

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**MOWER COUNTY**  
**AUSTIN, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2004**

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

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

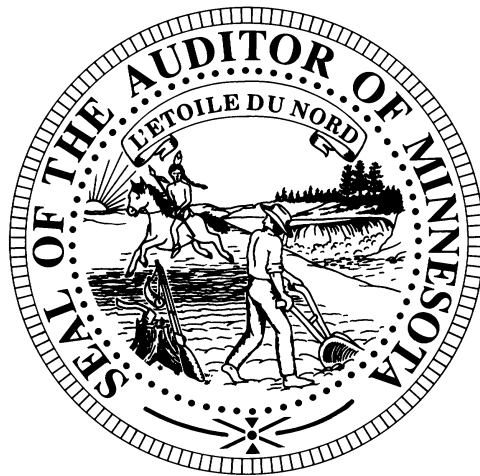
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Year Ended December 31, 2004**



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

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	22
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	23
Notes to the Financial Statements		24
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	Schedule 1	54
Road and Bridge Special Revenue Fund	Schedule 2	57
Social Services Special Revenue Fund	Schedule 3	58
Notes to the Required Supplementary Information		59

**MOWER COUNTY  
AUSTIN, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section (Continued)</b>		
Supplementary Information		
Governmental Funds		
Nonmajor Governmental Funds - Special Revenue Funds		60
Combining Balance Sheet	Statement 1	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	62
Budgetary Comparison Schedules		
Ditch Special Revenue Fund	Schedule 4	63
Heartland Express Special Revenue Fund	Schedule 5	64
Fiduciary Funds		
Agency Funds		65
Combining Statement of Changes in Assets and Liabilities	Statement 3	66
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 6	68
Tax Capacity, Tax Rates, Levies, and Percentages of Collections	Schedule 7	69
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 8	70
Other Required Reports		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		75
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		77
Schedule of Expenditures of Federal Awards	Schedule 9	80



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**MOWER COUNTY  
AUSTIN, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2004

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	Garry Ellingson	District 5	January 2007
Vice Chair	Raymond Tucker*	District 2	January 2009
Board Member	Richard P. Cummings	District 1	January 2009
Board Member	David Hillier	District 3	January 2007
Board Member	Dick Lang	District 4	January 2007
County Attorney	Patrick Flanagan		January 2007
County Auditor	Sherwood Vereide		January 2007
County Recorder	Susan Davis		January 2007
County Sheriff	Teresa Amazi		January 2007
County Treasurer	Doug Groh		January 2007
<b>Appointed</b>			
Assessor	Richard Peterson		December 2008
Coroner	Dr. David Strobel		December 2006
County Coordinator	Craig Oscarson		Indefinite
County Engineer	Michal Hanson		May 2007
Court Administrator	Patricia Ball		Indefinite
Finance Director	Donna Welsh		Indefinite
Human Services Director	Bruce Henricks		Indefinite
Veterans Services Officer	Wayne Madson		Indefinite

\*2005 Chair

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Mower County

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, 2004, 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. We did not audit the financial statements of the Mower County Housing and Redevelopment Authority (HRA), the discretely presented component unit, as of and for the year ended September 30, 2004. These financial statements were furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA is based on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 as of December 31, 2004, including the

Mower County HRA at September 30, 2004, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2005, on our consideration of Mower County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005

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

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004  
(Unaudited)**

The Mower County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

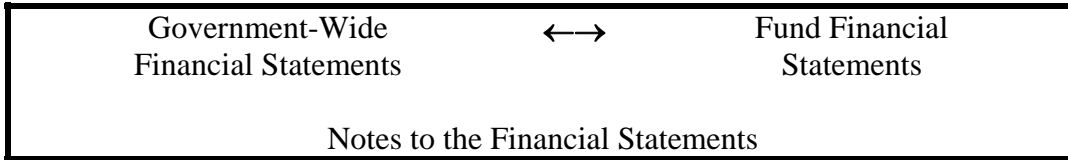
**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$104,307,975 of which \$72,282,218 is invested in capital assets, net of related debt, and \$6,446,058 is restricted to specific purposes.
- Mower County's net assets increased by \$1,383,995 for the year ended December 31, 2004. Of the change, \$1,302,761 was a decrease in the governmental activities' capital net assets and an increase of \$2,259,480 from cash received on a capital asset sale and an extraordinary income item. The net assets of the County's discretely presented component unit increased by \$48,835.
- The net cost of governmental activities was \$11,243,351 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$12,627,346.
- Governmental funds' fund balances increased by \$1,484,601. Most of the increase was due to proceeds from the sale of an asset and extraordinary income.
- During the year, Mower County received \$124,712 from the State of Minnesota for loans to upgrade individual sewer systems.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Mower County's basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.

Management's Discussion and Analysis  
(Required Supplementary Information)



Required Supplementary Information  
(other than MD&A)

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. Exhibit 7 provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins with Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in net assets. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities - Most of the County's basic services are reported here, including general government, public safety, transportation, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units - The County includes a separate legal entity in its report, the Housing and Redevelopment Authority, presented in a separate column. Although legally separate, this "component unit" is important because the County is financially accountable for it.

### **Fund Financial Statements**

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a statement following each governmental fund financial statements.

### **The County as a Whole**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mower County, assets exceeded liabilities by \$104,307,975 at the close of 2004.

The County's combined net assets increased by \$1,383,995. The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**  
**Net Assets**  
**(in Millions)**

Governmental Activities

	<u>2004</u>	<u>2003</u> <u>Restated</u>
Current and other assets	\$ 34.4	\$ 31.6
Capital assets	<u>72.3</u>	<u>73.6</u>
Total Assets	<u>\$ 106.7</u>	<u>\$ 105.2</u>
Long-term debt outstanding	\$ 1.2	\$ 1.0
Other liabilities	<u>1.2</u>	<u>1.3</u>
Total Liabilities	<u>\$ 2.4</u>	<u>\$ 2.3</u>
Net Assets		
Invested in capital assets	\$ 72.3	\$ 73.6
Restricted	6.4	2.5
Unrestricted	<u>25.6</u>	<u>26.8</u>
Total Net Assets	<u><u>\$ 104.3</u></u>	<u><u>\$ 102.9</u></u>

Net assets of the County's governmental activities increased primarily due to gain on a sale of an asset and extraordinary income.

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

Governmental Activities

	<u>2004</u>	<u>2003</u>
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 3.7	\$ 4.2
Operating grants and contributions	11.2	12.0
Capital grants and contributions	1.0	0.5
General revenues		
Property taxes	7.5	6.7
Grants and contributions	3.0	2.9
Other general revenues	<u>2.1</u>	<u>0.6</u>
Total Revenues	<u>\$ 28.5</u>	<u>\$ 26.9</u>

	<u>2004</u>	<u>2003</u>
Program expenses		
General government	\$ 4.5	\$ 4.8
Public safety	4.3	4.0
Transportation	6.6	5.9
Human services	7.8	8.7
Health	1.8	1.7
Sanitation	0.8	0.6
Culture and recreation	0.7	0.4
Conservation of natural resources	0.6	1.0
Economic development	-	0.5
	<u>27.1</u>	<u>27.6</u>
Total Expenses	\$ 27.1	\$ 27.6
Increase (Decrease) in Net Assets	<u>\$ 1.4</u>	<u>\$ (0.7)</u>

### Governmental Activities (in Millions)

The cost of all governmental activities this year was \$27.1. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$11.2 because some of the cost was paid by those who directly benefited from the programs (\$3.7) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12.2). The County paid for the remaining “public benefit” portion of governmental activities with \$11.2 in general revenues, primarily taxes (some of which could only be used for certain programs), other revenues (such as interest and general entitlements), and reserves.

Table 3 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Human services	\$ 7.8	\$ 2.8	\$ 8.7	\$ 3.3
Transportation	6.6	1.1	5.9	0.5
General government	4.5	3.0	4.8	3.4
Public safety	4.3	3.5	4.0	2.9
Health	1.8	0.4	1.8	(0.1)
All others	2.1	0.4	2.4	0.9
	<u>27.1</u>	<u>11.2</u>	<u>27.6</u>	<u>10.9</u>
Totals	\$ 27.1	\$ 11.2	\$ 27.6	\$ 10.9

(Unaudited)

Page 8

## **The County's Funds**

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit 3) reported a combined fund balance of \$29,834,525, which is above last year's total of \$28,349,924, by \$1,484,601. Included in this year's total fund balance is a surplus of \$19,858,151 in the County's General Fund; \$6,073,217 in the Road and Bridge Fund; and \$2,547,371 in the Social Services Fund. The General Fund's change in fund balance (an increase of \$2,516,138 for 2004) reflected fund balance transfers, capital assets sale, and extraordinary income. The Road and Bridge Fund increase of \$1,136,332 is due to internal fund transfers to cover future expenditures. One major decrease in governmental fund balance occurred in the Social Services Fund of \$2,312,561 for some budgeted use of reserves and transfer to the General Fund. Surplus funds include Board-designated projects, such as replacement of bridges, insurance contingencies, GIS, compensated absences, cash flow needs, and justice center costs.

## **General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the County's budget several times. The budget amendments were for departmental costing of workers' compensation; unanticipated departmental costs, such as legal cost in court cases; changes in assessment software; additional attorney staff support; and minor equipment.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$2,549,896 below the final budget amounts. The most significant positive variances occurred in the public safety category, with a deferral of the radio system project, sanitation projects deferred to 2005, and building projects deferred.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2004, the County had \$72,282,218 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net decrease (including additions and deductions) of \$370,919 over last year.

**Table 4**  
**Governmental Activities Capital Assets at Year-End**  
**(Net of Depreciation, in Millions)**

	2004	2003 Restated
Land, including highway right-of-way	\$ 11.7	\$ 11.8
Construction in progress	0.5	0.1
Buildings and improvements	8.3	9.5
Other improvements	0.2	0.2
Machinery, furniture, and equipment	2.7	3.3
Software	0.1	0.1
Infrastructure	48.8	48.6
Totals	<u>\$ 72.3</u>	<u>\$ 73.6</u>

This year's major additions included (in millions):

- Various road segment projects completed during the year.
- Road equipment purchased during the year \$(0.7).

This year's major subtractions included (in millions):

- Sale of Health and Human Service Building \$(1.1).

The County's fiscal year 2005 capital budget calls for it to spend another \$6.4 million for capital projects, grading and pavement rehabilitation of CSAH #2, pavement rehabilitation of CSAH #7, various bridge projects, justice center preliminary work, and a public safety radio system. The County has plans to use fund reserves or state aids to finance the projects. More detailed information about the County's capital assets is presented in notes to the financial statements.

### **Debt**

At year-end, the County had \$414,712 outstanding in long-term debt as a result of state loans for individual septic systems loans. During the year, the state loan payable had a net decrease of \$40,000 due to payments made on the septic loan program. Semi-annual installments to the state are paid in July and December with no interest.

The County has not bonded publicly recently, which means that a general obligation bond rating has not been completed. The state limits the amount of net debt that the County can issue to two percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this \$42,500,000 state-imposed limit.

The County participates in a joint powers agreement for insurance for employee health coverage and has future obligations for retired and some current employees. Other obligations include accrued vacation pay and sick leave payable. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

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

The County Board of Commissioners considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the government-type activities.

- The State of Minnesota continues to struggle with a budget deficit, which has translated in reduced state-aid funding and program changes that require local funding instead of state funding.
- An increase in the annual average unemployment rate in Mower County, from 4.1 percent to 4.4 percent in 2004, could impact the level of services requested by County residents.
- County General Fund expenditures for 2005 are budgeted to decrease five percent over 2004 to reduce operating cost dependence on reserves.
- A decision to build a criminal justice center to accommodate public safety needs will impact future financing needs and will require bonding for funds.
- The property tax levy increased 9.5 percent for 2005. The 2003 tax levy cost per capita report shows Mower County as 85th out of 87 counties.
- The County has one of the highest elderly populations in Minnesota, typical in rural counties. County services to the elderly represent a significant portion of the budget.
- The 2000 census reports show Mower County with a 9.2 percent population below poverty level, which may mean more local government support.
- The County's road and bridge infrastructure is aging, and normal state and federal funding has not kept up with inflationary replacement costs.
- Criminal justice-related costs have exceeded normal growth, resulting in increased activity in law enforcement, attorney, courts, and corrections.
- The County received a \$1,000,000 court settlement, pending appeal. This is extraordinary income. Since this occurs rarely, we cannot depend on funds such as this for our operations.

## **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 show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Donna Welsh, County Finance Director, Mower County Courthouse, 201 First Street N.E., Austin, Minnesota 55912.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 25,591,835	\$ 509,177
Petty cash and change funds	2,730	-
Investments	-	246,396
Taxes receivable		
Current - net	-	42,647
Prior - net	136,364	-
Special assessments receivable		
Current - net	900,720	-
Prior - net	17,318	-
Accounts receivable - net	204,700	4,474
Notes receivable - net	400,000	-
Accrued interest receivable	152,245	454
Loans receivable - net	3,131,760	-
Due from other governments	3,539,100	11,106
Prepaid items	-	27,119
Inventories	336,314	-
Restricted assets		
Cash and pooled investments	-	938,701
Investments	25,822	-
Accrued interest receivable	15	-
Capital assets held for resale	-	52,134
Capital assets -		
Non-depreciable	12,192,354	42,304
Depreciable - net of accumulated depreciation	60,089,864	2,178,059
<b>Total Assets</b>	<b>\$ 106,721,141</b>	<b>\$ 4,052,571</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 450,398	\$ 41,514
Salaries payable	210,090	15,178
Accrued expenses	-	12,858
Contracts payable	223,516	-
Retainage payable	-	-
Due to other governments	249,117	886
Unearned revenue	12,336	718
Long-term liabilities		
Due within one year	92,905	30,439
Due in more than one year	1,174,804	664,118
<b>Total Liabilities</b>	<b>\$ 2,413,166</b>	<b>\$ 765,711</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Primary Government Governmental Activities	Discretely Presented Component Unit
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	\$ 72,282,218	\$ 1,541,595
Restricted for		
General government	3,212,506	-
Public safety	263,509	-
Highways and streets	2,479,468	-
Conservation of natural resources	464,738	-
Debt service	25,837	-
HRA housing	-	938,701
Unrestricted	25,579,699	806,564
<b>Total Net Assets</b>	<b>\$ 104,307,975</b>	<b>\$ 3,286,860</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 4,504,429	\$ 1,070,706
Public safety	4,360,353	423,711
Transportation	6,601,363	548,891
Sanitation	755,553	569,462
Human services	7,781,781	278,965
Health	1,834,183	660,290
Culture and recreation	654,811	-
Conservation of natural resources	610,024	206,519
Economic development	42,400	12,587
<b>Total governmental activities</b>	<b>\$ 27,144,897</b>	<b>\$ 3,771,131</b>
<b>Component unit</b>		
Housing and Redevelopment Authority	<b>\$ 901,221</b>	<b>\$ 817,350</b>

**General Revenues**

Property taxes  
Mortgage registry and deed tax  
Local sales tax  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Unrestricted investment earnings  
Miscellaneous  
Gain on sale of capital assets

**Extraordinary item**

**Total general revenues and extraordinary item**

**Change in net assets**

**Net Assets - Beginning, as restated (Note 1.E.)**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>Discretely Presented Component Unit</b>
\$ 481,183	\$ -	\$ (2,952,540)	
470,538	-	(3,466,104)	
4,644,402	431,466	(976,604)	
-	542,152	356,061	
4,738,315	-	(2,764,501)	
622,068	-	(551,825)	
-	-	(654,811)	
200,291	-	(203,214)	
-	-	(29,813)	
<b>\$ 11,156,797</b>	<b>\$ 973,618</b>	<b>\$ (11,243,351)</b>	
<b>\$ -</b>	<b>\$ 26,288</b>		<b>\$ (57,583)</b>
		\$ 7,538,621	\$ -
		30,124	-
		-	91,961
		59,691	-
		2,987,364	11,103
		868,810	3,354
		12,748	-
		129,988	-
		1,000,000	-
		<b>\$ 12,627,346</b>	<b>\$ 106,418</b>
		<b>\$ 1,383,995</b>	<b>\$ 48,835</b>
		<b>102,923,980</b>	<b>3,238,025</b>
		<b>\$ 104,307,975</b>	<b>\$ 3,286,860</b>

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## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 16,714,104	\$ 5,688,160	\$ 2,167,587	\$ 1,021,984	\$ 25,591,835
Petty cash and change funds	2,630	-	100	-	2,730
Taxes receivable					
Prior	85,320	21,931	29,113	-	136,364
Special assessments receivable					
Current	794,720	-	-	106,000	900,720
Prior	16,230	-	-	1,088	17,318
Accounts receivable - net	89,018	16,355	99,327	-	204,700
Notes receivable	400,000	-	-	-	400,000
Accrued interest receivable	152,245	-	-	-	152,245
Loans receivable	2,734,186	-	-	397,574	3,131,760
Due from other funds	-	17,117	-	6,397	23,514
Due from other governments	321,372	2,494,378	719,256	4,094	3,539,100
Inventories	-	336,314	-	-	336,314
Restricted investments - temporary	-	-	-	25,822	25,822
Restricted accrued interest receivable - temporary	-	-	-	15	15
<b>Total Assets</b>	<b><u>\$ 21,309,825</u></b>	<b><u>\$ 8,574,255</u></b>	<b><u>\$ 3,015,383</u></b>	<b><u>\$ 1,562,974</u></b>	<b><u>\$ 34,462,437</u></b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Services</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 180,100	\$ 38,087	\$ 229,651	\$ 2,560	\$ 450,398
Salaries payable	131,373	27,460	51,257	-	210,090
Contracts payable	159,082	64,434	-	-	223,516
Due to other funds	23,514	-	-	-	23,514
Due to other governments	66,866	118	83,505	98,628	249,117
Deferred revenue - unavailable	878,403	2,370,939	103,599	106,000	3,458,941
Deferred revenue - unearned	12,336	-	-	-	12,336
<b>Total Liabilities</b>	<b>\$ 1,451,674</b>	<b>\$ 2,501,038</b>	<b>\$ 468,012</b>	<b>\$ 207,188</b>	<b>\$ 4,627,912</b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 336,314	\$ -	\$ -	\$ 336,314
Law library	48,817	-	-	-	48,817
Recorder's equipment	28,628	-	-	-	28,628
Sheriff's contingency	2,645	-	-	-	2,645
DARE	5,200	-	-	-	5,200
Canteen	12,774	-	-	-	12,774
Enhanced 911	240,074	-	-	-	240,074
Attorney's forfeited property	7,500	-	-	-	7,500
Conservation of natural resources	1,722	-	-	-	1,722
Veterans' van	3,989	-	-	-	3,989
Sheriff's donations	2,816	-	-	-	2,816
NRBG	67,164	-	-	-	67,164
Loans receivable	3,121,850	-	-	397,574	3,519,424
Snowmobile	-	20,256	-	-	20,256
Highway projects	-	11,480	-	-	11,480
Transportation	-	-	-	94,516	94,516
Debt service	-	-	-	25,837	25,837
Unreserved					
Designated for future expenditures	2,596,368	4,159,187	1,710,531	-	8,466,086
Designated for cash flows	3,212,360	911,000	621,390	-	4,744,750
Designated for compensated absences	488,073	149,474	215,450	-	852,997
Designated for medical insurance	3,530,379	-	-	-	3,530,379
Undesignated	6,487,792	485,506	-	-	6,973,298
Unreserved, reported in nonmajor Special revenue funds	-	-	-	837,859	837,859
<b>Total Fund Balances</b>	<b>\$ 19,858,151</b>	<b>\$ 6,073,217</b>	<b>\$ 2,547,371</b>	<b>\$ 1,355,786</b>	<b>\$ 29,834,525</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,309,825</b>	<b>\$ 8,574,255</b>	<b>\$ 3,015,383</b>	<b>\$ 1,562,974</b>	<b>\$ 34,462,437</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 29,834,525</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	72,282,218
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	3,458,941
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	\$ (414,712)
Compensated absences	(852,997)
	<u>(1,267,709)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b><u>\$ 104,307,975</u></b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 5,120,199	\$ 1,172,669	\$ 1,302,191	\$ -	\$ 7,595,059
Special assessments	633,511	-	-	128,774	762,285
Licenses and permits	57,253	-	-	-	57,253
Intergovernmental	3,642,536	4,455,287	5,211,558	198,104	13,507,485
Charges for services	1,577,060	451,357	278,956	91,320	2,398,693
Fines and forfeits	170,754	-	-	-	170,754
Gifts and contributions	3,145	-	125	13,737	17,007
Interest on investments	868,398	-	-	412	868,810
Miscellaneous	769,375	6,165	9	70,329	845,878
<b>Total Revenues</b>	<b>\$ 12,842,231</b>	<b>\$ 6,085,478</b>	<b>\$ 6,792,839</b>	<b>\$ 502,676</b>	<b>\$ 26,223,224</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 4,371,082	\$ -	\$ -	\$ -	\$ 4,371,082
Public safety	4,277,551	-	-	-	4,277,551
Transportation	-	6,338,733	-	361,395	6,700,128
Sanitation	774,269	-	-	-	774,269
Human services	14,656	-	7,729,057	-	7,743,713
Health	1,817,035	-	-	-	1,817,035
Culture and recreation	581,162	8,744	-	-	589,906
Conservation of natural resources	523,078	-	-	81,301	604,379
Economic development	42,400	-	-	-	42,400
<b>Capital outlay</b>	<b>49,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,357</b>
<b>Debt service</b>					
Principal retirement	-	-	-	40,000	40,000
<b>Total Expenditures</b>	<b>\$ 12,450,590</b>	<b>\$ 6,347,477</b>	<b>\$ 7,729,057</b>	<b>\$ 482,696</b>	<b>\$ 27,009,820</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 391,641</b>	<b>\$ (261,999)</b>	<b>\$ (936,218)</b>	<b>\$ 19,980</b>	<b>\$ (786,596)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 2,134,771	\$ 1,585,213	\$ 669,691	\$ -	\$ 4,389,675
Transfers out	(2,254,904)	(88,737)	(2,046,034)	-	(4,389,675)
Loans issued	-	-	-	124,712	124,712
Proceeds from sale of capital assets	1,244,630	14,850	-	-	1,259,480
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,124,497</b>	<b>\$ 1,511,326</b>	<b>\$ (1,376,343)</b>	<b>\$ 124,712</b>	<b>\$ 1,384,192</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Extraordinary Item</b>					
Court settlement	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
<b>Net Change in Fund Balance</b>	\$ 2,516,138	\$ 1,249,327	\$ (2,312,561)	\$ 144,692	\$ 1,597,596
<b>Fund Balance - January 1</b>	17,342,013	4,936,885	4,859,932	1,211,094	28,349,924
<b>Increase (decrease) in reserved for inventories</b>	-	(112,995)	-	-	(112,995)
<b>Fund Balance - December 31</b>	<u>\$ 19,858,151</u>	<u>\$ 6,073,217</u>	<u>\$ 2,547,371</u>	<u>\$ 1,355,786</u>	<u>\$ 29,834,525</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>1,597,596</b>
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 assets adjustment	\$ 2,316,122	
Current year depreciation	(2,489,391)	(173,269)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed of.		
		(1,129,492)
Loan proceeds provide current financial resources to governmental funds, but receiving a loan increases long-term liabilities in the statement of net assets.		
Loan proceeds		(124,712)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		1,328,040
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 on loans payable		40,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	\$ (41,173)	
Change in inventories	(112,995)	(154,168)
<b>Change in net assets of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b><u>1,383,995</u></b>

## **FIDUCIARY FUNDS**

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MOWER COUNTY  
AUSTIN, MINNESOTA

*EXHIBIT 7*

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 668,690</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 668,690</u>

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Mower County was established February 20, 1855, and is an organized County having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Mower County (primary government) and its component units for which the County is financially accountable. 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 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 Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-.047.	County appoints members, and the HRA is a financial burden.	Mower County HRA 59039 - 220th Street Austin, Minnesota 55912

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures which are described in Note 5.B. The County participates in jointly-governed organizations which are described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. 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 in a separate column.

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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.

Additionally, the County reports the following fund type:

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$868,398.

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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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” (the current portion of interfund loans) or “advances to/from other funds” (the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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.

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.

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.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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 value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' 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, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5 - 20
Buildings	20 - 50
Building improvements	20 - 50
Furniture, equipment, and vehicles	2 - 20
Public domain infrastructure	50 - 75

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated vacation, 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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Compensated Absences (Continued)

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.

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

7. Deferred Revenue

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize loan proceeds during the current period. The face amount of the debt issued is reported as other financing sources.

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**

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1. Summary of Significant Accounting Policies

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

10. Use of Estimates

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

E. Prior Period Adjustment

The County has prior period adjustments for: (1) an overstatement of state loan payable; (2) omitted capital assets; and (3) overstated accumulated depreciation. The following table summarizes these changes.

	Total Governmental Activities
Net Assets - January 1	\$ 101,962,138
Overstatement of state loan payable	30,000
Omitted capital assets	49,305
Overstated accumulated depreciation	<u>882,537</u>
Restated Net Assets - January 1	<u>\$ 102,923,980</u>

F. Extraordinary Item

The County received \$1,000,000 in 2004 due to a settlement in the court case of State of Minnesota vs. American Bankers Association and Ronald Ebensteiner. The court case alleged campaign violations and began in 2002. In 2004, American Bankers Association agreed to a settlement. Court settlements of this amount paid to the County have not been received in the past nor are they anticipated in the future. Costs of prosecution for this case and future cases are netted against this settlement. The case against co-defendants is ongoing.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 25,591,835
Change and petty cash funds	2,730
Restricted assets	
Investments	25,822
Fiduciary funds	
Agency funds	
Cash and pooled investments	668,690
Total Cash and Investments	\$ 26,289,077

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$1,642,473. The bank balance deposit amount was \$1,741,226. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 926,985
Collateralized with securities held by the pledging financial institution's agent in the County's name	813,506
Total covered deposits	\$ 1,740,491
Uncollateralized	735
Total	\$ 1,741,226

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 20,490,592	\$ -	\$ -	\$ 20,490,592
Negotiable certificates of deposit	879,987	-	-	879,987
Total Investments	\$ 21,370,579	\$ -	\$ -	\$ 21,370,579
Add				
Money market mutual funds				67,220
MAGIC Fund				3,206,075
Change and petty cash funds				2,730
Certificates of deposit				1,290,595
Deposits				351,878
Total Cash and Investments				\$ 26,289,077

**MOWER COUNTY  
AUSTIN, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	
Accounts receivable	\$ 661,652
Less: allowance for uncollectibles	
Nursing department	(7,637)
Social Services department	(449,315)
	\$ 204,700
Total Governmental Activities, Net	\$ 204,700

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,613,332	\$ -	\$ 60,550	\$ 1,552,782
Highway right-of-way	10,131,452	25,634	-	10,157,086
Construction in progress	140,218	1,419,702	1,077,434	482,486
Total capital assets not depreciated	\$ 11,885,002	\$ 1,445,336	\$ 1,137,984	\$ 12,192,354
Capital assets depreciated				
Buildings	\$ 9,366,474	\$ -	\$ 1,072,349	\$ 8,294,125
Building improvements	4,795,776	49,457	-	4,845,233
Improvements other than buildings	259,031	-	-	259,031
Machinery, furniture, and equipment	6,407,220	338,843	718,275	6,027,788
Software	78,387	-	-	78,387
Infrastructure	74,516,891	1,559,920	26,180	76,050,631
Total capital assets depreciated	\$ 95,423,779	\$ 1,948,220	\$ 1,816,804	\$ 95,555,195

**MOWER COUNTY  
AUSTIN, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance Restated	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 3,051,741	\$ 171,629	\$ 289,931	\$ 2,933,439
Building improvements	1,605,910	244,860	-	1,850,770
Improvements other than buildings	94,171	12,955	-	107,126
Machinery, furniture, and equipment	3,091,377	653,524	438,383	3,306,518
Software	12,790	14,633	-	27,423
Infrastructure	<u>25,867,813</u>	<u>1,391,790</u>	<u>19,548</u>	<u>27,240,055</u>
Total accumulated depreciation	<u>\$ 33,723,802</u>	<u>\$ 2,489,391</u>	<u>\$ 747,862</u>	<u>\$ 35,465,331</u>
Total capital assets depreciated, net	<u>\$ 61,699,977</u>	<u>\$ (541,171)</u>	<u>\$ 1,068,942</u>	<u>\$ 60,089,864</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 73,584,979</u></u>	<u><u>\$ 904,165</u></u>	<u><u>\$ 2,206,926</u></u>	<u><u>\$ 72,282,218</u></u>

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

Governmental Activities	
General government	\$ 330,052
Public safety	127,204
Transportation, including depreciation of infrastructure assets	1,883,728
Sanitation	23,042
Human services	11,679
Health	8,695
Culture and recreation	68,458
Conservation of natural resources	<u>36,533</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,489,391</u></u>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge	General	\$ 17,117
Other governmental funds	General	6,397
Total Due To/From Other Funds		\$ 23,514

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to General Fund from		
Road and Bridge Fund	\$ 88,737	Transfer prior year excess fund balance
Social Services Fund	2,046,034	Transfer prior year excess fund balance
Total Transfers to General Fund	\$ 2,134,771	
Transfers from General Fund to		
Road and Bridge Fund	\$ 1,585,213	Transfer to cover designations
Social Services Fund	669,691	Transfer to cover designations
Total Transfers from General Fund	\$ 2,254,904	
Total Interfund Transfers	\$ 4,389,675	

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Leases

Operating Leases

The County leases space for Social Services under a noncancelable operating lease. There was no cost to lease the space during 2004, but the future minimum lease payments for this lease are:

Year Ending December 31	Amount
2005	\$ 116,628
2006	139,954
2007	139,954
2008	139,954
2009	127,654
2010 - 2014	319,760

2. Construction Commitments

The government has active construction projects as of December 31, 2004. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 682,486	\$ 20,841

3. Other Postemployment Benefits

Retirees

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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities

3. Other Postemployment Benefits

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 (\$391 per month) or family (\$1,043 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2004, there were 22 participants for this plan at a cost of \$200,314.
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 County will pay \$25.61 per month plus one-half of the premium increases after October 31, 1993. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree. During 2004, there were eight participants for the plan at a cost of \$62,636.
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 2004, there were 43 participants for the plan at a cost of \$356,188.
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 2004, this plan had no participants.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Other Postemployment Benefits (Continued)

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.

4. Long-Term Debt

Loans Payable

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

<u>Type of State Loans</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
1996 septic loans	2007	\$40,000	-	\$ 400,000	\$ 120,000
1998 and 2001 septic loans	2020	\$5,000 - \$10,000 - \$2,500 -	-	100,000	100,000
2002 septic loans	2016	\$10,000 - \$2,500 -	-	100,000	70,000
2004 septic loans	2024	\$14,736	-	124,712	124,712
Total General Obligation Capital Notes					<u>\$ 414,712</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

<u>Year Ending December 31</u>	<u>State Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 40,000	\$ -
2006	40,000	-
2007	40,000	-
2008	-	-
2009	-	-
2010 - 2014	47,000	-
2015 - 2019	147,356	-
2020 - 2024	100,356	-
<b>Totals</b>	<b>\$ 414,712</b>	<b>\$ -</b>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans payable	\$ 330,000	\$ 124,712	\$ 40,000	\$ 414,712	\$ 40,000
Compensated absences	811,824	145,484	104,311	852,997	52,905
Governmental Activity Long-Term Liabilities	<u>\$ 1,141,824</u>	<u>\$ 270,196</u>	<u>\$ 144,311</u>	<u>\$ 1,267,709</u>	<u>\$ 92,905</u>

3. Pension Plans

A. 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,

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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3. Pension Plans

A. Plan Description (Continued)

the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All 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.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all PERA 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 Public Employees Police and Fire Fund and Public Employees

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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3. Pension Plans

A. Plan Description (Continued)

Correctional Fund members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan 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 benefit is payable. Also available are 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.

The 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 web at [mnpera.org](http://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.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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3. Pension Plans

B. Funding Policy (Continued)

Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 469,693	\$ 96,987	\$ 44,841
2003	487,839	95,439	43,536
2002	456,612	88,066	38,591

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

4. 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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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4. Risk Management (Continued)

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 the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 and \$760,000 per claim in 2004 and 2005, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

The Property and Casualty Division of the 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, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

5. 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

B. Joint Ventures

Family Services Collaborative

The Mower County Family Services Collaborative was established in 1996 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Mower County; the City of Austin; SEMCAC; Mower County Township Association; and Independent School District Nos. 491, 492, 495, 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 Human Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the Minnesota Department of Education.

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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Austin Mower County Area Transit (AMCAT)

AMCAT was established July 2004 under the authority of Minn. Stat. § 471.59. The City of Austin and Mower County joined to promote efficient and economic delivery of public transit services to residents in participating jurisdictions. The AMCAT Board consists of five members, two from members of the Austin City Council and two from members of the Mower County Board, and one resident of Mower County that has been mutually appointed by the City Council and the County Board and serves as chair of the AMCAT Board. The City of Austin acts as fiscal agent and lead agency for the purpose of payments from the Department of Transportation for financial assistance. AMCAT does not levy taxes or borrow money.

The City of Austin and Mower County equally share the net cost of this program. This joint powers agreement stays in effect until notice from either party of its desire and intention to withdraw. Withdrawal does not take effect until the next calendar year has been completed. Financial statements are available at the office of the fiscal agent, City of Austin, Tom Dankert, Administrative Services, 500 - 4th Avenue N.E., Austin, Minnesota 55912.

C. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative

The Cooperative was established to provide computer programming to member counties. During the year, Mower County paid \$89,127 to the Cooperative.

Southeast Minnesota Emergency Management Services (EMS)

The EMS provides various health services to several counties. During the year, the County paid \$320 to the EMS.

Southeast Minnesota Recyclers Exchange (SEMREX)

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

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Southeastern Minnesota Community Action Council

During the year, the County made no payments to the Council.

Southeastern Minnesota Narcotics Task Force

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

Southeastern Minnesota Private Industry Council

The Council provides various job training services to member counties. During the year, the County paid \$349,873 to the Council.

Southeast Minnesota Water Quality Board

The Board provides water quality services to several counties. The County paid \$3,000 to the Board during the year.

6. 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.

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.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Cash, Cash Equivalents, Investments, and Restricted Investments

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

B. Detailed Notes

1. Assets

Deposits and Investments

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

Component unit	
Cash and pooled investments	\$ 509,177
Investments	246,396
Restricted assets	
Cash and pooled investments	<u>938,701</u>
Total Cash and Investments	<u>\$ 1,694,274</u>

In accordance with applicable Minnesota statutes, the HRA maintains deposits at depository banks authorized by the Board of Directors. Minnesota statutes require that all deposits be protected by insurance, surety bond, or collateral. At September 30, 2004, the carrying amount of the HRA's deposits totaled \$764,469. The bank balance deposit amount was \$771,092. All deposits were insured or collateralized by securities held by the HRA or its agent in the HRA's name.

**MOWER COUNTY  
AUSTIN, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the HRA or its agent in the HRA's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the HRA's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the HRA's name.

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 929,805	\$ -	\$ -	\$ 929,805
Add				
Cash and cash equivalents				484,815
Temporary investments				246,396
Tenant deposit cash				24,212
Restricted investments				8,896
Cash on hand				150
Total Cash and Investments				\$ 1,694,274

**MOWER COUNTY  
AUSTIN, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets (Continued)

Capital Assets

HRA capital asset activity for the year ended September 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets depreciated				
Equipment	\$ 2,464	\$ 656	\$ -	\$ 3,120
Transportation	18,021	-	-	18,021
	<u>\$ 20,485</u>	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ 21,141</u>
Total capital assets depreciated				
Less: accumulated depreciation for				
Equipment	\$ 52	\$ 247	\$ -	\$ 299
Transportation	18,021	-	-	18,021
	<u>\$ 18,073</u>	<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 18,320</u>
Total depreciation				
Total Governmental Activities Capital Assets, net	<u>\$ 2,412</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ 2,821</u>
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital assets not depreciated				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital assets depreciated				
Land improvements	\$ 259,420	\$ 1,434	\$ -	\$ 260,854
Buildings	3,661,307	30,560	1,011	3,690,856
Furnishings	302,317	32,725	19,726	315,316
Maintenance equipment	25,257	2,068	-	27,325
	<u>\$ 4,248,301</u>	<u>\$ 66,787</u>	<u>\$ 20,737</u>	<u>\$ 4,294,351</u>
Total capital assets depreciated				

**MOWER COUNTY  
AUSTIN, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 117,188	\$ 14,850	\$ -	\$ 132,038
Buildings	1,692,583	101,746	1,011	1,793,318
Furnishings	174,952	16,905	19,726	172,131
Maintenance equipment	17,044	4,582	-	21,626
Total depreciation	\$ 2,001,767	\$ 138,083	\$ 20,737	\$ 2,119,113
Total capital assets depreciated, net	\$ 2,246,534	\$ (71,296)	\$ -	\$ 2,175,238
Total Business-Type Activities Capital Assets, Net	\$ 2,288,838	\$ (71,296)	\$ -	\$ 2,217,542

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

Governmental Activities	
General government	\$ 247
Business-Type Activities	
Housing	\$ 138,083

2. Liabilities

Long-Term Debt

Long-term debt outstanding at September 30, 2004, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Interest Rates (%)	Original Issue Amount	Remaining Commitment	Due Within One Year
Mortgage payable	2020	6.50	\$ 857,870	\$ 600,340	\$ 21,892
Mortgage payable	2024	8.75	123,000	78,428	1,547

**MOWER COUNTY  
AUSTIN, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

2. Liabilities (Continued)

Debt Service Requirements

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 23,439	\$ 46,721
2006	25,046	45,255
2007	26,764	43,691
2008	28,601	42,021
2009	30,564	40,241
2010 - 2014	187,387	170,024
2015 - 2019	261,469	103,781
2020 - 2024	95,498	43,431
Total	<u>\$ 678,768</u>	<u>\$ 535,165</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, 2004.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes payable				
Mortgages payable	\$ 700,786	\$ -	\$ 22,018	\$ 678,768
Compensated absences	15,063	726	-	15,789
Long-Term Liabilities	<u>\$ 715,849</u>	<u>\$ 726</u>	<u>\$ 22,018</u>	<u>\$ 694,557</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 5,269,961	\$ 5,269,961	\$ 5,120,199	\$ (149,762)
Special assessments	588,611	598,611	633,511	34,900
Licenses and permits	95,535	95,535	57,253	(38,282)
Intergovernmental	2,983,365	3,099,803	3,642,536	542,733
Charges for services	1,662,170	1,662,170	1,577,060	(85,110)
Fines and forfeits	147,500	150,954	170,754	19,800
Gifts and contributions	500	500	3,145	2,645
Investment earnings	1,001,346	1,001,346	868,398	(132,948)
Miscellaneous	275,523	275,523	769,375	493,852
<b>Total Revenues</b>	<b>\$ 12,024,511</b>	<b>\$ 12,154,403</b>	<b>\$ 12,842,231</b>	<b>\$ 687,828</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 249,560	\$ 248,760	\$ 208,413	\$ 40,347
Courts	529,163	526,902	431,681	95,221
County administration	399,219	398,194	382,303	15,891
County auditor	129,255	129,995	131,140	(1,145)
County treasurer	222,476	222,476	215,186	7,290
County assessor	375,979	392,794	377,050	15,744
Elections	87,220	87,100	93,228	(6,128)
Accounting and auditing	50,000	50,000	67,601	(17,601)
Data processing	311,469	310,704	324,479	(13,775)
Central services	99,475	98,816	93,941	4,875
Attorney	512,112	542,465	582,913	(40,448)
Law library	65,140	65,140	48,605	16,535
Recorder	201,423	200,373	193,179	7,194
Planning and zoning	165,873	165,573	207,272	(41,699)
Buildings and plant	396,405	894,419	372,210	522,209
Veterans services officer	110,299	131,560	136,886	(5,326)
Appropriations	744,342	710,271	-	710,271
Other	-	-	504,995	(504,995)
<b>Total general government</b>	<b>\$ 4,649,410</b>	<b>\$ 5,175,542</b>	<b>\$ 4,371,082</b>	<b>\$ 804,460</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,651,399	\$ 2,654,116	\$ 1,652,610	\$ 1,001,506
Coroner	48,400	48,400	32,259	16,141
E-911 system	35,350	35,350	20,899	14,451
County jail	1,336,055	1,327,046	1,244,735	82,311
Law enforcement center	412,307	411,434	435,774	(24,340)
Community corrections	759,186	757,738	698,840	58,898
Sentence to serve	36,000	36,000	32,500	3,500
Canteen jail fund	16,290	16,290	15,342	948
DARE program	5,340	5,340	2,622	2,718
Civil defense	40,127	59,887	76,921	(17,034)
Other public safety	42,626	45,752	65,049	(19,297)
<b>Total public safety</b>	<b>\$ 5,383,080</b>	<b>\$ 5,397,353</b>	<b>\$ 4,277,551</b>	<b>\$ 1,119,802</b>
<b>Sanitation</b>				
Solid waste	\$ 558,546	\$ 579,099	\$ 598,070	\$ (18,971)
Other sanitation	750,000	750,000	176,199	573,801
<b>Total sanitation</b>	<b>\$ 1,308,546</b>	<b>\$ 1,329,099</b>	<b>\$ 774,269</b>	<b>\$ 554,830</b>
<b>Human services</b>				
Income maintenance	\$ -	\$ -	\$ 14,656	\$ (14,656)
<b>Health</b>				
Nursing service	\$ 1,510,908	\$ 1,536,288	\$ 1,411,441	\$ 124,847
Maternal and child health	53,673	54,784	54,965	(181)
County health officer	1,670	1,670	1,346	324
WIC	220,850	220,386	162,639	57,747
Other	153,324	159,880	186,644	(26,764)
<b>Total health</b>	<b>\$ 1,940,425</b>	<b>\$ 1,973,008</b>	<b>\$ 1,817,035</b>	<b>\$ 155,973</b>
<b>Culture and recreation</b>				
Historical society	\$ 33,360	\$ 33,360	\$ 56,860	\$ (23,500)
Senior citizens	33,000	33,000	33,000	-
Regional library	205,421	226,421	226,322	99
Other	240,450	240,450	264,980	(24,530)
<b>Total culture and recreation</b>	<b>\$ 512,231</b>	<b>\$ 533,231</b>	<b>\$ 581,162</b>	<b>\$ (47,931)</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 145,877	\$ 145,877	\$ 133,213	\$ 12,664
Soil and water conservation	163,686	163,686	205,062	(41,376)
Feedlot	84,037	83,790	64,391	19,399
Agricultural inspections	29,824	29,775	17,666	12,109
Agricultural society/County fair	71,675	71,675	61,975	9,700
Water planning	5,050	5,050	5,224	(174)
Other	-	-	35,547	(35,547)
<b>Total conservation of natural resources</b>	<b>\$ 500,149</b>	<b>\$ 499,853</b>	<b>\$ 523,078</b>	<b>\$ (23,225)</b>
<b>Economic development</b>				
Economic development	\$ 42,400	\$ 42,400	\$ 42,400	\$ -
<b>Capital outlay</b>				
Culture and recreation	\$ 50,000	\$ 50,000	\$ 49,357	\$ 643
<b>Total Expenditures</b>	<b>\$ 14,386,241</b>	<b>\$ 15,000,486</b>	<b>\$ 12,450,590</b>	<b>\$ 2,549,896</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,361,730)</b>	<b>\$ (2,846,083)</b>	<b>\$ 391,641</b>	<b>\$ 3,237,724</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 2,134,771	\$ 2,134,771
Transfers out	-	-	(2,254,904)	(2,254,904)
Proceeds from sale of assets	-	-	1,244,630	1,244,630
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,124,497</b>	<b>\$ 1,124,497</b>
<b>Extraordinary Item</b>				
Court settlement	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
<b>Net Change in Fund Balance</b>	<b>\$ (2,361,730)</b>	<b>\$ (2,846,083)</b>	<b>\$ 2,516,138</b>	<b>\$ 5,362,221</b>
<b>Fund Balance - January 1</b>	<b>17,342,013</b>	<b>17,342,013</b>	<b>17,342,013</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 14,980,283</b>	<b>\$ 14,495,930</b>	<b>\$ 19,858,151</b>	<b>\$ 5,362,221</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,411,042	\$ 1,411,042	\$ 1,172,669	\$ (238,373)
Intergovernmental	3,903,239	3,903,239	4,455,287	552,048
Charges for services	342,000	342,000	451,357	109,357
Miscellaneous	5,000	5,000	6,165	1,165
<b>Total Revenues</b>	<b>\$ 5,661,281</b>	<b>\$ 5,661,281</b>	<b>\$ 6,085,478</b>	<b>\$ 424,197</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Transportation</b>				
Administration	\$ 534,411	\$ 534,411	\$ 529,365	\$ 5,046
Maintenance	2,028,195	2,028,195	2,614,788	(586,593)
Construction	2,853,073	2,853,073	2,454,487	398,586
Equipment maintenance and shop	933,195	933,195	740,093	193,102
<b>Total transportation</b>	<b>\$ 6,348,874</b>	<b>\$ 6,348,874</b>	<b>\$ 6,338,733</b>	<b>\$ 10,141</b>
<b>Culture and recreation</b>				
Other	4,000	4,000	8,744	(4,744)
<b>Total Expenditures</b>	<b>\$ 6,352,874</b>	<b>\$ 6,352,874</b>	<b>\$ 6,347,477</b>	<b>\$ 5,397</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (691,593)</b>	<b>\$ (691,593)</b>	<b>\$ (261,999)</b>	<b>\$ 429,594</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 1,585,213	\$ 1,585,213
Transfers out	-	-	(88,737)	(88,737)
Proceeds from sale of assets	-	-	14,850	14,850
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,511,326</b>	<b>\$ 1,511,326</b>
<b>Net Change in Fund Balance</b>	<b>\$ (691,593)</b>	<b>\$ (691,593)</b>	<b>\$ 1,249,327</b>	<b>\$ 1,940,920</b>
<b>Fund Balance - January 1</b>	<b>4,936,885</b>	<b>4,936,885</b>	<b>4,936,885</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(112,995)</b>	<b>(112,995)</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,245,292</b>	<b>\$ 4,245,292</b>	<b>\$ 6,073,217</b>	<b>\$ 1,827,925</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,574,486	\$ 1,574,486	\$ 1,302,191	\$ (272,295)
Intergovernmental	5,980,159	5,980,159	5,211,558	(768,601)
Charges for services	306,493	306,493	278,956	(27,537)
Gifts and contributions	-	-	125	125
Miscellaneous	-	-	9	9
<b>Total Revenues</b>	<b>\$ 7,861,138</b>	<b>\$ 7,861,138</b>	<b>\$ 6,792,839</b>	<b>\$ (1,068,299)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,017,862	\$ 2,017,862	\$ 2,043,224	\$ (25,362)
Social services	6,638,898	6,638,898	5,685,833	953,065
<b>Total Expenditures</b>	<b>\$ 8,656,760</b>	<b>\$ 8,656,760</b>	<b>\$ 7,729,057</b>	<b>\$ 927,703</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (795,622)</b>	<b>\$ (795,622)</b>	<b>\$ (936,218)</b>	<b>\$ (140,596)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 669,691	\$ 669,691
Transfers out	-	-	(2,046,034)	(2,046,034)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,376,343)</b>	<b>\$ (1,376,343)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (795,622)</b>	<b>\$ (795,622)</b>	<b>\$ (2,312,561)</b>	<b>\$ (1,516,939)</b>
<b>Fund Balance - January 1</b>	<b>4,859,932</b>	<b>4,859,932</b>	<b>4,859,932</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,064,310</b>	<b>\$ 4,064,310</b>	<b>\$ 2,547,371</b>	<b>\$ (1,516,939)</b>

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the capital projects funds, which are not budgeted. The capital projects funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the Mower County Coordinator so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted not later than December 31.

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

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, the Heartland Express Special Revenue Fund had \$92,770 of expenditures in excess of the final expenditure budget.

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch 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 benefited properties.

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

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

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	Special Revenue Funds			Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Heartland Express	Sewer Improvements	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 349,126	\$ 193,071	\$ 479,787	\$ 1,021,984
Special assessments receivable				
Current	106,000	-	-	106,000
Prior	1,088	-	-	1,088
Due from other funds	-	-	6,397	6,397
Due from other governments	4,094	-	-	4,094
Loans receivable	-	-	397,574	397,574
Restricted investments - temporary	-	-	25,822	25,822
Restricted accrued interest receivable - temporary	-	-	15	15
<b>Total Assets</b>	<b>\$ 460,308</b>	<b>\$ 193,071</b>	<b>\$ 909,595</b>	<b>\$ 1,562,974</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,560	\$ -	\$ -	\$ 2,560
Due to other governments	73	98,555	-	98,628
Deferred revenue - unavailable	106,000	-	-	106,000
<b>Total Liabilities</b>	<b>\$ 108,633</b>	<b>\$ 98,555</b>	<b>\$ -</b>	<b>\$ 207,188</b>
<b>Fund Balances</b>				
Reserved for loans receivable	\$ -	\$ -	\$ 397,574	\$ 397,574
Reserved for transportation	-	94,516	-	94,516
Reserved for debt service	-	-	25,837	25,837
Unreserved				
Designated for debt service	-	-	151,814	151,814
Undesignated	351,675	-	334,370	686,045
<b>Total Fund Balances</b>	<b>\$ 351,675</b>	<b>\$ 94,516</b>	<b>\$ 909,595</b>	<b>\$ 1,355,786</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 460,308</b>	<b>\$ 193,071</b>	<b>\$ 909,595</b>	<b>\$ 1,562,974</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds			Total Nonmajor Governmental Funds (Exhibit 5)
	Ditch	Heartland Express	Sewer Improvements	
<b>Revenues</b>				
Special assessments	\$ 128,774	\$ -	\$ -	\$ 128,774
Intergovernmental	2,151	183,122	12,831	198,104
Charges for services	-	91,320	-	91,320
Gifts and contributions	-	13,737	-	13,737
Investment earnings	-	-	412	412
Miscellaneous	-	1,250	69,079	70,329
<b>Total Revenues</b>	<b>\$ 130,925</b>	<b>\$ 289,429</b>	<b>\$ 82,322</b>	<b>\$ 502,676</b>
<b>Expenditures</b>				
<b>Current</b>				
Transportation	\$ -	\$ 361,395	\$ -	\$ 361,395
Conservation of natural resources	81,301	-	-	81,301
<b>Debt service</b>				
Principal retirement	-	-	40,000	40,000
<b>Total Expenditures</b>	<b>\$ 81,301</b>	<b>\$ 361,395</b>	<b>\$ 40,000</b>	<b>\$ 482,696</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 49,624</b>	<b>\$ (71,966)</b>	<b>\$ 42,322</b>	<b>\$ 19,980</b>
<b>Other Financing Sources (Uses)</b>				
Loans issued	-	-	124,712	124,712
<b>Net Change in Fund Balance</b>	<b>\$ 49,624</b>	<b>\$ (71,966)</b>	<b>\$ 167,034</b>	<b>\$ 144,692</b>
<b>Fund Balance - January 1</b>	<b>302,051</b>	<b>166,482</b>	<b>742,561</b>	<b>1,211,094</b>
<b>Fund Balance - December 31</b>	<b>\$ 351,675</b>	<b>\$ 94,516</b>	<b>\$ 909,595</b>	<b>\$ 1,355,786</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 128,365	\$ 128,365	\$ 128,774	\$ 409
Intergovernmental	-	-	2,151	2,151
<b>Total Revenues</b>	<b>\$ 128,365</b>	<b>\$ 128,365</b>	<b>\$ 130,925</b>	<b>\$ 2,560</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Ditch maintenance	384,444	391,444	81,301	310,143
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (256,079)	\$ (263,079)	\$ 49,624	\$ 312,703
<b>Fund Balance - January 1</b>	<b>302,051</b>	<b>302,051</b>	<b>302,051</b>	-
<b>Fund Balance - December 31</b>	<b>\$ 45,972</b>	<b>\$ 38,972</b>	<b>\$ 351,675</b>	<b>\$ 312,703</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
HEARTLAND EXPRESS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 176,303	\$ 176,303	\$ 183,122	\$ 6,819
Charges for services	97,500	97,500	91,320	(6,180)
Gifts and contributions	13,637	13,637	13,737	100
Miscellaneous	1,250	1,250	1,250	-
<b>Total Revenues</b>	<b>\$ 288,690</b>	<b>\$ 288,690</b>	<b>\$ 289,429</b>	<b>\$ 739</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Transportation</b>				
Community bus service	268,625	268,625	361,395	(92,770)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 20,065</b>	<b>\$ 20,065</b>	<b>\$ (71,966)</b>	<b>\$ (92,031)</b>
<b>Fund Balance - January 1</b>	<b>166,482</b>	<b>166,482</b>	<b>166,482</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 186,547</b>	<b>\$ 186,547</b>	<b>\$ 94,516</b>	<b>\$ (92,031)</b>

## **FIDUCIARY FUNDS**

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**AGENCY FUNDS**

Agency funds are used to account for assets the County holds as an agent for others.

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 operation of Mower County Family Services.

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

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 86,699	\$ 1,591,468	\$ 1,585,270	\$ 92,897
<b><u>Liabilities</u></b>				
Due to other governments	\$ 86,699	\$ 1,591,468	\$ 1,585,270	\$ 92,897
 <b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 608,294	\$ 491,886	\$ 116,408
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 608,294	\$ 491,886	\$ 116,408
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 199,160	\$ 23,080,450	\$ 22,820,225	\$ 459,385
<b><u>Liabilities</u></b>				
Unapportioned taxes and assessments	\$ -	\$ 8,527,137	\$ 8,527,137	\$ -
Due to other governments	199,160	14,517,790	14,257,565	459,385
<b>Total Liabilities</b>	<b>\$ 199,160</b>	<b>\$ 23,044,927</b>	<b>\$ 22,784,702</b>	<b>\$ 459,385</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 285,859</u>	<u>\$ 25,280,212</u>	<u>\$ 24,897,381</u>	<u>\$ 668,690</u>
<b><u>Liabilities</u></b>				
Unapportioned taxes and assessments	\$ -	\$ 8,527,137	\$ 8,527,137	\$ -
Due to other governments	<u>285,859</u>	<u>16,717,552</u>	<u>16,334,721</u>	<u>668,690</u>
<b>Total Liabilities</b>	<u>\$ 285,859</u>	<u>\$ 25,244,689</u>	<u>\$ 24,861,858</u>	<u>\$ 668,690</u>

## **OTHER SCHEDULES**

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

*Schedule 6*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u><b>Total Governmental Funds</b></u>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 3,807,396
County program aid	1,237,995
Market value credit	1,493,967
PERA rate reimbursement	40,232
Disparity reduction aid	132,210
Police aid	95,439
Temporary court aid	78,059
Enhanced 911	59,384
	<hr/>
<b>Total Shared Revenue</b>	<b>\$ 6,944,682</b>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Human Services	\$ 2,263,558
	<hr/>
<b>Payments</b>	
<b>Local</b>	
Local contributions	\$ 2,151
Payments in lieu of taxes	59,691
	<hr/>
<b>Total Payments</b>	<b>\$ 61,842</b>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board of	
Agriculture	\$ 12,831
Corrections	245,294
Public Safety	24,148
Transportation	162,273
Health	208,353
Natural Resources	33,057
Human Services	2,029,684
Soil and Water Resources	153,230
Veterans Services	4,200
Office of Environmental Assistance	14,004
Pollution Control Agency	88,930
	<hr/>
<b>Total State</b>	<b>\$ 2,976,004</b>
<b>Federal</b>	
Department of	
Agriculture	\$ 167,407
Justice	12,275
Transportation	20,849
Environmental Protection	2,000
Homeland Security	228,032
Health and Human Services	830,836
	<hr/>
<b>Total Federal</b>	<b>\$ 1,261,399</b>
<b>Total State and Federal Grants</b>	<b>\$ 4,237,403</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 13,507,485</b>
	<hr/> <hr/>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

Schedule 7

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS**

	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real Property	\$ 18,800,147		\$ 19,977,798		\$ 22,340,333	
Personal Property	938,535		949,993		1,018,336	
Tax Increment	(449,588)		(492,679)		(557,409)	
<b>Net Tax Capacity</b>	<b>\$ 19,289,094</b>		<b>\$ 20,435,112</b>		<b>\$ 22,801,260</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 4,071,330	21.107	\$ 5,557,903	26.911	\$ 5,800,222	25.509
Road and Bridge	1,314,238	6.813	1,411,042	6.832	1,822,053	8.013
Social Services	2,091,072	10.841	1,574,433	7.623	1,722,194	7.574
County Buildings	471,243	2.443	336,697	1.630	395,245	1.738
County Library*	182,917	1.815	226,421	2.084	231,899	1.900
<b>Total Levy for County Purposes</b>	<b>\$ 8,130,800</b>	<b>43.019</b>	<b>\$ 9,106,496</b>	<b>45.080</b>	<b>\$ 9,971,613</b>	<b>44.734</b>
<b>Tax Capacity - Light and Power</b>						
Transmission	\$ 176		\$ 182		\$ 141	
Distribution	8,588		8,588		9,955	
<b>Total Tax Capacity Light and Power</b>	<b>\$ 8,764</b>		<b>\$ 8,770</b>		<b>\$ 10,096</b>	
<b>Light and Power Tax Levies</b>						
Transmission	\$ 267	0.922	\$ 275	0.969	\$ 130	0.916
Distribution	13,057	0.922	12,973	0.969	9,668	0.916
<b>Total Light and Power Tax Levies</b>	<b>\$ 13,324</b>		<b>\$ 13,248</b>		<b>\$ 9,798</b>	
<b>Special Assessments</b>						
Ditch	\$ 94,284		\$ 68,750		\$ 107,000	
Solid Waste	216,114		346,711		278,723	
ISTS	134,090		111,829		117,777	
<b>Total Special Assessments</b>	<b>\$ 444,488</b>		<b>\$ 527,290</b>		<b>\$ 503,500</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.18%</b>		<b>97.95%</b>			



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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Coding Grants on the Integrated Financial System (00-1)**

Review of the Account Activity Reports noted some revenue accounts do not properly identify the grantor agency and/or corresponding CFDA number.

**Resolution**

No deficiencies were noted upon review of the Account Activity Reports.

**Month-End Reconciliation of the Treasurer's Cash Book Balance to the General Ledger Cash and Pooled Investment Account Balance (03-1)**

Review of the month-end reconciliations between the County Treasurer's cashbook balance and the general ledger cash and pooled investment account balance revealed several internal accounting control deficiencies.

**Resolution**

No deficiencies were noted during our review of the month-end reconciliations for the current audit.

**County Treasurer Noncompliance with Board-Adopted Electronic Funds Transfer Policy (03-2)**

Review of electronic funds transfer transactions noted several noncompliance items with the County Board policy.

**Resolution**

No deficiencies were noted upon review of the electronic funds transfer policy.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-3 Financial Statement Preparation

Minn. Stat. § 375.17 states that the County Board is responsible for having annual financial statements prepared by the first part of March following the year-end. The County Board has oversight responsibility to ensure that the annual financial report is prepared in a timely manner. Generally, this means that the County Board should provide the necessary directives to County staff for the preparation and timely completion of the annual financial report. This includes providing sufficient guidance as to detail to be prepared, staff training in preparing the annual report, and staff time needed to prepare the annual report. The annual financial report consists of a Management's Discussion and Analysis (MD&A), entity-wide statements, fund level statements, notes to the financial statements, required supplementary information, detailed fund data as needed, and other data as deemed necessary. This data should be prepared in accordance with generally accepted accounting principles for government. As part of the fund financial statements, summary schedules/worksheets should be prepared by County staff to demonstrate how the accounts in the financial records are classified/summarized for the financial report. Preparation means more than balancing the County's general ledger transaction detail.

Recent changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, limit the amount of nonaudit services that can be provided by the independent auditor in preparing financial statements of the entity. The effect of these changes on the County is that County management needs to prepare the MD&A, financial statements, notes to the financial statements, and other schedules. The independent auditor is responsible only for attesting to the fairness of the information presented in the financial statements to be included in the County's annual financial report. To facilitate timely reporting, the draft financial report/data should be completed in a timely manner and be available for audit on a date mutually agreed upon.

We recommend that the County Board provide the necessary directives to County staff to prepare the annual financial statements. In order to accomplish this, the County Board should ensure that County staff assigned to prepare this

information have a good understanding of generally accepted accounting principles for government and the time necessary to prepare the draft financial report by the agreed-upon dates.

Client's Response:

*The County Finance Committee has instructed the Finance Director to direct staff in this area including coordinating any necessary training. As you are aware, the Finance Director position is relatively new with Mower County and in Year 2005, the Board added the investment function to this position. We expect this, along with increased training for appropriate staff, will provide a positive direction in accomplishing this recommendation.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

97-5

Disaster Recovery Plan

The County does not have a documented disaster recovery plan that covers major loss of building or computer to ensure continued County operation if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;
- a plan as to how the County should continue operations until normal operations are re-established, and this plan should include the use of alternative computer facilities or the use of manual procedures;

- a list of materials the County would need to continue operations and how they would be obtained;
- identification of what space should be used; and
- a schedule for developing and periodically reviewing and updating the plan.

We again recommend the County develop, implement, and test a disaster recovery plan. All County employees should be familiar with the plan. The plan should detail the steps to be taken to continue operations in the event of a disaster.

Client's Response:

*The County has begun meeting with emergency personnel to identify a formal disaster recovery plan. We have met with department heads and notified them to review their department services, providing a listing of services. Each service will need to be identified as a need to deliver with no delay, a one-week delay, and a one-month delay. Some services may need to be identified as discontinued indefinitely during a disaster. From this data, we can determine key personnel and their duties, facility needs, and system needs. In addition, the County has been approved for a homeland security grant that will be used to purchase a backup server and other related hardware. This data will then be collated to complete a disaster recovery plan for the County.*

PREVIOUSLY REPORTED ITEM RESOLVED

**County Budget (01-5)**

Expenditures were listed by department and totaled by expenditure type. All budgets were not entered on the Integrated Financial System (IFS), and budget changes were not entered into the IFS.

**Resolution**

Expenditures are now listed by fund, and all budgets and budget changes are entered on the IFS.

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**OTHER REQUIRED REPORTS**

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Mower County

We have audited the financial statements of Mower County as of and for the year ended December 31, 2004, and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mower County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Mower County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 02-3.

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

*/s/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005



PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Mower County

### Compliance

We have audited the compliance of Mower County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Mower County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Mower County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), which expended \$432,288 in federal awards during the year ended September 30, 2004, which are not included in the Schedule of Expenditures of Federal Awards. Our audit described below, did not include the operations of the HRA because it was audited by other auditors.

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

occurred. An audit includes examining, on a test basis, evidence about Mower County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Mower County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

#### Internal Control Over Compliance

The management of Mower 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Mower County as of and for the year ended December 31, 2004, and have issued our report thereon dated September 29, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005

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**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Schedule 9**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<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	\$ 156,087
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	9,483
<b>Total U.S. Department of Agriculture</b>		<b>\$ 165,570</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	<b>\$ 12,275</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509	<b>\$ 16,883</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health Water Pollution Control	66.419	<b>\$ 2,000</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 24,641
Temporary Assistance for Needy Families	93.558	328,212
Child Care Mandatory and Matching Funds	93.596	20,124
Foster Care Title IV-E	93.658	53,693
Social Services Block Grant Title XX	93.667	286,948
Independent Living Grant	93.674	6,607
Passed Through Minnesota Department of Health Immunization Grant	93.268	750
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	51,531
Maternal and Child Health Services Block Grant	93.994	48,147
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 820,653</b>

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**Schedule 9**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness	97.036	\$ 190,804
Disaster Assistance/Hazard Mitigation Grant	97.039	21,425
Emergency Management Performance Grants	97.042	<u>15,803</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 228,032</b>
<b>Total Federal Awards</b>		<b>\$ <u>1,245,413</u></b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Mower County, except for those expended by its discretely presented component unit, the Mower County Housing and Redevelopment Authority (HRA). The HRA had a separate audit. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to differences in timing of revenue recognition under modified accrual, total federal awards expended do not equal federal revenues reported in the funds.
3. Pass-through grant numbers were not assigned by the pass-through agencies.