,591	\$ 16,127,943	(1.0)%
Construction in Progress	14,089,605	3,933,861	258.2
Buildings	13,671,371	13,671,371	-
Improvements Other than Buildings	259,031	259,031	-
Machinery and Equipment	9,622,801	7,791,653	23.5
Software	126,747	126,747	-
Infrastructure	92,578,620	90,950,331	1.8
Accumulated Depreciation	(49,265,901)	(46,571,776)	5.8
Total	<u>\$ 97,046,865</u>	<u>\$ 86,289,161</u>	12.5

**LONG-TERM LIABILITIES**

At year-end, the County had \$29,887,576 in long-term liabilities outstanding.

- ◆ The County's total debt increased \$17,539,620 due largely to the issuance of bonding for the justice center.

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

	Governmental Activities		Percentage Change
	2009	2008	
Loans Payable	\$ 444,991	\$ 447,981	(0.7)%
Bonds Payable	16,660,000	-	100.0
Capital Lease Payable	10,000,000	10,000,000	-
Compensated Absences Payable	874,745	936,507	(6.6)
Other Postemployment Benefits Payable	1,907,840	963,468	98.0
Total	<u>\$ 29,887,576</u>	<u>\$ 12,347,956</u>	142.0

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2009**

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

**FACTORS BEARING ON THE COUNTY'S FUTURE AND 2010 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 2010.

The County has set the 2010 expenditure budget at \$48,194,937, a decrease of \$8,862,261 from the 2009 expenditure budget due to completed 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, 2009**

ASSETS	Governmental Activities	Discretely Presented Component Unit
Cash and Pooled Investments	\$ 42,563,936	\$ 914,433
Petty Cash and Change Funds	3,180	-
Restricted Cash	10,465	-
Tenant Deposit Cash	-	24,869
Cash with Escrow Agent	912,086	-
Taxes Receivable - Current	-	53,124
Taxes Receivable - Delinquent	371,312	-
Accounts Receivable (Net)	199,615	1,989
Accrued Interest Receivable	443,256	1,625
Due from Other Governments	3,604,049	-
Loans Receivable	7,411,312	-
Notes Receivable	150,800	-
Inventories	512,545	-
Prepaid Items	-	22,072
Special Assessments Receivable - Deferred	445,997	-
Special Assessments Receivable - Delinquent	81,383	-
Deferred Debt Issue Costs	27,573	-
Restricted Investments - Temporary	29,208	1,029,301
Restricted Accrued Interest Receivable - Temporary	84	-
Lease Receivable	-	10,000,000
Bond Issuance Costs	-	38,025
Non-Depreciable Capital Assets		
Land	15,964,591	42,304
Construction in Progress	14,089,605	-
Depreciable Capital Assets		
Infrastructure (Net)	55,984,362	-
Buildings (Net)	6,789,838	1,652,644
Improvements Other Than Buildings (Net)	87,678	115,477
Machinery, Vehicles, Furniture, and Equipment (Net)	4,091,789	116,307
Software (Net)	39,002	-
Total Assets	153,813,666	14,012,170
<b>LIABILITIES</b>		
Accounts Payable	715,705	13,769
Salaries Payable	446,704	9,888
Claims and Judgments Payable	10,465	-
Accrued Expenses	-	12,250
Contracts Payable	1,474,724	-
Retainage Payable	570,554	-
Due to Other Governments	138,347	-
Accrued Interest Payable	542,972	41,621
Deferred Revenue	-	125
Compensated Absences Payable - Due Within One Year	42,540	12,384
General Obligation Bonds Payable - Due Within One Year	1,375,000	-
Loans and Bonds Payable - Due Within One Year	15,901	280,273
Capital Lease Payable - Due Within One Year	250,000	-
Tenant Deposits Payable	-	25,146
Compensated Absences Payable - Due in More than One Year	832,204	81,954
Other Post Employment Benefit Obligation Payable	1,907,840	-
Unamortized Discount on Bonds	(159,980)	(144,398)
General Obligation Bonds Payable - Due in More than One Year	15,285,000	-
Loans and Bonds Payable - Due in More than One Year	429,090	10,194,931
Capital Lease Payable - Due in More than One Year	9,750,000	-
Total Liabilities	33,627,066	10,527,943
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of Related Debt	86,329,920	1,382,263
Restricted for		
General Government	595,399	-
Public Safety	483,628	-
HRA Housing	-	1,048,355
Debt Service	597,306	-
Unrestricted	32,180,347	1,053,609
Total Net Assets	\$ 120,186,600	\$ 3,484,227

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

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 Units
	Net Assets	Governmental Activities			
General Government	\$ 5,662,446	\$ 1,132,565	\$ 76,404	\$ -	\$ (4,453,477)
Public Safety	6,144,239	434,470	1,145,403	-	(4,564,366)
Highways and Streets	7,588,969	295,292	1,991,701	2,798,276	(2,503,700)
Sanitation	636,857	203,760	-	32,504	(400,593)
Human Services	9,128,121	207,790	5,058,007	-	(3,862,324)
Health	1,628,554	669,565	1,014,894	-	55,905
Culture and Recreation	364,201	295	-	-	(363,906)
Conservation of Natural Resources	659,030	214,948	465,966	-	21,884
Economic Development	28,400	-	3,000	-	(25,400)
Interest	878,441	-	-	-	(878,441)
Total Governmental Activities	\$ 32,719,258	\$ 3,158,685	\$ 9,755,375	\$ 2,830,780	(16,974,418)
Component Unit Housing and Redevelopment Authority	\$ 1,007,585	\$ 708,378	\$ 47,696	\$ 70,376	\$ (34,422)
General Revenues					
Property Taxes					95,956
Mortgage Registry and Deed Tax					-
Payments in Lieu of Tax					-
Grants and Contributions not Restricted to Specific Programs					8,312
Unrestricted Investment Earnings					51,475
Miscellaneous					-
Total General Revenues					155,743
CHANGE IN NET ASSETS					121,321
Net Assets - Beginning of Year					3,362,906
NET ASSETS - END OF YEAR					\$ 3,484,227

MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	General	Road and Bridge	Social Services	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Pooled Investments	\$ 15,425,276	\$ 7,498,902	\$ 1,358,488	\$ 17,655,138	\$ 626,132	\$ 42,563,936
Petty Cash and Change Funds	2,680	-	500	-	-	3,180
Cash with Fiscal Agent	10,465	-	-	-	-	10,465
Cash with Escrow Agent	-	-	-	-	912,086	912,086
Taxes Receivable - Delinquent	176,198	67,710	71,773	55,631	-	371,312
Special Assessments Receivable						
Deferred	263,042	-	-	-	182,955	445,997
Delinquent	74,991	-	-	-	6,392	81,383
Accounts Receivable	94,191	2,054	103,370	-	-	199,615
Notes Receivable	150,800	-	-	-	-	150,800
Accrued Interest Receivable	288,723	-	-	-	154,533	443,256
Loans Receivable	6,811,253	-	-	-	600,059	7,411,312
Due from Other Governments	579,335	2,398,733	618,603	-	7,378	3,604,049
Inventories	-	512,545	-	-	-	512,545
Restricted Investments - Temporary	-	-	-	-	29,208	29,208
Restricted Accrued Interest Receivable	-	-	-	-	84	84
<b>Total Assets</b>	<b>\$ 23,876,954</b>	<b>\$ 10,479,944</b>	<b>\$ 2,152,734</b>	<b>\$ 17,710,769</b>	<b>\$ 2,562,244</b>	<b>\$ 56,782,645</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 265,793	\$ 139,004	\$ 296,973	\$ -	\$ 13,935	\$ 715,705
Salaries Payable	275,370	57,669	113,665	-	-	446,704
Claims and Judgements Payable	10,465	-	-	-	-	10,465
Contracts Payable	-	13,730	-	1,460,994	-	1,474,724
Retainage Payable	-	85,513	-	485,041	-	570,554
Due to Other Governments	72,172	4,500	61,312	-	363	138,347
Deferred Revenue - Unavailable	618,224	2,348,694	58,161	41,579	196,477	3,263,135
Advances from Other Funds	-	-	-	-	43,417	43,417
<b>Total Liabilities</b>	<b>1,242,024</b>	<b>2,649,110</b>	<b>530,111</b>	<b>1,987,614</b>	<b>254,192</b>	<b>6,663,051</b>
<b>Fund Balances</b>						
<b>Reserved for</b>						
Law Library	86,756	-	-	-	-	86,756
Recorder Equipment	285,209	-	-	-	-	285,209
Canteen	25,043	-	-	-	-	25,043
E-911	428,310	-	-	-	-	428,310
Loans Receivable	6,962,053	-	-	-	600,059	7,562,112
Debt Service	-	-	-	-	912,086	912,086
Attorney Forfeited Property	30,770	-	-	-	-	30,770
Veteran's Van	13,685	-	-	-	-	13,685
Sheriff's Conceal	30,275	-	-	-	-	30,275
Land Records	178,979	-	-	-	-	178,979
Inventories	-	512,545	-	-	-	512,545
<b>Unreserved</b>						
Designated for Future Expenditures	1,355,641	2,160,000	-	14,097,755	-	17,613,396
Designated for Cash Flows	3,213,000	1,282,600	1,429,400	1,625,400	-	7,550,400
Designated for Compensated Absences	531,345	151,187	192,214	-	-	874,746
Designated for Medical Insurance	1,111,424	-	-	-	-	1,111,424
Designated in Nonmajor Special Revenue Funds	-	-	-	-	411,644	411,644
Designated in Nonmajor Debt Service Funds	-	-	-	-	228,192	228,192
Undesignated	8,382,440	3,724,502	1,009	-	-	12,107,951
Unreserved, Undesignated Reported in Nonmajor Special Revenue Funds	-	-	-	-	156,071	156,071
<b>Total Fund Balances</b>	<b>22,634,930</b>	<b>7,830,834</b>	<b>1,622,623</b>	<b>15,723,155</b>	<b>2,308,052</b>	<b>50,119,594</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,876,954</b>	<b>\$ 10,479,944</b>	<b>\$ 2,152,734</b>	<b>\$ 17,710,769</b>	<b>\$ 2,562,244</b>	<b>\$ 56,782,645</b>

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

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 50,119,594

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. 97,046,865

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 3,263,135

Bond issuance costs are expensed in the governmental funds but are capitalized and amortized on the statement of net assets 27,573

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	\$	(444,991)	
Capital Lease Payable		(10,000,000)	
General Obligation Bonds Payable		(16,660,000)	
Discount on Bonds and Notes Issued		159,980	
Accrued Interest Payable		(542,972)	
Other Postemployment Benefits Payable		(1,907,840)	
Compensated Absences		(874,744)	(30,270,567)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 120,186,600

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge	Social Services	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 6,548,350	\$ 2,265,944	\$ 2,470,765	\$ 2,633,843	\$ -	\$ 13,918,902
Special Assessments	362,295	-	-	-	163,799	526,094
Licenses and Permits	68,348	30,485	-	-	-	98,833
Intergovernmental	4,477,354	5,144,805	5,766,797	314,971	-	15,703,927
Charges for Services	1,787,222	259,977	207,790	-	-	2,254,989
Fines and Forfeits	51,877	-	-	-	-	51,877
Gifts and Contributions	16,160	-	2,252	-	-	18,412
Interest on Investments	815,455	-	-	-	280,352	1,095,807
Miscellaneous	597,968	136,632	469,406	-	20,976	1,224,982
<b>Total Revenues</b>	<b>14,725,029</b>	<b>7,837,843</b>	<b>8,917,010</b>	<b>2,948,814</b>	<b>465,127</b>	<b>34,893,823</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	5,001,404	-	-	-	-	5,001,404
Public Safety	5,348,402	-	-	-	-	5,348,402
Highways and Streets	-	6,925,799	-	-	3,094	6,928,893
Sanitation	560,914	-	-	-	-	560,914
Human Services	-	-	9,296,642	-	-	9,296,642
Health	1,631,523	-	-	-	-	1,631,523
Culture and Recreation	303,994	-	-	-	-	303,994
Conservation	461,013	-	-	-	182,105	643,118
Economic Development	28,400	-	-	-	-	28,400
Intergovernmental	-	27,435	-	-	-	27,435
<b>Capital Outlay</b>						
General Government	95,852	-	-	468,922	-	564,774
Public Safety	348,834	-	-	11,461,971	-	11,810,805
Highways and Streets	-	355,858	-	-	-	355,858
Culture and Recreation	-	-	-	198,827	-	198,827
<b>Debt Service</b>						
Principal Retirement	-	-	-	-	9,990	9,990
Interest	-	-	-	-	335,469	335,469
Bond Issuance Costs	-	-	-	28,714	-	28,714
<b>Total Expenditures</b>	<b>13,780,336</b>	<b>7,309,092</b>	<b>9,296,642</b>	<b>12,158,434</b>	<b>530,658</b>	<b>43,075,162</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>944,693</b>	<b>528,751</b>	<b>(379,632)</b>	<b>(9,209,620)</b>	<b>(65,531)</b>	<b>(8,181,339)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	362,959	8,757,363	321,082	9,441,404
Transfers Out	(9,123,416)	-	-	(317,988)	-	(9,441,404)
Proceeds from Loan	-	-	-	-	7,000	7,000
Bonds and Notes Issued	-	-	-	16,660,000	-	16,660,000
Proceeds from Sale of Capital Assets	384,212	-	-	-	-	384,212
Discount on Bond Issuance	-	-	-	(166,600)	-	(166,600)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,739,204)</b>	<b>-</b>	<b>362,959</b>	<b>24,932,775</b>	<b>328,082</b>	<b>16,884,612</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,794,511)</b>	<b>528,751</b>	<b>(16,673)</b>	<b>15,723,155</b>	<b>262,551</b>	<b>8,703,273</b>
Fund Balance - Beginning of Year	30,429,441	7,200,278	1,639,296	-	2,045,501	41,314,516
<b>CHANGE IN RESERVED FOR INVENTORIES</b>	<b>-</b>	<b>101,805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,805</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 22,634,930</b>	<b>\$ 7,830,834</b>	<b>\$ 1,622,623</b>	<b>\$ 15,723,155</b>	<b>\$ 2,308,052</b>	<b>\$ 50,119,594</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
GOVERNMENT ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 8,703,273**

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	\$	14,026,461	
Net Book Value of Capital Assets Disposed		(665,950)	
Current Year Depreciation		<u>(2,752,806)</u>	10,607,705

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	759,143
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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:

General Obligation Bonds Issued	(16,660,000)
Bond Discount	166,600
Loans Issued	(7,000)
Bond Issuance Costs	28,714

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	9,990

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.

Amortization of Bond Discount and Issuance Costs	(7,761)	
Change in Accrued Interest Payable	(542,972)	
Change in Compensated Absences	61,762	
Change in Other Postemployment Benefits Payable	(944,372)	
Change in Inventories	<u>101,805</u>	<u>(1,331,538)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 2,276,887**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 851,686</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 193,382
Salaries Payable	3,724
Due to Other Governments	<u>654,580</u>
Total Liabilities	<u>\$ 851,686</u>

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**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009. 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 *Minnesota Statutes* 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 <i>Minnesota Statutes</i> §469.001-.047.	The County appoints members, and the HRA is a financial burden.	Mower County HRA 59039 – 200 <sup>th</sup> Street Austin, MN 55912

Joint Ventures

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009**

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

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

The Capital Projects Fund is used to account for capital project activity, including the activity related to the construction of the Justice Center.

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, 2009**

**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, 2009, based on market prices. Pursuant to *Minnesota Statutes* §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 *Minnesota Statutes* §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, 2009**

**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, 2009**

**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, 2009**

**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 \$1,676,333 of restricted net assets, of which \$1,040,299 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.

12. Subsequent Events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through September 8, 2010, the date the financial statements were available to be issued.

**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, 2009:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 9,296,642	\$ 8,899,941	\$ 396,701

The excess of expenditures over budget was generally funded by a transfer from the general fund and the use of existing fund balance.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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 Statutes* §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, 2009, 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 Statutes* §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, 2009**

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

A. Assets (Continued)

1. Deposits and Investments (Continued)

*Minnesota Statutes* §§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 *Minnesota Statutes* §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, 2009, the County had the following investments:

Investment Type	Fair Value	Maturity		
		Less Than 2 Years	2-5 Years	5 + Years
Federal Home Loan Bank	\$ 1,648,705	\$ 127,790	\$ 1,520,915	\$ -
Federal Home Loan Mortgage	5,657,509	78,268	1,110,291	4,468,950
Fannie Mae	4,559,705	153,899	705,740	3,700,066
Farm Credit Note	987,500	-	-	987,500
Municipal Bonds	8,367,033	874,959	1,869,717	5,622,357
Mutual Funds	12,437,374	12,437,374	-	-
MAGIC Fund	3,889,612	3,889,612	-	-
Negotiable Certificates of Deposit	6,480,040	4,481,152	1,704,337	294,551
Total	<u>\$ 44,027,478</u>	<u>\$ 22,043,054</u>	<u>\$ 6,911,000</u>	<u>\$ 15,073,424</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009:

Investment Type	S & P Rating	Fair Value
Federal Home Loan Bank	AAA	\$ 1,648,705
Federal Home Loan Mortgage	AAA	5,657,509
Fannie Mae	AAA	4,559,705
Farm Credit Note	AAA	987,500
Municipal Bonds	AAA	8,367,033
Mutual Funds:		
Western Asset Government Money Market Fund	AAAm	19,101
UBS Select Prime Institutional Fund	AAAm	12,391,013
First American Government Obligation Fund	AAAm	19,023
General Government SEC Money Market CI B	AAAm	8,237
MN Assoc of Govts Investing for Counties (MAGIC) Fund	N/R	3,889,612
Negotiable Certificates of Deposits	N/R	6,480,040
Total		<u>\$ 44,027,478</u>

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, 2009, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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 Mortgage	\$ 5,657,509	13%
Fannie Mae	4,559,705	10%
UBS Select Prime Institutional Fund	<u>12,391,013</u>	28%
Total	<u><u>\$22,608,227</u></u>	

Balance Sheet Presentation

Total County cash and investments at December 31, 2009 consisted of:

Deposits	\$ 339,903
Cash on Hand	3,180
Investments	<u>44,027,478</u>
Total	<u><u>\$ 44,370,561</u></u>

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

Cash and Pooled Investments	\$ 42,563,936
Petty Cash and Change Funds	3,180
Restricted Cash	922,551
Restricted Investments	29,208
Agency Fund Cash and Investments	<u>851,686</u>
Total	<u><u>\$ 44,370,561</u></u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for the County governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	
Accounts Receivable	\$ 1,113,984
Less: Allowance for Uncollectibles	
Nursing Department	(5,262)
Social Services Department	<u>(909,107)</u>
Total Governmental Activities, Net	<u><u>\$ 199,615</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 two percent. 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, 2009:

	Beginning Balance	Additions	Payments	Ending Balance
Economic Development Loans	\$ 7,046,878	\$ -	\$ 235,625	\$ 6,811,253
Sewer Improvement Loans	547,034	209,594	156,569	600,059
Notes Receivable	163,100	-	12,300	150,800
Total	<u><u>\$ 7,757,012</u></u>	<u><u>\$ 209,594</u></u>	<u><u>\$ 404,494</u></u>	<u><u>\$ 7,562,112</u></u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 5,850,654	\$ -	\$ 244,400	\$ 5,606,254
Right of Way	10,277,289	81,048	-	10,358,337
Construction in Progress	3,933,861	12,057,176	1,901,432	14,089,605
Total Capital Assets, Not Depreciated	<u>20,061,804</u>	<u>12,138,224</u>	<u>2,145,832</u>	<u>30,054,196</u>
Capital Assets Being Depreciated				
Buildings	8,782,805	-	-	8,782,805
Buildings Improvements	4,888,566	-	-	4,888,566
Improvements Other Than Building	259,031	-	-	259,031
Machinery, Furniture, Equipment, and Vehicles	7,791,653	2,311,379	480,231	9,622,801
Software	126,747	-	-	126,747
Infrastructure	90,950,331	1,628,289	-	92,578,620
Total Capital Assets Being Depreciated	<u>112,799,133</u>	<u>3,939,668</u>	<u>480,231</u>	<u>116,258,570</u>
Less: Accumulated Depreciation for				
Buildings	3,625,309	162,079	-	3,787,388
Buildings Improvements	2,845,470	248,675	-	3,094,145
Improvements Other Than Building	158,943	12,410	-	171,353
Machinery, Furniture, Equipment, and Vehicles	4,904,754	684,939	58,681	5,531,012
Software	84,805	2,940	-	87,745
Infrastructure	34,952,495	1,641,763	-	36,594,258
Total Accumulated Depreciation	<u>46,571,776</u>	<u>2,752,806</u>	<u>58,681</u>	<u>49,265,901</u>
Total Capital Assets, Depreciated, Net	<u>66,227,357</u>	<u>1,186,862</u>	<u>421,550</u>	<u>66,992,669</u>
Governmental Activities Capital Assets, Net	<u>\$ 86,289,161</u>	<u>\$ 13,325,086</u>	<u>\$ 2,567,382</u>	<u>\$ 97,046,865</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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	\$	351,962
Public Safety		155,008
Highways and Streets, Including Infrastructure		2,113,814
Sanitation		51,406
Human Services		11,817
Health		1,869
Culture and Recreation		60,207
Conservation of Natural Resources		<u>6,723</u>
Depreciation Expense - Governmental Activities	\$	<u><u>2,752,806</u></u>

B. Interfund Receivables, Payables, and Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfer	Amount	Description
Transfer to Social Services Fund from General Fund	\$ 362,959	Operating Expenditures
Transfer to Heartland Express Fund from General Fund	3,094	Operating Expenditures
Transfer to Capital Project Fund from General Fund	8,757,363	Create New Fund
Transfers to Debt Service Fund from Capital Project Fund	<u>317,988</u>	Interest Expenditures
Total Transfers	<u><u>\$ 9,441,404</u></u>	

As of December 31, 2009, there were no interfund receivables or payables.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

C. Liabilities

1. Construction Commitments

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

	<u>Original Contract Amount</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges	\$ 1,890,094	\$ 567,926
Public Safety	23,382,191	11,239,536
Total	<u>\$ 25,272,285</u>	<u>\$ 11,807,462</u>

2. Leases

Operating Leases

The County leases space for Social Services under a long-term operating lease, in addition to other miscellaneous equipment leases. Total cost for the lease was \$139,954 for the year ended December 31, 2009. The future minimum lease payments for these leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2010	\$ 148,033
2011	132,952
2012	73,797
2013	73,797
2014	61,497
Total Operating Lease Payments	<u>\$ 490,076</u>

3. Other Postemployment Benefits

**a) Plan Description and Funding Policy**

Retirees:

The County provides postemployment health care benefits for retirees and their dependents. This benefit is provided based on Board of County Commissioners 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, 2009**

**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 (\$576 per month) or family (\$1,542 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2009, there were 8 participants in this plan at a cost of \$114,886.
- (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 \$26 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 2009, there were 6 participants in the plan at a cost of \$62,197.
- (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 2009, there were 75 participants in the plan at a cost of \$785,141.
- (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 2009, 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, 2009**

**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 postemployment 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 unfunded 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	38,539
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	1,906,596
Contributions Made	(962,224)
Net OPEB Obligation - Beginning of Year	963,468
 Net OPEB Obligation - End of Year	 \$ 1,907,840

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2008	\$ 1,868,057	\$ 904,589	48.4 %	\$ 963,468
December 31, 2009	1,906,596	962,224	50.5	1,907,840

**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 191.6%.

**MOWER COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
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**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 four percent 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, 2009 was 18 years.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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.

Capital Lease Payable

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.

In the 2008 financial statements, this \$10,000,000 of County debt was classified as a facility lease revenue bonds payable. However, upon further analysis, it was determined that this debt is better categorized as a capital lease payable and is now presented as such.

The total cost of the asset included in construction in progress and the accumulated depreciation related to this capital lease are \$10,000,000 and \$-0-, respectively, as of December 31, 2009.

General Obligation Bond Payable

On July 15, 2009, the County issued \$16,660,000 General Obligation Taxable Jail Bonds, Series 2009A (Build America Bonds). The proceeds will be used to construct a law enforcement center. The County is eligible to receive a credit from the federal government in the amount of thirty-five percent of the interest payable on each interest payment date.

**MOWER COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

Debt Summary

Type of Debt	Final Maturity	Installment Amount	Interest Rate %	Amount Original	Balance 12/31/09
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	48,610
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	2025	\$2,500 - \$5,400	-	60,000	60,000
2007 Septic Loans	2025	\$2,500 - \$5,400	-	40,169	40,169
2008 Septic Loans	2025	\$2,500 - \$5,400	-	10,500	10,500
2009 Septic Loans	2025	\$2,500 - \$5,400	-	7,000	7,000
Total General Obligation Capital Notes				496,381	444,991
Bonds:					
General Obligation Taxable Jail Bonds, Series 2009A	2022	\$1,375,000 - \$15,285,000	1.25%-5.4%	16,660,000	16,660,000
Capital Lease Payable:					
Facility Lease	2029	\$250,000 - \$775,000	2.5%-5.9%	10,000,000	10,000,000
Total Long Term Debt				<u>\$ 27,156,381</u>	<u>\$27,104,991</u>

Debt Service Requirements

Debt service requirements, including payments due under the capital lease at December 31, 2009, were as follows:

Year Ending December 31	State Loans		Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 15,901	\$ -	\$ 1,375,000	\$ 716,955	\$ 250,000	\$ 496,323
2011	16,233	-	1,205,000	641,103	340,000	488,098
2012	21,569	-	1,220,000	612,575	350,000	477,048
2013	21,921	-	1,240,000	576,275	360,000	464,615
2014	29,279	-	1,265,000	533,020	375,000	450,638
2015-2019	207,336	-	6,865,000	1,785,218	2,130,000	1,986,190
2020-2024	127,352	-	3,490,000	222,865	2,700,000	1,383,960
2025-2029	5,400	-	-	-	3,495,000	528,944
Totals	<u>\$ 444,991</u>	<u>\$ -</u>	<u>\$16,660,000</u>	<u>\$ 5,088,011</u>	<u>\$ 10,000,000</u>	<u>\$6,275,816</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

C. Liabilities (Continued)

4. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 447,981	\$ 7,000	\$ 9,990	\$ 444,991	\$ 15,901
Bonds Payable	-	16,660,000	-	16,660,000	1,375,000
Capital Lease Payable	10,000,000	-	-	10,000,000	250,000
Compensated Absences	936,507	1,064,756	1,126,518	874,745	42,540
Other Postemployment Benefits Payable	963,468	1,906,596	962,224	1,907,840	-
Long-Term Liabilities	<u>\$ 12,347,956</u>	<u>\$ 19,638,352</u>	<u>\$ 2,098,732</u>	<u>\$29,887,576</u>	<u>\$ 1,683,441</u>

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

A. Defined Benefit Plan

1. Plan Description

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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 PERA's 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. The annuity accrual rate for a Coordinated Plan member 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 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members.

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](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

**MOWER COUNTY  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Defined Benefit Plan (Continued)

2. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes.

PERF Basic Plan members and Coordinated Plan members were required to contribute 9.40% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary 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, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan will increase to 7.00% and 14.1% respectively, effective January 1, 2010.

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  
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**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, 2009, 2008, and 2007 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2009	\$ 607,076	\$ 186,894	\$ 53,138	\$ 2,481
2008	564,202	166,842	50,541	1,261
2007	521,411	143,334	50,506	1,272

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 \$430,000 in 2009. 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  
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**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 *Minnesota Statutes* §§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  
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**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 *Minnesota Statutes* §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 Board of County Commissioners, and one resident of Mower County that has been mutually appointed by the City Council and the Board of County Commissioners 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 \$90,296 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  
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**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.

9. Rural Minnesota Energy Board

The Rural Minnesota Energy Board has been organized to provide policies and procedures regarding alternative energy sources, including ethanol, bio-diesel, solar, wind, etc. The County paid \$3,000 to the Board during the year.

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**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:

Component Unit	
Deposits - Unrestricted	\$ 939,302
Restricted Assets:	
Deposits	8,346
Investments	1,020,955
Total Cash and Investments	<u>\$ 1,968,603</u>

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

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**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, 2009, 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

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**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, 2009, the HRA had the following restricted investments:

	<u>At Estimated Market Value</u>
Held in Escrow at the MHFA	\$ 1,020,955

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, 2009 and 2008, 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  
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**NOTE 7 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Balance Sheet Presentation

Deposits	\$ 914,433
Tenant Deposit Cash	24,869
Restricted Assets	1,029,301
Total	\$ 1,968,603
Deposits	\$ 939,302
Restricted Investments - Minnesota Housing Finance Agency	1,029,301
Total	\$ 1,968,603

Lease Receivable

On December 1, 2008 the HRA obtained a lease receivable with Mower County for the Justice Center project. The interest rate is unstated and, therefore, is assumed to be the stated rate of interest on the outstanding bonds that were issued to finance the construction of the Justice Center. The interest rate on these bonds ranges from 2.5% to 5.9%. The County may purchase the Justice Center building for \$1 at the end of the lease. Annual payments vary according to the payments due under the bonds.

Capital Assets

HRA capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 3,120	\$ -	\$ -	\$ 3,120
Transportation	18,021	-	-	18,021
Total Capital Assets Being Depreciated	21,141	-	-	21,141
Accumulated Depreciation for:				
Equipment	1,810	378	-	2,188
Transportation	18,021	-	-	18,021
Total Accumulated Depreciation	19,831	378	-	20,209
Total Capital Assets, Being Depreciated, Net	\$ 1,310	\$ (378)	\$ -	\$ 932

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets (Continued)

	Ending Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Asset, Not Being Depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated				
Land Improvements	328,668	-	-	328,668
Buildings	3,873,273	108,669	-	3,981,942
Furnishings	340,686	6,955	-	347,641
Maintenance Equipment	53,582	-	-	53,582
Total Capital Assets Being Depreciated	<u>4,596,209</u>	<u>115,624</u>	<u>-</u>	<u>4,711,833</u>
Accumulated Depreciation for:				
Land Improvements	196,493	16,698	-	213,191
Buildings	2,218,344	110,954	-	2,329,298
Furnishings	235,498	19,902	-	255,400
Maintenance Equipment	29,637	811	-	30,448
Total Accumulated Depreciation	<u>2,679,972</u>	<u>148,365</u>	<u>-</u>	<u>2,828,337</u>
Total Capital Assets, Being Depreciated, Net	<u>1,916,237</u>	<u>(32,741)</u>	<u>-</u>	<u>1,883,496</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,958,541</u>	<u>\$ (32,741)</u>	<u>\$ -</u>	<u>\$ 1,925,800</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>\$ 148,365</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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, 2009, 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	\$ 475,204	\$ 30,273
Mortgage Payable	2024	8.75	123,000	69,265	2,384
Lease Revenue Bond Payable	2029	2.50-5.90	10,000,000	10,000,000	250,000
			<u>\$ 10,980,870</u>	<u>\$ 10,544,469</u>	<u>\$ 282,657</u>

Debt Service Requirements

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

Year Ending September 30	Mortgages Payable		Lease Revenue Bond Payable	
	Principal	Interest	Principal	Interest
2010	\$ 32,657	\$ 35,956	\$ 250,000	\$ 496,322
2011	34,902	33,711	340,000	488,098
2012	37,302	31,311	350,000	477,048
2013	39,869	28,744	360,000	464,618
2014	42,613	26,000	375,000	450,638
2015-2019	261,400	81,665	2,130,000	1,986,190
2020-2024	95,726	9,919	2,700,000	1,383,960
2025-2029	-	-	3,495,000	528,944
Total	<u>\$ 544,469</u>	<u>\$ 247,306</u>	<u>\$ 10,000,000</u>	<u>\$ 6,275,818</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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance
Mortgages Payable	\$ 575,006	\$ -	\$ 30,537	\$ 544,469
Lease Revenue Bonds Payable	-	10,000,000	-	10,000,000
Unamortized Discount	-	(150,000)	(5,602)	(144,398)
Compensated Absences	20,063	17,387	12,377	25,073
Total	<u>\$ 595,069</u>	<u>\$ 9,867,387</u>	<u>\$ 37,312</u>	<u>\$ 10,425,144</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, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
January 1, 2008	\$ -	\$22,494,031	\$22,494,031	- %	\$ 11,738,940	191.6 %

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,446,268	\$ 6,929,574	\$ 6,548,350	\$ (381,224)
Special Assessments	362,651	362,651	362,295	(356)
Licenses and Permits	54,376	54,376	68,348	13,972
Intergovernmental	3,423,515	4,021,526	4,477,354	455,828
Charges for Services	1,897,345	1,897,345	1,787,222	(110,123)
Fines and Forfeits	55,158	56,136	51,877	(4,259)
Gifts and Contributions	10,000	10,000	16,160	6,160
Investments Earnings	1,099,547	1,099,547	815,455	(284,092)
Miscellaneous	461,700	461,700	597,968	136,268
<b>Total Revenues</b>	<b>14,810,560</b>	<b>14,892,855</b>	<b>14,725,029</b>	<b>(167,826)</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	296,153	296,153	244,040	52,113
Courts	132,952	132,952	92,272	40,680
Law Library	35,527	35,527	37,726	(2,199)
County Administration	536,030	538,630	499,909	38,721
County Auditor-Treasurer	337,380	337,380	347,742	(10,362)
County Assessor	484,514	484,514	461,216	23,298
Elections	60,078	60,078	44,724	15,354
Auditing	83,160	83,160	79,950	3,210
Information Systems	414,256	414,256	362,921	51,335
Risk	101,145	101,145	97,100	4,045
Attorney	687,202	737,429	698,784	38,645
Recorder	371,744	371,744	225,789	145,955
Planning and Zoning	107,296	107,296	115,955	(8,659)
Buildings and Plant	585,903	609,568	512,766	96,802
Transit	7,127	7,127	8,586	(1,459)
Veterans Service	140,178	163,500	138,295	25,205
Other General Government	1,263,413	1,255,903	1,033,629	222,274
<b>Total General Government</b>	<b>5,644,058</b>	<b>5,736,362</b>	<b>5,001,404</b>	<b>734,958</b>

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>PUBLIC SAFETY</b>				
Sheriff	\$ 2,386,549	\$ 2,386,549	\$ 1,903,575	\$ 482,974
E911	84,972	84,972	50,375	34,597
Coroner	44,400	52,165	59,763	(7,598)
County Jail	1,893,060	1,893,060	1,745,298	147,762
County Jail Canteen	13,200	13,200	11,896	1,304
Law Enforcement Center	551,813	578,611	399,096	179,515
Community Corrections	976,197	976,197	931,839	44,358
Sentence to Serve	-	-	36,900	(36,900)
DARE Program	-	-	529	(529)
Civil/Bailiff	36,320	36,320	40,995	(4,675)
Other Public Safety	48,367	48,367	168,136	(119,769)
<b>Total Public Safety</b>	<b>6,034,878</b>	<b>6,069,441</b>	<b>5,348,402</b>	<b>721,039</b>
<b>SANITATION</b>				
Solid Waste	596,011	631,311	560,914	70,397
<b>HEALTH</b>				
Nursing Service	1,224,031	1,224,031	1,128,389	95,642
Maternal and Child Health	62,891	62,891	57,640	5,251
County Health Officer	1,407	1,407	1,407	-
Women, Infants and Children	267,026	267,026	255,372	11,654
Other	184,067	184,067	188,715	(4,648)
<b>Total Health</b>	<b>1,739,422</b>	<b>1,739,422</b>	<b>1,631,523</b>	<b>107,899</b>
<b>CULTURE AND RECREATION</b>				
Historical Society	35,000	35,000	37,850	(2,850)
Senior Citizens	48,000	48,000	47,400	600
Regional Library	254,416	254,416	126,722	127,694
Other	58,200	58,200	92,022	(33,822)
<b>Total Culture and Recreation</b>	<b>395,616</b>	<b>395,616</b>	<b>303,994</b>	<b>91,622</b>

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	\$ 168,466	\$ 168,466	\$ 165,603	\$ 2,863
Soil and Water Conservation	151,930	151,930	151,930	-
Feedlot	58,472	59,972	59,002	970
Agricultural Inspection	4,400	4,400	1,185	3,215
County Fair	47,414	47,414	44,564	2,850
Water Planning	45,690	45,690	41,197	4,493
Environmental Services	-	-	(2,468)	2,468
 Total Conservation of Natural Resources	 476,372	 477,872	 461,013	 16,859
<b>ECONOMIC DEVELOPMENT</b>				
Development Corporation	28,400	28,400	28,400	-
 Total Current	 14,914,757	 15,078,424	 13,335,650	 1,742,774
<b>CAPITAL OUTLAY</b>				
General Government	237,830	245,830	95,852	149,978
Public Safety	-	270,756	348,834	(78,078)
Sanitation	-	-	-	-
 Total Capital Outlay	 237,830	 516,586	 444,686	 71,900
 Total Expenditures	 15,152,587	 15,595,010	 13,780,336	 1,814,674
 <b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	 <b>(342,027)</b>	 <b>(702,155)</b>	 <b>944,693</b>	 <b>1,646,848</b>

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

**MOWER COUNTY**  
**AUSTIN, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE (CONTINUED)**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OTHER FINANCING USES</b>				
Transfers Out	\$ -	\$ -	\$ (9,123,416)	\$ (9,123,416)
Proceeds from Sale of Assets	-	-	384,212	384,212
Total Other Financing Sources (Uses)	-	-	(8,739,204)	(8,739,204)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (342,027)</u>	<u>\$ (702,155)</u>	(7,794,511)	<u>\$ (7,092,356)</u>
Fund Balance - Beginning of Year			30,429,441	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 22,634,930</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,367,191	\$ 2,367,191	\$ 2,265,944	\$ (101,247)
Special Assessments	10,000	10,000	30,485	20,485
Intergovernmental	6,804,261	5,495,261	5,144,805	(350,456)
Charges for Services	261,000	329,428	259,977	(69,451)
Miscellaneous	26,800	26,800	136,632	109,832
<b>Total Revenues</b>	<b>9,469,252</b>	<b>8,228,680</b>	<b>7,837,843</b>	<b>(390,837)</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	567,624	556,594	556,645	(51)
Maintenance	2,936,924	2,936,924	2,349,531	587,393
Construction	3,945,441	2,704,441	3,073,399	(368,958)
Equipment Maintenance and Shop	833,965	833,965	803,920	30,045
Other	185,298	185,298	142,304	42,994
<b>Total Highways and Streets</b>	<b>8,469,252</b>	<b>7,217,222</b>	<b>6,925,799</b>	<b>291,423</b>
<b>INTERGOVERNMENTAL</b>				
General Government	-	-	27,435	(27,435)
<b>CAPITAL OUTLAY</b>				
Highways and Streets	1,000,000	559,000	355,858	203,142
<b>Total Expenditures</b>	<b>9,469,252</b>	<b>7,776,222</b>	<b>7,309,092</b>	<b>467,130</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 452,458</b>	<b>528,751</b>	<b>\$ 981,209</b>
Fund Balance - Beginning of Year			7,200,278	
<b>CHANGE IN RESERVED FOR INVENTORY</b>			<b>101,805</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 7,830,834</b>	

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,512,762	\$ 2,512,762	\$ 2,470,765	\$ (41,997)
Intergovernmental	5,846,117	5,681,314	5,766,797	85,483
Charges for Services	315,043	315,043	207,790	(107,253)
Gifts and Contributions	-	-	2,252	2,252
<b>Total Revenues</b>	<b>9,043,022</b>	<b>8,878,219</b>	<b>8,917,010</b>	<b>36,539</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	3,010,561	2,986,124	2,983,546	2,578
Social Services	6,032,461	5,913,817	6,313,096	(399,279)
<b>Total Human Services</b>	<b>9,043,022</b>	<b>8,899,941</b>	<b>9,296,642</b>	<b>(396,701)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(21,722)</b>	<b>(379,632)</b>	<b>(360,162)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	12,000	362,959	350,959
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (9,722)</b>	<b>(16,673)</b>	<b>\$ (9,203)</b>
Fund Balance - Beginning of Year			1,639,296	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 1,622,623</b>	

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2009**

**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 Board of County Commissioners 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 Board of County Commissioners 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, 2009:

	<u>Actual</u>	<u>Budget</u>	<u>Final Excess</u>
Social Services	\$ 9,296,642	\$ 8,899,941	\$ 396,701

The excess of expenditures over budget was generally funded by a transfer from the general fund and the use of existing fund balance.

## SUPPLEMENTARY INFORMATION



MOWER COUNTY  
AUSTIN, MINNESOTA  
DECEMBER 31, 2009

**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, 2009**

	Special Revenue			Bond Fund	Total Nonmajor Governmental Funds
	Ditch	Heartland Express	Sewer Improvement		
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 160,621	\$ -	\$ 391,852	\$ 73,659	\$ 626,132
Cash With Escrow Agent	-	-	-	912,086	912,086
Loans Receivable	-	-	600,059	-	600,059
Special Assessments Receivable - Deferred	182,955	-	-	-	182,955
Special Assessments Receivable - Delinquent	743	-	5,649	-	6,392
Accrued Interest Receivable	-	-	-	154,533	154,533
Due from Other Governments	7,378	-	-	-	7,378
Restricted Investments - Temporary	-	-	29,208	-	29,208
Restricted Accrued Interest Receivable	-	-	84	-	84
<b>Total Assets</b>	<b>\$ 395,114</b>	<b>\$ -</b>	<b>\$ 1,026,852</b>	<b>\$ 1,140,278</b>	<b>\$ 2,562,244</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 4,435	\$ -	\$ 9,500	\$ -	\$ 13,935
Deferred Revenue - Unavailable	190,828	-	5,649	-	196,477
<b>Total Liabilities</b>	<b>239,043</b>	<b>-</b>	<b>15,149</b>	<b>-</b>	<b>254,192</b>
<b>FUND BALANCES</b>					
Reserved					
Reserved for Loans Receivable	-	-	600,059	-	600,059
Reserved for Debt Service	-	-	-	912,086	912,086
Unreserved					
Designated for Debt Services	-	-	411,644	228,192	639,836
Undesignated	156,071	-	-	-	156,071
<b>Total Fund Balances</b>	<b>156,071</b>	<b>-</b>	<b>1,011,703</b>	<b>1,140,278</b>	<b>2,308,052</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 395,114</b>	<b>\$ -</b>	<b>\$ 1,026,852</b>	<b>\$ 1,140,278</b>	<b>\$ 2,562,244</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2009**

	Special Revenue			Bond Fund	Total Nonmajor Governmental Funds
	Ditch	Heartland Express	Sewer Improvements		
<b>REVENUES</b>					
Special Assessments	\$ 163,799	\$ -	\$ -	\$ -	\$ 163,799
Investment Earnings	-	-	183	280,169	280,352
Miscellaneous	3,874	-	17,102	-	20,976
<b>Total Revenues</b>	<b>167,673</b>	<b>-</b>	<b>17,285</b>	<b>280,169</b>	<b>465,127</b>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Highways and Streets	-	3,094	-	-	3,094
Conservation of Natural Resources	182,105	-	-	-	182,105
<b>DEBT SERVICE</b>					
Principal	-	-	9,990	-	9,990
Interest	3,874	-	-	331,595	335,469
<b>Total Expenditures</b>	<b>185,979</b>	<b>3,094</b>	<b>9,990</b>	<b>331,595</b>	<b>530,658</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(18,306)</b>	<b>(3,094)</b>	<b>7,295</b>	<b>(51,426)</b>	<b>(65,531)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	3,094	-	317,988	321,082
Proceeds from Loan	-	-	7,000	-	7,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>3,094</b>	<b>7,000</b>	<b>317,988</b>	<b>328,082</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(18,306)</b>	<b>-</b>	<b>14,295</b>	<b>266,562</b>	<b>262,551</b>
Fund Balance - Beginning of Year	174,377	-	997,408	873,716	2,045,501
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 156,071</b>	<b>\$ -</b>	<b>\$ 1,011,703</b>	<b>\$ 1,140,278</b>	<b>\$ 2,308,052</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 126,000	\$ 164,255	\$ 163,799	\$ (456)
Miscellaneous	4,959	4,959	3,874	(1,085)
Total Revenues	130,959	169,214	167,673	(1,541)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	226,588	226,588	182,105	44,483
<b>DEBT SERVICE</b>				
Interest	-	-	3,874	(3,874)
Total Expenditures	226,588	226,588	185,979	40,609
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (95,629)</b>	<b>\$ (57,374)</b>	<b>(18,306)</b>	<b>\$ 39,068</b>
Fund Balance - Beginning of Year			174,377	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 156,071</b>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SEWER IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 183	\$ 183
Charges for Services	170,000	170,000	17,102	(152,898)
Total Revenues	170,000	170,000	17,285	(152,715)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	170,000	170,000	-	170,000
<b>DEBT SERVICE</b>				
Principal	-	-	9,990	(9,990)
Total Sanitation	170,000	170,000	9,990	160,010
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	7,295	7,295
<b>OTHER FINANCING SOURCES (USES)</b>				
Loans issued	-	-	7,000	7,000
<b>CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	14,295	<u>\$ 14,295</u>
Fund Balance - Beginning of Year			997,408	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,011,703</u>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE REVENUE</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 87,203	\$ 1,026,313	\$ 1,036,287	\$ 77,229
<b>LIABILITIES</b>				
Due to Other Governments	\$ 87,203	\$ 1,026,313	\$ 1,036,287	\$ 77,229
<b><u>FAMILY CONNECTIONS COLLABORATIVE</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 156,519	\$ 265,340	\$ 207,773	\$ 214,086
<b>LIABILITIES</b>				
Salaries Payable	\$ 6,416	\$ -	\$ 2,692	\$ 3,724
Due to Other Governments	150,103	265,340	205,081	210,362
Total Liabilities	\$ 156,519	\$ 265,340	\$ 207,773	\$ 214,086
<b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 463,896	\$ 35,247,116	\$ 35,344,023	\$ 366,989
<b>LIABILITIES</b>				
Due to Other Governments	\$ 463,896	\$ 35,247,116	\$ 35,344,023	\$ 366,989
<b><u>SOCIAL WELFARE FUND</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 114,822	\$ 1,243,385	\$ 1,164,825	\$ 193,382
<b>LIABILITIES</b>				
Accounts Payable	\$ 114,822	\$ 1,243,385	\$ 1,164,825	\$ 193,382
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 822,440	\$ 37,782,154	\$ 37,752,908	\$ 851,686
<b>LIABILITIES</b>				
Accounts Payable	\$ 114,822	\$ 1,243,385	\$ 1,164,825	\$ 193,382
Salaries Payable	6,416	-	2,692	3,724
Due to Other Governments	701,202	36,538,769	36,585,391	654,580
Total Liabilities	\$ 822,440	\$ 37,782,154	\$ 37,752,908	\$ 851,686

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 3,710,657
County Program Aid	2,433,889
PERA Rate Reimbursement	40,232
Disparity Reduction Aid	195,522
Police Aid	132,773
Enhanced 911	132,091
Market Value Credit	1,562,270
Total Shared Revenue	8,207,434
<b>REIMBURSEMENT FOR SERVICES</b>	
<b>STATE</b>	
Minnesota Department of Human Services	896,513
<b>PAYMENTS</b>	
<b>LOCAL</b>	
Payments in Lieu of Taxes	19,818
Total Payments	19,818
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department/Board of Peace Officers	7,532
Corrections	310,005
Health	204,833
Human Services	1,794,115
Soil and Water Resources	7,208
Pollution Control Agency	109,170
Total State	2,873,833
<b>FEDERAL</b>	
Department of Agriculture	490,769
Justice	221,604
Transportation	280,000
Environmental Protection Agency	5,629
Health and Human Services	2,683,592
Homeland Security	24,735
Total Federal	3,706,329
Total State and Federal Grants	6,580,162
Total Intergovernmental Revenue	\$ 15,703,927

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**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, 2009, which collectively comprise Mower County's basic financial statements and have issued our report thereon dated September 8, 2010. The financial statements of the Mower County HRA are as of and for the year ended September 30, 2009. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 06-1, 06-2 and 06-5, described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Board of County Commissioners  
Mower County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mower County's written responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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  
September 8, 2010

**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, 2009. 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 \$455,879 in federal awards during the year ended September 30, 2009, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2009. 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, 2009.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-2 to be a material weakness.

Mower County's written responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of 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  
September 8, 2010

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2009**

**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*". Items 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. One material weakness 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". This is listed as item 09-2.
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:

Highway Planning and Construction Grant	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563
SNAP Administrative Matching Grants	CFDA No. 10.561
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, 2009**

**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.

**Client Response:** *County management will review accounting functions and segregate them as it deems cost beneficial.*

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.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009**

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

06-2 AUDIT ADJUSTMENTS (Continued)

**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.

**Client Response:** *The County will continue to work at eliminating the need for audit adjustments, including consideration of the cost/benefit of hiring additional finance personnel.*

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.

**Client Response:** *County management will review current procedures and enhance deposit activity requirements as it deems cost beneficial.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009**

**PREVIOUSLY REPORTED ITEMS RESOLVED:**

APPROVED BUDGETS (08-1)

One error, regarding capital outlay, was noted in the data-entry of Board approved budgets.

RESOLUTION

The County has set up a procedure for review of data entry of budgetary activity.

**FEDERAL PROGRAM FINDING – MATERIAL WEAKNESS IN INTERNAL CONTROL:**

09-2 MEDICAL ASSISTANCE – CFDA #93.778

PASSED THROUGH MINNESOTA DEPARTMENT OF HUMAN SERVICES  
INTERNAL CONTROL OVER REVIEW OF CASE FILES

**Criteria:** Good internal control practices including having internal reviews over cases file eligibility determinations to be ascertain case workers are complying with state and federal requirements.

**Condition:** The Income Maintenance Supervisor does not perform internal reviews on case files to review eligibility determinations.

**Cause:** Past practice.

**Effect:** Errors made in determining eligibility may not be discovered and benefits may be issued to clients who are not eligible.

**Questioned Costs:** None.

**Recommendation:** We recommend the Income Maintenance Supervisor perform regular internal reviews on case files to determine that property policies and procedures are being followed in determining eligibility.

**CORRECTIVE ACTION PLAN (CAP):**

**Corrective Action Planned:** *The County understands the risks involved with their current process and is researching options to minimize the risks identified.*

**Contact Person:** *Ruth Schmidt, Financial Assistance Supervisor.*

**Anticipated Completion Date:** *December 31, 2010.*

MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009

**OTHER ITEMS FOR CONSIDERATION – INTERNAL CONTROLS:**

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.

**Client Response:** *The County will review this area and will develop policies as it deems cost beneficial.*

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.

**Client Response:** *The County will review this area and will develop policies and procedures as it deems cost beneficial.*

MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009

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

09-3 CLAIMS AND DISBURSEMENTS

**Criteria:** Per *Minnesota Statutes* §471.425, subd. 4, the County is to pay bills within 35 days of receipt, or voluntarily pay interest on the outstanding balance.

**Condition:** The County paid a Human Services reimbursement 55 days after receipt of the bill, without including an interest payment.

**Cause:** Interdepartmental communication issue.

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

**Recommendation:** We recommend the County review its procedures to ensure compliance with the relevant requirements of the statute.

**Client Response:** *The County has reviewed the statute with applicable personnel and will work to ensure future compliance.*

09-4 PUBLICATION OF MINUTES

**Criteria:** Per *Minnesota Statutes* §375.12, the County is to publish their board minutes in the official newspaper within 30 days after each meeting.

**Condition:** The County has not been meeting the 30 day compliance requirement. Average time prior to publication is 60 days.

**Cause:** Past practice.

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

**Recommendation:** We recommend the County develop a procedure that ensures publication within the time requirements of the statute.

**Client Response:** *The County has reviewed the Statute and will work to develop appropriate procedures to ensure future compliance.*

MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009

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

09-5 UNCLAIMED PROPERTY TAX OVERPAYMENT

**Criteria:** Per *Minnesota Statutes* §276.19, any overpayment of property tax should cause a "Notice of unclaimed property tax refunds" to be published.

**Condition:** The County has historically kept any overpayment if the amount is less than \$25.

**Cause:** Past practice.

**Effect:** The County is not in compliance with state statute and may not properly recognize amounts payable as unclaimed refunds.

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

**Client Response:** *The County has reviewed the Statute and will work to develop appropriate policies to ensure future compliance.*

09-6 BOARD APPROVAL OF CREDIT CARDS

**Criteria:** Per *Minnesota Statutes* §375.171, a county board may authorize the use of a credit card by any county officer or employee otherwise authorized to make a purchase on behalf of the county. If a county officer or employee makes a purchase by credit card that is not approved by the county board, the officer or employee is personally liable for the amount of the purchase.

**Condition:** The County Highway Department indicated that their department uses credit cards that have not been approved by the Board.

**Cause:** Past practice.

**Effect:** The County is not in compliance with state statute and county employees may be personally liable for purchases using unauthorized credit cards.

**Recommendation:** We recommend the County review all credit cards currently in use in all departments and approve or cancel such cards as necessary.

**Client Response:** *The County has reviewed the statute and will develop appropriate policies to ensure future compliance.*

MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2009

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

09-7 DESIGNATION OF DEPOSITORIES

**Criteria:** Per *Minnesota Statutes* §118A.02, each depository of public funds must be designated by the governmental entity's governing body, or by its treasurer or chief financial officer, if the governing body has authorized them to make such a designation.

**Condition:** The County did not designate depositories during calendar years 2008 or 2009.

**Cause:** Unknown.

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

**Recommendation:** We recommend the County develop a policy that annually addresses designation of depositories.

**Client Response:** *The County has reviewed the Statute and will work to develop appropriate policies to ensure future compliance.*

**MINNESOTA LEGAL COMPLIANCE PREVIOUSLY REPORTED ITEMS RESOLVED**

OUT OF STATE TRAVEL POLICY (07-4)

The County has not developed an out-of-state travel policy.

RESOLUTION

The County has adopted an out-of-state travel policy that meets the requirements of state statute.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 239,602
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	242,707
State Administrative Matching Grants for Food Stamp Program - ARRA	10.561	8,460
<b>Total U.S. Department of Agriculture</b>		<b>490,769</b>
<b>U.S. Department of Justice</b>		
Direct		
Domestic Violence Against Women Program	16.527	136,499
Passed Through Minnesota Department of Public Safety Title V Delinquency Prevention Program	16.523	10,558
Edward Byrne Memorial Justice Assistance Grant (JAG) - ARRA	16.803	34,809
Local Law Enforcement Byrne Grant	16.804	39,738
<b>Total U.S. Department of Justice</b>		<b>221,604</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction Grant	20.205	280,000
<b>Total U.S. Department of Transportation</b>		<b>280,000</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through SE Minnesota Watershed District Nonpoint Grant	66.460	5,629

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Medical Reserve Corp	93.008	\$ 10,000
Public Health Emergency Preparedness	93.069	46,636
Projects for Assistance in Transition from Homelessness	93.150	2,153
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	31,951
Maternal and Child Health Services Block Grant	93.994	43,545
Passed Through Minnesota Department of Human Services		
Family Preservation and Support Services	93.556	6,556
Temporary Assistance for Needy Families	93.558	481,666
Child Support Enforcement	93.563	700,991
Child Support Enforcement - ARRA	93.563	118,572
Low-income Home Energy Assistance	93.566	550
Child Care Resource and Referral Program (Grant Cluster)	93.596	48,685
Child Welfare Services State Grante	93.645	17,635
Foster Care Title IV-E	93.658	144,471
Foster Care Title IV-E - ARRA	93.658	6,324
Social Services Block Grant Title XX	93.667	258,129
Chafee Foster Care Independent Living	93.674	6,897
State Children's Insurance Program	93.767	2,296
Medical Assistance (Medicaid; Title XIX) (Grant Cluster)	93.778	752,534
Community Mental Health Block Grant	93.958	4,001
<b>Total U.S. Department of Health and Human Services</b>		<b>2,683,592</b>
<b>U.S. Department of Homeland Security</b>		
Direct		
Emergency Management Performance Grant	97.042	21,735
Passed Through United Way of America		
Emergency Shelter Grant	97.024	3,000
<b>Total U.S. Department of Homeland Security</b>		<b>24,735</b>
<b>Total Federal Awards</b>		<b>\$ 3,706,329</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
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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 2009, the County did not pass any federal grants through to subrecipients.

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Mower County  
Austin, Minnesota

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County, Minnesota, as of and for the year ended December 31, 2009, and have issued our report thereon dated September 08, 2010.

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 Statutes* §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing districts, and county and city miscellaneous provisions. Our study included all of the listed categories, except tax increment financing districts, because the County does not have any tax increment financing districts.

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions, except as detailed in the Schedule of Findings and Questioned Costs as items 09-3 through 09-7.

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  
September 8, 2010

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