

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**NORMAN COUNTY**  
**ADA, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

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

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

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

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

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

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

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**For the Year Ended December 31, 2006**



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

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**NORMAN COUNTY  
ADA, MINNESOTA**

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ADA, MINNESOTA**

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**NORMAN COUNTY  
ADA, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2006

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
Board Member	Marvin Gunderson	District 1 January 2009
Board Member	Warren Olson	District 2 January 2007
Vice Chair	Steve Jacobson	District 3 January 2009
Chair	Lee Ann Hall	District 4 January 2007
Board Member	Steven Bommersbach	District 5 January 2009
Attorney	Thomas A. Opheim	January 2007
Auditor-Treasurer	Richard D. Munter	January 2007
County Recorder	Kari Aanenson	January 2007
Registrar of Deed	Kari Aanenson	January 2007
County Sheriff	Myron Thronson	January 2007
<b>Appointed</b>		
Assessor	Greg Landa	April 2010
County Engineer	Milton Alm	May 2009
Coroner	Dr. Kennedy Thomas	May 2008
Court Administrator	Loretta Wiebolt	Indefinite
Emergency Services	Kevin Ruud	May 2008
Veterans Service Officer	Theresa Anderson	August 2010
<b>Welfare Board</b>		
Chair	Steve Jacobson	January 2009
Vice Chair	Marvin Gunderson	January 2009
Member	Marian Cerkowniak	January 2009
Member	Steven Bommersbach	January 2009
Member	Warren Olson	January 2007
Member	Lee Ann Hall	January 2009
Member	Carol Sorenson	May 2007
Director	Chris Kujava	Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Norman County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Norman County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of Norman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2007

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(Unaudited)**

Norman County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2006. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Norman County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

The assets of Norman County exceeded its liabilities by \$50,694,459 at the close of 2006. Of this amount, \$6,371,409 (unrestricted net assets) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2006, Norman County's governmental funds reported combined ending fund balances of \$7,265,237, an increase of \$509,614 in comparison with the prior year. Of the total fund balance, \$4,929,841 is available for spending at the County's discretion and is noted as unreserved fund balance.

At the close of 2006, unreserved, undesignated fund balance for the General Fund was \$3,299,754, or 77 percent, of total General Fund expenditures.

Norman County currently does not have any bonded indebtedness.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction of Norman County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of Norman County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Norman County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Norman County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in only future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Norman County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

## **Fund Level Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Norman County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Norman County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norman County reports seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Norman County's fiduciary funds consist of two agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information essential to a full understanding of the data provided.

### **Other Information**

In addition to the basic financial statements and notes, supplementary information is provided on Norman County's budgeted funds, deposits and investments, ditch balances, and intergovernmental revenues.

Norman County adopts an annual appropriated budget for its General Fund and major special revenue funds. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets serve as a useful indicator of the County's financial position. Norman County's assets exceeded liabilities by \$50,694,459 at the close of 2006. The largest portion of Norman County's net assets (78 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

**Governmental Net Assets**

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 12,341,453	\$ 11,368,284
Capital assets	<u>39,536,092</u>	<u>37,001,685</u>
Total Assets	<u>\$ 51,877,545</u>	<u>\$ 48,369,969</u>
Long-term liabilities outstanding	\$ 605,451	\$ 1,849,458
Other liabilities	<u>577,635</u>	<u>631,436</u>
Total Liabilities	<u>\$ 1,183,086</u>	<u>\$ 2,480,894</u>
Net Assets		
Invested in capital assets	\$ 39,536,092	\$ 37,001,685
Restricted	4,786,958	2,606,519
Unrestricted	<u>6,371,409</u>	<u>6,280,871</u>
Total Net Assets	<u><u>\$ 50,694,459</u></u>	<u><u>\$ 45,889,075</u></u>

The unrestricted net asset amount of \$6,371,409 as of December 31, 2006, may be used to meet the County's ongoing obligations to citizens and creditors.

**Governmental Activities**

Norman County's activities increased net assets by \$4,805,384, or 10.5 percent, over the 2005 net assets. The key elements of the increase were due to the grants and contributions, notably for highways and streets in 2006.

**Changes in Net Assets**

	<u>2006</u>	<u>2005</u>
Revenues		
Program revenues		
Charges for services	\$ 971,057	\$ 474,929
Operating grants and contributions	6,088,055	5,783,067
Capital grants and contributions	3,094,185	100,000
General revenues		
Property taxes	2,773,172	2,723,350
Gravel taxes	2,545	894
Grants and contributions not restricted to specific programs	1,158,086	1,189,243
Other	<u>296,560</u>	<u>196,807</u>
Total Revenue	<u>\$ 14,383,660</u>	<u>\$ 10,468,290</u>

	<u>2006</u>	<u>2005</u>
Expenses		
General government	\$ 1,536,052	\$ 1,163,497
Public safety	1,061,587	1,157,954
Highways and streets	3,951,579	2,685,345
Sanitation	306,520	311,769
Human services	2,018,781	1,894,195
Health	242,868	211,808
Culture and recreation	158,258	371,644
Conservation of natural resources	302,631	370,184
Economic development	-	25,498
	<u>\$ 9,578,276</u>	<u>\$ 8,191,894</u>
Total Expenses		
Increase in Net Assets	\$ 4,805,384	\$ 2,276,396
Net Assets, January 1	<u>45,889,075</u>	<u>43,612,679</u>
Net Assets, December 31	<u>\$ 50,694,459</u>	<u>\$ 45,889,075</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,265,237, an increase of \$509,614 in comparison with the prior year. The majority of the increase consists of state-aid highway project allotments, which are reserved to indicate that they are not available for new spending because they have already been committed.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,305,695, while total fund balance was \$3,531,303. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 77 percent of total General Fund expenditures. In 2006, fund balance in the General Fund increased by \$86,978.

The Road and Bridge Special Revenue Fund's fund balance increased by \$899,269 in 2006. The main reason for this increase was due to state-aid highway project allotments.

The Human Services Special Revenue Fund's fund balance decreased by \$471,415 due to the building project expenditure.

**General Fund Budgetary Highlights**

The Norman County Board of Commissioners did not make any budgetary amendments/revisions in 2006.

The actual revenues were higher than budgeted revenues by \$673,839, and actual expenditures were higher than budgeted expenditures by \$387,308. The largest revenue variance was in intergovernmental revenue where the County received more shared revenue than was budgeted. The largest expenditure variance was in public safety, where actual expenditures were much higher than budgeted expenditures again in emergency services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The County's investment in capital assets for its governmental activities as of December 31, 2006, was \$39,536,092 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in Norman County's investment in capital assets for the current fiscal year was 6.8 percent. The increases were attributed primarily in the areas of infrastructure and the construction of the new Human Services addition.

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

	2006	2005
Land	\$ 1,217,849	\$ 1,189,083
Construction in progress	1,046,095	49,300
Infrastructure	34,321,742	33,897,303
Buildings	1,645,149	824,669
Furniture, equipment, and machinery	1,305,257	1,041,330
Total	\$ 39,536,092	\$ 37,001,685

Additional information on the County's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, Norman County had no bonded indebtedness.

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

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget.
- The County is viewing a plan to restore the exterior of the old part of the Courthouse complex including the clock tower, shingles, and tuck pointing.
- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of Norman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Norman County Auditor-Treasurer, P. O. Box 266, Ada, Minnesota 56510.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

**Assets**

Cash and pooled investments	\$	6,776,411
Petty cash and change funds		3,925
Taxes receivable		
Current - net		51,516
Prior - net		38,837
Special assessments receivable		
Current - net		11,040
Prior - net		11,190
Noncurrent - net		46,681
Accounts receivable - net		80,639
Accrued interest receivable		21,591
Due from other governments		4,552,594
Inventories		747,029
Capital assets		
Non-depreciable		2,263,944
Depreciable - net of accumulated depreciation		37,272,148
		37,272,148
<b>Total Assets</b>	<b>\$</b>	<b>51,877,545</b>

**Liabilities**

Accounts payable	\$	173,825
Salaries payable		28,562
Contracts payable		230,600
Due to other governments		78,435
Unearned revenue		66,213
Long-term liabilities		
Due within one year		349,593
Due in more than one year		255,858
		255,858
<b>Total Liabilities</b>	<b>\$</b>	<b>1,183,086</b>

**Net Assets**

Invested in capital assets	\$	39,536,092
Restricted for		
General government		121,378
Public safety		103,132
Highways and streets		4,561,350
Held in trust for other purposes		1,098
Unrestricted		6,371,409
		6,371,409
<b>Total Net Assets</b>	<b>\$</b>	<b>50,694,459</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets	
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 1,536,052	\$ 202,404	\$ 72,164	\$ 233,924	\$ (1,027,560)
Public safety	1,061,587	112,581	294,663	-	(654,343)
Highways and streets	3,951,579	108,822	4,174,258	2,860,261	3,191,762
Sanitation	306,520	205,356	51,871	-	(49,293)
Human services	2,018,781	318,453	1,097,954	-	(602,374)
Health	242,868	-	153,816	-	(89,052)
Culture and recreation	158,258	-	121,631	-	(36,627)
Conservation of natural resources	302,631	22,019	121,698	-	(158,914)
Economic development	-	1,422	-	-	1,422
<b>Total</b>	<b>\$ 9,578,276</b>	<b>\$ 971,057</b>	<b>\$ 6,088,055</b>	<b>\$ 3,094,185</b>	<b>\$ 575,021</b>
 <b>General Revenues</b>					
Property taxes					\$ 2,773,172
Gravel taxes					2,545
Grants and contributions not restricted to specific programs					1,158,086
Payments in lieu of tax					22,235
Investment income					216,781
Miscellaneous					30,206
Rental income					27,338
<b>Total general revenues</b>					<b>\$ 4,230,363</b>
<b>Change in net assets</b>					<b>\$ 4,805,384</b>
<b>Net Assets - Beginning</b>					<b>45,889,075</b>
<b>Net Assets - Ending</b>					<b>\$ 50,694,459</b>

## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 3,492,805	\$ 1,488,469	\$ 1,446,330	\$ 264,508	\$ 6,692,112
Petty cash and change funds	3,725	200	-	-	3,925
Undistributed cash in agency funds	48,898	12,837	8,647	13,917	84,299
Taxes receivable					
Current	31,581	11,961	7,974	-	51,516
Prior	23,180	8,867	6,375	415	38,837
Special assessments receivable					
Current	10,889	-	-	151	11,040
Prior	11,018	-	-	172	11,190
Noncurrent	-	-	-	46,681	46,681
Accounts receivable	13,750	20,513	13,789	32,587	80,639
Accrued interest receivable	21,591	-	-	-	21,591
Due from other funds	4,742	1,062	-	-	5,804
Due from other governments	56,569	4,338,135	157,890	-	4,552,594
Inventories	-	747,029	-	-	747,029
<b>Total Assets</b>	<b>\$ 3,718,748</b>	<b>\$ 6,629,073</b>	<b>\$ 1,641,005</b>	<b>\$ 358,431</b>	<b>\$ 12,347,257</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 17,029	\$ 81,019	\$ 65,208	\$ 10,569	\$ 173,825
Salaries payable	6,270	18,507	3,785	-	28,562
Contracts payable	87,290	143,310	-	-	230,600
Due to other funds	-	1,881	2,554	1,369	5,804
Due to other governments	16,700	1,537	44,324	15,874	78,435
Deferred revenue - unavailable	60,156	4,131,341	11,253	72,873	4,275,623
Deferred revenue - unearned	-	66,153	-	60	66,213
Advance from other governments	-	222,958	-	-	222,958
<b>Total Liabilities</b>	<b>\$ 187,445</b>	<b>\$ 4,666,706</b>	<b>\$ 127,124</b>	<b>\$ 100,745</b>	<b>\$ 5,082,020</b>
<b>Fund Balances</b>					
Reserved for					
Encumbrances	\$ 5,430	\$ 226,764	\$ -	\$ -	\$ 232,194
Inventories	-	747,029	-	-	747,029
Real estate tax shortfall	21,160	-	-	-	21,160
Recorder's compliance fund	29,709	-	-	-	29,709
State-aid highway projects	-	996,605	-	-	996,605
Township road restoration	-	139,390	-	-	139,390
Missing heirs	1,098	-	-	-	1,098
Security deposits	200	-	-	-	200
Law library	9,697	-	-	-	9,697
Sheriff's contingency	2,806	-	-	-	2,806
Recorder's equipment	25,184	-	-	-	25,184
Enhanced 911	100,326	-	-	-	100,326
Help America Vote Act	29,998	-	-	-	29,998
Unreserved					
Designated for K-9 unit	5,941	-	-	-	5,941
Undesignated	3,299,754	(147,421)	1,513,881	-	4,666,214
Unreserved, reported in nonmajor special revenue funds	-	-	-	257,686	257,686
<b>Total Fund Balances</b>	<b>\$ 3,531,303</b>	<b>\$ 1,962,367</b>	<b>\$ 1,513,881</b>	<b>\$ 257,686</b>	<b>\$ 7,265,237</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,718,748</b>	<b>\$ 6,629,073</b>	<b>\$ 1,641,005</b>	<b>\$ 358,431</b>	<b>\$ 12,347,257</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 7,265,237</b>
Amounts reported for governmental activities in the statement of activities 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.	39,536,092
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	4,275,623
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(382,493)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b><u>\$ 50,694,459</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 1,692,365	\$ 653,879	\$ 422,189	\$ 2,892	\$ 2,771,325
Special assessments	155,184	-	-	75,113	230,297
Licenses and permits	3,197	-	-	400	3,597
Intergovernmental	1,455,521	5,540,710	1,278,174	51,871	8,326,276
Charges for services	245,254	56,886	211,738	207,332	721,210
Interest on investments	216,781	-	-	-	216,781
Miscellaneous	111,573	74,913	106,715	5,770	298,971
<b>Total Revenues</b>	<b>\$ 3,879,875</b>	<b>\$ 6,326,388</b>	<b>\$ 2,018,816</b>	<b>\$ 343,378</b>	<b>\$ 12,568,457</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,612,903	\$ -	\$ -	\$ 952	\$ 1,613,855
Public safety	1,127,192	-	-	-	1,127,192
Highways and streets	-	5,272,496	-	-	5,272,496
Sanitation	-	-	-	304,154	304,154
Human services	11,716	-	1,990,231	15,939	2,017,886
Health	242,868	-	-	-	242,868
Culture and recreation	158,258	-	-	-	158,258
Conservation of natural resources	272,269	-	-	27,551	299,820
<b>Intergovernmental</b>					
Highways and streets	-	228,718	-	-	228,718
<b>Capital outlay</b>					
General government	867,691	-	-	-	867,691
<b>Total Expenditures</b>	<b>\$ 4,292,897</b>	<b>\$ 5,501,214</b>	<b>\$ 1,990,231</b>	<b>\$ 348,596</b>	<b>\$ 12,132,938</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (413,022)</b>	<b>\$ 825,174</b>	<b>\$ 28,585</b>	<b>\$ (5,218)</b>	<b>\$ 435,519</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Transfers out	-	-	(500,000)	-	(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ (500,000)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 86,978</b>	<b>\$ 825,174</b>	<b>\$ (471,415)</b>	<b>\$ (5,218)</b>	<b>\$ 435,519</b>
<b>Fund Balances - January 1</b>	<b>3,444,325</b>	<b>1,063,098</b>	<b>1,985,296</b>	<b>262,904</b>	<b>6,755,623</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>74,095</b>	<b>-</b>	<b>-</b>	<b>74,095</b>
<b>Fund Balances - December 31</b>	<b>\$ 3,531,303</b>	<b>\$ 1,962,367</b>	<b>\$ 1,513,881</b>	<b>\$ 257,686</b>	<b>\$ 7,265,237</b>

**NORMAN COUNTY  
ADA, 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, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 435,519**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of 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 net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,885,126	
Net book value of assets disposed of	(143,484)	
Current year depreciation	(1,207,235)	2,534,407

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

Deferred revenue - December 31	\$ 4,275,623	
Deferred revenue - January 1	(2,461,225)	1,814,398

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	\$ (53,035)	
Change in inventories	74,095	21,060

**Change in net assets of governmental activities (Exhibit 2) \$ 4,805,384**

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## **FIDUCIARY FUNDS**

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NORMAN COUNTY  
ADA, MINNESOTA

*EXHIBIT 7*

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 114,449</u>
<b><u>Liabilities</u></b>	
Due to other governments	\$ 83,219
Funds held in trust	<u>31,230</u>
<b>Total Liabilities</b>	<u>\$ 114,449</u>

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**NORMAN COUNTY  
ADA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Norman County was established February 17, 1881, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in joint ventures, related organizations, and jointly-governed organizations, described in Notes 6.E., 6.F., and 6.G., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund 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 revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed, unless the County Board takes specific action to appropriate those unrestricted resources.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2006 were \$216,781.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The government's capitalization threshold for capital assets is as follows:

Assets	Capitalization Threshold
Land	\$ 1
All other classes of assets	5,000

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

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

Assets	Years
Buildings	25 - 40
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, the face amount of the debt issued is reported as an other financing source.

8. Fund Equity

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Special Revenue Fund

Ten of the 36 County-administered drainage systems have incurred expenditures in excess of their revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the total fund balance as of December 31, 2006:

Account balances		\$ 80,493	
Account deficits		(27,853)	
		\$ 52,640	
Total Fund Balances		\$ 52,640	

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2006.

	Expenditures	Budget	Excess
General Fund	\$ 4,292,897	\$ 3,905,589	\$ 387,308
Human Services Special Revenue Fund	1,990,231	1,965,761	24,470

**NORMAN COUNTY  
ADA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follows:

Governmental activities	
Cash and pooled investments	\$ 6,776,411
Petty cash and change funds	3,925
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>114,449</u>
 Total Cash and Investments	 <u>\$ 6,894,785</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

**NORMAN COUNTY  
ADA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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.

During the year ended December 31, 2006, the County had no investments.

**NORMAN COUNTY  
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2006, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 90,353	\$ -
Special assessments	68,911	46,681
Accounts	80,639	-
Interest	21,591	-
Due from other governments	4,552,594	-
Total	\$ 4,814,088	\$ 46,681

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,189,083	\$ 28,768	\$ 2	\$ 1,217,849
Construction in progress	49,300	1,046,095	49,300	1,046,095
Total capital assets not depreciated	\$ 1,238,383	\$ 1,074,863	\$ 49,302	\$ 2,263,944
Capital assets depreciated				
Buildings	\$ 1,823,349	\$ 867,691	\$ -	\$ 2,691,040
Machinery, furniture, and equipment	3,512,951	538,890	170,958	3,880,883
Infrastructure	44,502,108	1,452,982	377,484	45,577,606
Total capital assets depreciated	\$ 49,838,408	\$ 2,859,563	\$ 548,442	\$ 52,149,529
Less: accumulated depreciation for				
Buildings	\$ 998,680	\$ 47,211	\$ -	\$ 1,045,891
Machinery, furniture, and equipment	2,471,621	273,462	169,457	2,575,626
Infrastructure	10,604,805	886,562	235,503	11,255,864
Total accumulated depreciation	\$ 14,075,106	\$ 1,207,235	\$ 404,960	\$ 14,877,381
Total capital assets depreciated, net	\$ 35,763,302	\$ 1,652,328	\$ 143,482	\$ 37,272,148
Governmental Activities Capital Assets, Net	\$ 37,001,685	\$ 2,727,191	\$ 192,784	\$ 39,536,092

**NORMAN COUNTY  
ADA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

General government	\$	58,173
Public safety		52,871
Highways and streets, including depreciation of infrastructure assets		1,090,087
Human services		4,575
Conservation of natural resources		1,529
Total Depreciation Expense	\$	1,207,235

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund Human Services Special Revenue Fund Other governmental funds	\$ 1,881 2,554 <u>307</u>
Total Due To General Fund		\$ 4,742
Road and Bridge Special Revenue Fund	Other governmental funds	<u>1,062</u>
Total Due To/From Other Funds		\$ 5,804

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NORMAN COUNTY  
ADA, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to General Fund from Human Services Special Revenue Fund	\$ 500,000	Provide funds for project construction
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C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

Accounts		\$ 173,825
Salaries		28,562
Contracts		230,600
Due to other governments		<u>78,435</u>
Total Payables		<u>\$ 511,422</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2006, for the County is as follows:

	Deferred Unavailable	Deferred Unearned
Taxes and special assessments	\$ 160,504	\$ -
State-aid highway allotments	3,274,770	-
Charges for services	13,294	-
Grants	827,055	66,153
Other	<u>-</u>	<u>60</u>
Total	<u>\$ 4,275,623</u>	<u>\$ 66,213</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2006. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental activities		
General government	\$ 867,691	\$ 5,430
Roads and bridges	-	159,553
Highway equipment purchase	-	67,211

4. Advances From Other Governments

The County received \$1,520,000 in 2002 from the State of Minnesota. The purpose of this loan was to cover expenditures made to repair roads damaged by the flooding in 2002. The advance payable is reported in the Road and Bridge Special Revenue Fund. In 2006, the State of Minnesota approved funding expenditures, not paid by federal disaster money, for the 2002 flood in the amount of \$262,042, and the County made payments in the amount of \$1,035,000, reducing the advance by \$1,297,042.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from state	\$ 1,520,000	\$ -	\$ 1,297,042	\$ 222,958	\$ 222,958
Compensated absences	329,457	245,292	192,256	382,493	126,635
Governmental Activity Long-Term Liabilities	\$ 1,849,457	\$ 245,292	\$ 1,489,298	\$ 605,451	\$ 349,593

**NORMAN COUNTY  
ADA, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plan

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

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 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. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

**NORMAN COUNTY  
ADA, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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 and the Public Employees Police and Fire Fund. That report may be obtained on the internet at 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.

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 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members are required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007.

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	<u>2006</u>	<u>2007</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70

**NORMAN COUNTY  
ADA, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2006	\$ 136,157	\$ 23,823
2005	116,588	20,020
2004	116,315	20,249

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the year ending December 31, 2006, 2005, and 2004, were \$778, \$727, and \$455, respectively, equal to the contractually required contributions for each year as set by state statute.

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5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Departmental Trust Deposits

Departmental trust deposits include funds deposited with various County departments as required by statute or court orders. The following is a summary of these trust deposits, which are not shown on the combined balance sheet at December 31, 2006.

Welfare Director	\$ <u>4,937</u>
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**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items (Continued)

B. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

C. Dalen Coulee Project

On February 21, 2002, Norman County entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, with Clay County. Clay County sold \$260,000 of bonds on behalf of the Wild Rice Watershed District for Dalen Coulee Project 40. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

D. Project 9

On July 21, 2005, Norman County entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, with Clay County. Clay County sold \$830,000 of bonds on behalf of the Wild Rice Watershed District for Project 9. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

E. Joint Ventures

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

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

E. Joint Ventures

Tri-County Community Corrections (Continued)

Control is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Tri-County Community Corrections' long-term debt consists of \$185,969 for compensated absences and \$15,152 for lease purchases at December 31, 2005 (latest information available). Financing is provided by state, federal, and local grants, charges for services, and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2006 was \$199,744.

Complete financial information can be obtained from the Polk County Auditor's Office or the Northwest Regional Corrections Center located at 600 Bruce Street, Crookston, Minnesota 56716.

Norman-Mahnomen Community Health Board

The Multi-County Nursing Service was established in 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included Becker, Mahnomen, and Norman Counties. On June 24, 2003, the Becker County Board passed a resolution to withdraw from the Multi-County Nursing Service as of January 1, 2005. On January 1, 2005, Norman and Mahnomen Counties amended the joint powers agreement forming the Multi-County Nursing Service and started doing business as Norman-Mahnomen Public Health. The purpose of Norman-Mahnomen Public Health is the development, implementation, and operation of public health services throughout the member counties.

Control of the Norman-Mahnomen Public Health was vested in the Norman-Mahnomen Community Health Board, which consisted of six members. Norman and Mahnomen Counties each appoint three members.

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

E. Joint Ventures

Norman-Mahnomen Community Health Board (Continued)

In the event of withdrawal from the Norman-Mahnomen Community Health Board, the withdrawing county is not entitled to any reimbursement of funds contributed during the course of its membership, except to the extent of any surplus uncommitted monies remaining in the operation account upon expiration of the fiscal year of the county's withdrawal. Such surplus shall be distributed in the proportion that the withdrawing county's contribution bears to the aggregate contribution of all member parties for the year of withdrawal. Funds utilized for capital asset acquisition shall be paid only at the time of sale of such assets.

The Norman-Mahnomen Community Health's long-term liabilities are \$29,931 at December 31, 2006. Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2006 was \$90,632.

Complete financial information can be obtained from the Norman-Mahnomen Community Health Board, 15 East 2nd Avenue, Room 107, Ada, Minnesota 56510

Norman County-Ada-Twin Valley Joint Airport

The Norman County-Ada-Twin Valley Airport Authority was established in 1976, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The purpose of the Norman County-Ada-Twin Valley Joint Airport Authority is the construction, development, and maintenance of the Norman County-Ada-Twin Valley Joint Airport. Minn. Stat. § 360.032 allows every municipality, through its governing body, to acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports. Control of the Norman County-Ada-Twin Valley Joint Airport is vested in the Norman County-Ada-Twin Valley Airport Authority, which consists of six members. As provided in the bylaws, the Norman County Board appoints two members, and each of the two City Councils appoints two members.

**NORMAN COUNTY  
ADA, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

E. Joint Ventures

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

The joint powers agreement remains in force until any single member gives the other parties one year's written notice of this termination. Any party terminating the agreement shall transfer its interest in the real and personal assets to the remaining parties for consideration of one dollar.

Financing of the capital costs and operations is provided by state and federal grants; charges for services; and appropriations from Norman County, Ada, and Twin Valley. Norman County's contribution for 2006 was \$4,040.

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

F. Related Organizations

Ambulance Service

Norman County and the City of Ada entered into an agreement to establish an Ambulance Advisory Committee, effective March 5, 1991. The purpose of the Committee is to provide coordinated funding and delivery of ambulance services within Norman County.

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers, composed of five members appointed by the Polk County Board for staggered terms of three years each.

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6. Summary of Significant Contingencies and Other Items (Continued)

G. Jointly-Governed Organizations

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

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administer legal drainage systems, issue applications and permits, educate the public on conservation issues, and resolve disputes.

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and the remaining counties each appoint one member.

Complete financial information can be obtained from the Wild Rice Watershed District office at 11 East 5th Avenue, Ada, Minnesota 56510.

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of

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

G. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law.

Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Norman County and 14 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board, comprising one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the Agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. Norman County's contribution for 2006 was \$186.

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

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

G. Jointly-Governed Organizations (Continued)

The Children's Collaborative (Serving Norman County Families)

The Children's Collaborative (Serving Norman County Families) was established in 1999 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Norman County Social Services, Ada-Borup Public Schools, Norman County East Public Schools, Norman County West Public Schools, Norman-Mahnomen Community Health Board, Northwestern Mental Health Center, and Tri-Valley Opportunity Council, Inc. The purpose of the Collaborative is to provide coordinated services and to commit resources to an integrated fund. Control of the Collaborative is vested in a Board of Directors, comprised of one member appointed by each member party.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to a refund of contributions made to the integrated fund or other fees paid to operate the Collaborative. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from its member parties. Complete financial information can be obtained from the Norman County East School District, 408 Main Avenue, P. O. Box 420, Twin Valley, Minnesota 56584.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment, and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprised of 18 members, with one representative from each of the seven counties, three members at large, and eight members representing local agencies. The joint powers agreement which created this

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

G. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

Service Area terminated on June 30, 2002, and must be renewed by resolution of the participating county boards. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. Norman County's responsibility does not extend beyond making this appointment.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,913,540	\$ 1,913,540	\$ 1,692,365	\$ (221,175)
Special assessments	-	-	155,184	155,184
Licenses and permits	5,379	5,379	3,197	(2,182)
Intergovernmental	941,852	941,852	1,455,521	513,669
Charges for services	225,285	225,285	245,254	19,969
Interest on investments	100,750	100,750	216,781	116,031
Miscellaneous	19,230	19,230	111,573	92,343
<b>Total Revenues</b>	<b>\$ 3,206,036</b>	<b>\$ 3,206,036</b>	<b>\$ 3,879,875</b>	<b>\$ 673,839</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 163,554	\$ 163,554	\$ 152,150	\$ 11,404
Courts	10,000	10,000	5,572	4,428
Law library	13,600	13,600	5,428	8,172
County auditor	229,156	229,156	211,836	17,320
County assessor	129,772	129,772	139,435	(9,663)
Elections	264,800	264,800	218,988	45,812
Accounting and auditing	40,000	40,000	42,515	(2,515)
Data processing	62,000	62,000	59,147	2,853
Attorney	111,755	111,755	116,698	(4,943)
Victim assistance	48,916	48,916	53,144	(4,228)
Recorder	221,033	221,033	206,284	14,749
Planning and zoning	11,398	11,398	21,683	(10,285)
Buildings and plant	149,509	149,509	114,134	35,375
Veterans service officer	62,519	62,519	57,624	4,895
Other general government	-	-	75	(75)
Unallocated - general government	172,900	172,900	208,190	(35,290)
<b>Total general government</b>	<b>\$ 1,690,912</b>	<b>\$ 1,690,912</b>	<b>\$ 1,612,903</b>	<b>\$ 78,009</b>
<b>Public safety</b>				
Sheriff	\$ 560,487	\$ 560,487	\$ 574,958	\$ (14,471)
K-9 unit	1,200	1,200	168	1,032
Emergency services	-	-	255,703	(255,703)
Coroner	11,530	11,530	5,180	6,350
Radio tower	3,000	3,000	1,218	1,782
Hazardous materials training	18,879	18,879	6,877	12,002
Safety coordinator	19,353	19,353	20,365	(1,012)
E-911 system	58,050	58,050	60,829	(2,779)
Community corrections	199,744	199,744	199,744	-
Drug and alcohol education	-	-	2,000	(2,000)
Civil defense	25,154	25,154	-	25,154
Police and fire	1,200	1,200	150	1,050
<b>Total public safety</b>	<b>\$ 898,597</b>	<b>\$ 898,597</b>	<b>\$ 1,127,192</b>	<b>\$ (228,595)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<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>Human services</b>				
Senior citizen centers	\$ 10,716	\$ 10,716	\$ 10,716	\$ -
Retired senior volunteer program	1,000	1,000	1,000	-
<b>Total human services</b>	<b>\$ 11,716</b>	<b>\$ 11,716</b>	<b>\$ 11,716</b>	<b>\$ -</b>
<b>Health</b>				
Nursing service	\$ 90,632	\$ 90,632	\$ 89,237	\$ 1,395
Ambulance	-	-	153,631	(153,631)
<b>Total health</b>	<b>\$ 90,632</b>	<b>\$ 90,632</b>	<b>\$ 242,868</b>	<b>\$ (152,236)</b>
<b>Culture and recreation</b>				
Historical society	\$ 7,650	\$ 7,650	\$ 7,650	\$ -
Agassiz trail project	100	100	44,148	(44,048)
Winter shows	800	800	800	-
County library	75,000	75,000	75,000	-
Celebrations	420	420	420	-
Snowmobile trails	-	-	30,240	(30,240)
<b>Total culture and recreation</b>	<b>\$ 83,970</b>	<b>\$ 83,970</b>	<b>\$ 158,258</b>	<b>\$ (74,288)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 85,313	\$ 85,313	\$ 87,229	\$ (1,916)
Soil and water conservation	63,200	63,200	64,774	(1,574)
Agricultural society	12,150	12,150	12,150	-
Forfeited tax	-	-	10,589	(10,589)
Weed control	60,513	60,513	47,187	13,326
Predator control	8,000	8,000	2,511	5,489
International coalition	186	186	186	-
Water planning	-	-	47,243	(47,243)
Other	400	400	400	-
<b>Total conservation of natural resources</b>	<b>\$ 229,762</b>	<b>\$ 229,762</b>	<b>\$ 272,269</b>	<b>\$ (42,507)</b>
<b>Capital outlay</b>				
Human services	\$ 900,000	\$ 900,000	\$ 867,691	\$ 32,309
<b>Total Expenditures</b>	<b>\$ 3,905,589</b>	<b>\$ 3,905,589</b>	<b>\$ 4,292,897</b>	<b>\$ (387,308)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (699,553)	\$ (699,553)	\$ (413,022)	\$ 286,531
<b>Other Financing Sources (Uses)</b>				
Transfers in	500,000	500,000	500,000	-
<b>Net Change in Fund Balance</b>	\$ (199,553)	\$ (199,553)	\$ 86,978	\$ 286,531
<b>Fund Balance - January 1</b>	<u>3,444,325</u>	<u>3,444,325</u>	<u>3,444,325</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 3,244,772</u>	<u>\$ 3,244,772</u>	<u>\$ 3,531,303</u>	<u>\$ 286,531</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 737,586	\$ 737,586	\$ 653,879	\$ (83,707)
Intergovernmental	8,182,394	8,182,394	5,540,710	(2,641,684)
Charges for services	5,000	5,000	56,886	51,886
Miscellaneous	75,000	75,000	74,913	(87)
<b>Total Revenues</b>	<b>\$ 8,999,980</b>	<b>\$ 8,999,980</b>	<b>\$ 6,326,388</b>	<b>\$ (2,673,592)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 362,040	\$ 362,040	\$ 376,914	\$ (14,874)
Maintenance	1,410,285	1,410,285	1,676,108	(265,823)
Construction	6,762,030	6,762,030	2,722,563	4,039,467
Equipment and maintenance shops	498,980	498,980	496,911	2,069
<b>Total highways and streets</b>	<b>\$ 9,033,335</b>	<b>\$ 9,033,335</b>	<b>\$ 5,272,496</b>	<b>\$ 3,760,839</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	228,718	(228,718)
<b>Total Expenditures</b>	<b>\$ 9,033,335</b>	<b>\$ 9,033,335</b>	<b>\$ 5,501,214</b>	<b>\$ 3,532,121</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (33,355)</b>	<b>\$ (33,355)</b>	<b>\$ 825,174</b>	<b>\$ 858,529</b>
<b>Fund Balance - January 1</b>	<b>1,063,098</b>	<b>1,063,098</b>	<b>1,063,098</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>74,095</b>	<b>74,095</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,029,743</b>	<b>\$ 1,029,743</b>	<b>\$ 1,962,367</b>	<b>\$ 932,624</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 474,724	\$ 474,724	\$ 422,189	\$ (52,535)
Intergovernmental	1,195,529	1,195,529	1,278,174	82,645
Charges for services	46,166	46,166	211,738	165,572
Miscellaneous	80,750	80,750	106,715	25,965
<b>Total Revenues</b>	<b>\$ 1,797,169</b>	<b>\$ 1,797,169</b>	<b>\$ 2,018,816</b>	<b>\$ 221,647</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 536,750	\$ 536,750	\$ 524,242	\$ 12,508
Social services	1,429,011	1,429,011	1,465,989	(36,978)
<b>Total Expenditures</b>	<b>\$ 1,965,761</b>	<b>\$ 1,965,761</b>	<b>\$ 1,990,231</b>	<b>\$ (24,470)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (168,592)</b>	<b>\$ (168,592)</b>	<b>\$ 28,585</b>	<b>\$ 197,177</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(500,000)	(500,000)
<b>Net Change in Fund Balance</b>	<b>\$ (168,592)</b>	<b>\$ (168,592)</b>	<b>\$ (471,415)</b>	<b>\$ (302,823)</b>
<b>Fund Balance - January 1</b>	<b>1,985,296</b>	<b>1,985,296</b>	<b>1,985,296</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,816,704</b>	<b>\$ 1,816,704</b>	<b>\$ 1,513,881</b>	<b>\$ (302,823)</b>

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**NORMAN COUNTY  
ADA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Auditor-Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the Norman County Board for review. The Board continues to refine the budget, holds departmental budget meetings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrances (for example, purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds which had expenditures in excess of budget for the year ended December 31, 2006.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,292,897	\$ 3,905,589	\$ 387,308
Human Services Special Revenue Fund	1,990,231	1,965,761	24,470

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**SUPPLEMENTARY INFORMATION**

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**NORMAN COUNTY  
ADA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Homes Fund - to account for the collection of rents and payment of expenses on small homes owned by Norman County which are rented to senior citizens.

Ditch Fund - to account for the financing and costs relating to all County ditches.

Gravel Reserve Tax Fund - to account for the proceeds of a special gravel removal or occupation tax which is restricted to expenditures for the restoration of abandoned gravel pits.

Solid Waste Fund - to account for the financing and costs relating to the Fosston Incinerator Project, County recycling center, demolition landfill, and public education.

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**NORMAN COUNTY  
ADA, MINNESOTA**

*Statement A-1*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006**

	<b>County Homes</b>	<b>Ditch</b>	<b>Gravel Reserve Tax</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 17,448	\$ 54,776	\$ 55,332	\$ 136,952	\$ 264,508
Undistributed cash in agency funds	-	873	-	13,044	13,917
Taxes receivable					
Prior	-	-	-	415	415
Special assessments receivable					
Current	-	151	-	-	151
Prior	-	172	-	-	172
Noncurrent	-	46,681	-	-	46,681
Accounts receivable	-	-	1,142	31,445	32,587
<b>Total Assets</b>	<b>\$ 17,448</b>	<b>\$ 102,653</b>	<b>\$ 56,474</b>	<b>\$ 181,856</b>	<b>\$ 358,431</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 285	\$ -	\$ -	\$ 10,284	\$ 10,569
Due to other funds	-	1,369	-	-	1,369
Due to other governments	-	1,740	-	14,134	15,874
Deferred revenue - unavailable	-	46,904	-	25,969	72,873
Deferred revenue - unearned	60	-	-	-	60
<b>Total Liabilities</b>	<b>\$ 345</b>	<b>\$ 50,013</b>	<b>\$ -</b>	<b>\$ 50,387</b>	<b>\$ 100,745</b>
<b>Fund Balances</b>					
Undesignated	17,103	52,640	56,474	131,469	257,686
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,448</b>	<b>\$ 102,653</b>	<b>\$ 56,474</b>	<b>\$ 181,856</b>	<b>\$ 358,431</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>County Homes</b>	<b>Ditch</b>	<b>Gravel Reserve Tax</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 2,545	\$ 347	\$ 2,892
Special assessments	-	75,113	-	-	75,113
Licenses and permits	-	-	-	400	400
Intergovernmental	-	-	-	51,871	51,871
Charges for services	-	-	-	207,332	207,332
Miscellaneous	5,740	-	-	30	5,770
<b>Total Revenues</b>	<b>\$ 5,740</b>	<b>\$ 75,113</b>	<b>\$ 2,545</b>	<b>\$ 259,980</b>	<b>\$ 343,378</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 952	\$ -	\$ -	\$ 952
Sanitation	-	-	-	304,154	304,154
Human services	15,939	-	-	-	15,939
Conservation of natural resources	-	27,551	-	-	27,551
<b>Total Expenditures</b>	<b>\$ 15,939</b>	<b>\$ 28,503</b>	<b>\$ -</b>	<b>\$ 304,154</b>	<b>\$ 348,596</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (10,199)</b>	<b>\$ 46,610</b>	<b>\$ 2,545</b>	<b>\$ (44,174)</b>	<b>\$ (5,218)</b>
<b>Fund Balance - January 1</b>	<b>27,302</b>	<b>6,030</b>	<b>53,929</b>	<b>175,643</b>	<b>262,904</b>
<b>Fund Balance - December 31</b>	<b>\$ 17,103</b>	<b>\$ 52,640</b>	<b>\$ 56,474</b>	<b>\$ 131,469</b>	<b>\$ 257,686</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY HOMES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 7,000	\$ 7,000	\$ 5,740	\$ (1,260)
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Low-income housing	18,100	18,100	15,939	2,161
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (11,100)	\$ (11,100)	\$ (10,199)	\$ 901
<b>Fund Balance - January 1</b>	<u>27,302</u>	<u>27,302</u>	<u>27,302</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 16,202</u>	<u>\$ 16,202</u>	<u>\$ 17,103</u>	<u>\$ 901</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
GRAVEL RESERVE TAX SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 2,545	\$ 2,545
<b>Fund Balance - January 1</b>	<u>53,929</u>	<u>53,929</u>	<u>53,929</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 53,929</u>	<u>\$ 53,929</u>	<u>\$ 56,474</u>	<u>\$ 2,545</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 347	\$ 347
Licenses and permits	400	400	400	-
Intergovernmental	49,000	49,000	51,871	2,871
Charges for services	194,835	194,835	207,332	12,497
Miscellaneous	2,400	2,400	30	(2,370)
<b>Total Revenues</b>	<b>\$ 246,635</b>	<b>\$ 246,635</b>	<b>\$ 259,980</b>	<b>\$ 13,345</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	\$ 54,078	\$ 54,078	\$ 59,401	\$ (5,323)
Landfill	15,652	15,652	12,600	3,052
Fosston incinerator	224,587	224,587	216,070	8,517
Household hazardous waste	15,591	15,591	16,083	(492)
<b>Total Expenditures</b>	<b>\$ 309,908</b>	<b>\$ 309,908</b>	<b>\$ 304,154</b>	<b>\$ 5,754</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (63,273)</b>	<b>\$ (63,273)</b>	<b>\$ (44,174)</b>	<b>\$ 19,099</b>
<b>Fund Balance - January 1</b>	<b>175,643</b>	<b>175,643</b>	<b>175,643</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 112,370</b>	<b>\$ 112,370</b>	<b>\$ 131,469</b>	<b>\$ 19,099</b>

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**NORMAN COUNTY  
ADA, MINNESOTA**

**FIDUCIARY FUNDS**

**AGENCY FUNDS**

State Revenue - to account for the collection and payment of amounts due to the state.

Taxes and Penalties - to account for the collection of taxes and penalties and their payment to the various taxing districts.

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**NORMAN COUNTY  
ADA, MINNESOTA**

*Statement B-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,090	\$ 194,872	\$ 195,962	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,090	\$ 194,872	\$ 195,962	\$ -
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 124,652	\$ 3,307,834	\$ 3,318,037	\$ 114,449
<b><u>Liabilities</u></b>				
Due to other governments	\$ 94,703	\$ 3,276,604	\$ 3,288,088	\$ 83,219
Funds held in trust	29,949	31,230	29,949	31,230
<b>Total Liabilities</b>	<b>\$ 124,652</b>	<b>\$ 3,307,834</b>	<b>\$ 3,318,037</b>	<b>\$ 114,449</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 125,742	\$ 3,502,706	\$ 3,513,999	\$ 114,449
<b><u>Liabilities</u></b>				
Due to other governments	\$ 95,793	\$ 3,471,476	\$ 3,484,050	\$ 83,219
Funds held in trust	29,949	31,230	29,949	31,230
<b>Total Liabilities</b>	<b>\$ 125,742</b>	<b>\$ 3,502,706</b>	<b>\$ 3,513,999</b>	<b>\$ 114,449</b>

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## **OTHER SCHEDULES**

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**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 7*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2006**

	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Fair Value</b>
<b>Deposits and Investments</b>			
<b>Undesignated</b>			
Money market checking (2)	0.10 to 0.25	Continuous	\$ 1,369,700
Certificates of deposit (11)	3.25 to 4.93	January 1, 2007 to April 2, 2007	5,500,000
<b>Total undesignated</b>			<b>\$ 6,869,700</b>
<b>Designated for real estate tax shortfall</b>			
Certificates of deposit (2)	4.70 to 4.75	December 22, 2007	21,160
<b>Total Deposits and Investments</b>			<b><u>\$ 6,890,860</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Prior	Deferred
<b>County Ditches</b>					
5	\$ 4,764	\$ 21	\$ -	\$ -	\$ 423
6	1,013	56	-	-	-
7	3,751	-	-	-	-
8	(5,100)	173	-	-	5,600
9	(3,712)	-	-	-	3,670
14	920	-	-	-	-
17	(850)	-	-	-	1,600
22	(15,114)	70	-	-	21,164
23	481	-	1	-	2,022
24	(1,471)	7	-	-	1,631
25	5,054	-	49	-	-
26	93	-	-	-	-
28 & 3	116	-	-	-	-
29	(565)	-	-	-	374
29 Lat. 1	570	-	-	-	324
31	4,041	-	-	-	-
33	6,417	62	-	3	-
34	5,299	-	12	-	253
36	194	-	-	-	332
39	137	-	-	-	118
40	125	-	-	-	838
41	2,127	-	-	-	-
42	24,540	3	-	-	-
46	(106)	-	-	-	303
47	2,775	-	-	-	2,572
49	1,022	5	-	-	-
62	419	31	16	117	282
65	598	-	-	4	1,021
69	291	295	30	48	1,542
73	(111)	91	-	-	1,963
75	796	-	-	-	649
<b>Borup State Ditch</b>	84	-	-	-	-
<b>Judicial Ditches</b>					
54 South	11,406	59	43	-	-
55	3,049	-	-	-	-
57	(17)	-	-	-	-
<b>Wild Rice Watershed</b>					
Project 9	1,740	-	-	-	-
<b>Total</b>	<b>\$ 54,776</b>	<b>\$ 873</b>	<b>\$ 151</b>	<b>\$ 172</b>	<b>\$ 46,681</b>

**Schedule 8**

	Liabilities				Fund Balance Unreserved Undesignated	Total Liabilities and Fund Balance
	Total	Due to Other Funds	Due to Other Governments	Deferred Revenue		
\$ 5,208	\$ -	\$ -	\$ 423	\$ 423	\$ 4,785	\$ 5,208
1,069	-	-	-	-	1,069	1,069
3,751	-	-	-	-	3,751	3,751
673	60	-	5,600	5,660	(4,987)	673
(42)	241	-	3,670	3,911	(3,953)	(42)
920	-	-	-	-	920	920
750	-	-	1,600	1,600	(850)	750
6,120	688	-	21,164	21,852	(15,732)	6,120
2,504	-	-	2,023	2,023	481	2,504
167	-	-	1,631	1,631	(1,464)	167
5,103	25	-	3	28	5,075	5,103
93	-	-	-	-	93	93
116	-	-	-	-	116	116
(191)	-	-	374	374	(565)	(191)
894	-	-	324	324	570	894
4,041	-	-	-	-	4,041	4,041
6,482	-	-	4	4	6,478	6,482
5,564	-	-	264	264	5,300	5,564
526	-	-	332	332	194	526
255	296	-	118	414	(159)	255
963	-	-	838	838	125	963
2,127	-	-	-	-	2,127	2,127
24,543	59	-	-	59	24,484	24,543
197	-	-	303	303	(106)	197
5,347	-	-	2,572	2,572	2,775	5,347
1,027	-	-	-	-	1,027	1,027
865	-	-	401	401	464	865
1,623	-	-	1,025	1,025	598	1,623
2,206	-	-	1,620	1,620	586	2,206
1,943	-	-	1,963	1,963	(20)	1,943
1,445	-	-	649	649	796	1,445
84	-	-	-	-	84	84
11,508	-	-	3	3	11,505	11,508
3,049	-	-	-	-	3,049	3,049
(17)	-	-	-	-	(17)	(17)
1,740	-	1,740	-	1,740	-	1,740
<b>\$ 102,653</b>	<b>\$ 1,369</b>	<b>\$ 1,740</b>	<b>\$ 46,904</b>	<b>\$ 50,013</b>	<b>\$ 52,640</b>	<b>\$ 102,653</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 9**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Shared Revenue**

**State**

Highway users tax	\$	3,954,687
County program aid		809,357
PERA rate reimbursement		13,183
Disparity reduction aid		15,815
Police aid		19,651
Market value credit		318,911
Market value credit - mobile home		820
		820

**Total Shared Revenue** **\$ 5,132,424**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	404,360
		404,360

**Payments**

**Local**

Payments in lieu of taxes	\$	22,235
		22,235

**Grants**

**State**

Minnesota Department of		
Corrections	\$	1,668
Public Safety		570,800
Transportation		262,042
Natural Resources		74,388
Human Services		417,156
Trial Courts		90
Water and Soil Resources Board		47,243
Office of Environmental Assistance		51,871
Board of Peace Officer Standards and Training		1,809
		1,809

**Total State** **\$ 1,427,067**

**Federal**

Department of		
Agriculture	\$	2,856
Justice		23,794
Health and Human Services		297,383
Homeland Security		782,233
Election Assistance Commission		233,924
		233,924

**Total Federal** **\$ 1,340,190**

**Total State and Federal Grants** **\$ 2,767,257**

**Total Intergovernmental Revenue** **\$ 8,326,276**

**NORMAN COUNTY  
ADA, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 11) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 9)		\$ 1,340,190
Help America Vote Act	CFDA # 90.401	(29,999)
Highway Planning and Construction	CFDA # 20.205	758,294
Public Assistance Grants	CFDA # 97.036	<u>(63,614)</u>
<b>Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 11)</b>		<b><u>\$ 2,004,871</u></b>

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**NORMAN COUNTY  
ADA, MINNESOTA**

**Schedule 10**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Norman County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Norman County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Norman County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Norman County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Highway Planning and Construction	CFDA #20.205
Public Assistance Grant	CFDA #97.036
Homeland Security Grant Program	CFDA #97.067
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Norman County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 Segregation of Duties

Due to the limited number of personnel within several Norman County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office generally tries to segregate the record-keeping function from the custody function. However, due to breaks, vacations, and illness, staff assigned record-keeping responsibilities may be required to assist in receipting collections, and staff assigned the custody functions may be required to assist in posting. The smaller fee offices generally have one person making the collections, recording those collections, and making the deposits to the Auditor-Treasurer's Office. This is not unusual in operations the size of Norman County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that Norman County's management be aware of the lack of segregation of duties within the Auditor-Treasurer's Office and other fee offices and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

04-1 Gravel Stockpile Inventory

The Norman County Highway Department maintains a perpetual inventory system of parts, fuel, field materials, and other supplies. Each year, Highway Department employees count inventory items including parts, fuel, and certain field materials such as culverts, signs, and sign materials; however, they do not measure the gravel stockpile inventory. Gravel stockpile inventory makes up approximately 80 percent of the Highway Department's total inventory.

The County's gravel stockpiles are located at several different locations. Gravel is purchased and stockpiled for a particular project based on the estimated need. The valuation for each stockpile is the purchase price of the gravel, less the loads charged to the project based on haul sheets.

To improve control over gravel stockpile inventory, gravel should be periodically measured and compared to the costing system. This comparison would ensure that errors are detected timely and that haul sheets are filled out correctly and on a regular basis.

We recommend the County implement procedures to measure the gravel stockpiles and compare the quantity to the inventory system at least once a year. If the measurement is significantly different from the inventory system, the system should be adjusted to the actual measurement.

Client's Response:

*A 2006 inventory was conducted, but the findings were questioned. We will conduct a more in-depth survey in 2007.*

ITEMS ARISING THIS YEAR

06-1 Preparation of Financial Statements

Norman County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Norman County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Norman County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Norman County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

**Client's Response:**

*Norman County will look into this and consider training or hiring someone to prepare the financial statements.*

**06-2 Audit Adjustment**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified a material adjustment in the Road and Bridge Special Revenue Fund. Receivables were increased by \$3,175,512 for state-aid highway project allotments. At the fund level, the additional revenue was offset by deferred revenue of \$3,123,057 for receivables not available during the revenue recognition period.

County officials are aware that audit adjustments are made for the state-aid highway project allotments each year, and they rely on the independent external auditors to assist in making the necessary adjustments to correctly reflect the state-aid highway project allotments in the financial statements. Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures for analyzing state-aid highway project allotments to ensure the allotments are reported in accordance with GAAP in the County's annual financial statement.

Client's Response:

*We will work with State Auditor's staff on this.*

06-3 Computer Controls

Norman County has established controls over its computer operations to ensure the proper recording, processing, and summarizing of accounting data. Our review of those controls revealed some weaknesses in the general and application controls designed to prevent unauthorized access.

Norman County uses two IBM systems for processing the County applications. The highway costing application is processed on a County-owned system, and the other applications are processed on an IBM I Series system owned by Computer Professionals Unlimited. System value settings and user profiles provide the general controls over access to each of these systems. The system values relating to security are set the same for both systems.

The following system value settings are operating below the recommended security levels for adequate control within the data processing function:

- Inactive job time-out - Under the current setting, the system does not check for inactive jobs.
- Limit device sessions - The current setting allows a single user on multiple devices.
- Maximum sign-on attempts allowed - Under the current setting, a user is allowed unlimited attempts.
- Limit adjacent digits in password - The current setting allows adjacent numbers.
- Limit characters in password - The current setting does not limit use of any characters.
- Limit repeating characters in password - A character can be used more than once.
- Limit password character positions - Under the current setting, the same character can be used in the new password corresponding to the old position.
- Require digit in password - The current setting does not require numbers.

For adequate control, not all password controls are required, but the County should review the password controls to determine which controls are reasonable to limit access.

During our review of user profiles and application controls, we noted the former County Assessor is listed as having an active user profile and is listed on the MSC library as having access to the TAXM10 tax library. This library provides access for file maintenance, tax capacity calculations, and other miscellaneous assessor forms. There should be a procedure in place to ensure the removal of an individual from the system immediately upon ending employment.

Generally, individuals listed as users of the Integrated Financial System (IFS) application appear to have appropriate access (inquire, change, add, delete) for the options needed to complete their jobs; however, this access is not limited by fund or department, allowing IFS users access to other funds. Access should be limited to only the funds or departments needed for an individual to do his or her job. All individuals in the Auditor-Treasurer's Office are granted access to inquire, change, add, and delete options in IFS. Those with the custody (Treasurer) functions should be limited in the options allowed in IFS, which is clearly the record-keeping function. Several individuals are allowed to inquire, add, change, and delete option 1130 - work with fund/department security file and 1150 - work with authorization file, allowing them to set up or remove users. Those options should be limited to the security officer and possibly a backup.

We recommend the County review the system values, user profiles, and application controls and adjust as needed to ensure only those with a need for specific data have access to that data. We further recommend the County establish a system to ensure if an employee or official leaves employment with the County, his or her access is immediately removed from the system.

Client's Response:

*We have made some of the requested changes already and will continue to work on this.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Ditch Cash Balance Deficits

Nine of the 36 individual ditch systems had cash deficits totaling \$27,046 at December 31, 2006, with the largest being \$15,114. Minn. Stat. § 385.31 permits payment of expenditures provided the fund has money for that purpose. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures against it. This statute requires the loan to be repaid with interest. Allowing a ditch fund to maintain a cash deficit constitutes an interest-free loan and is not in compliance with Minnesota law.

We recommend the County eliminate the individual ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and repay the loan with interest, or by levying assessments pursuant to Minn. Stat. § 103E.735, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

Client's Response:

*We will continue to work on this. It is getting better.*

ITEMS ARISING THIS YEAR

06-4 Collateral Assignments

Deposits in excess of the FDIC insurance coverage with Bank of the West and Community Bank of the Red River are secured with pledged collateral; however, the County could not provide current documentation of a perfected security interest in the pledged collateral. The documentation on file for bank board approval of collateral pledged is outdated and could not be reconciled to the current collateral used to secure deposits in excess of FDIC insurance coverage.

In a Federal Appeals Court decision, the Court ruled that if a municipality fails to perfect its interest in pledged collateral under federal law, its right to such collateral in the event of default is not enforceable.

We recommend that the Norman County Treasurer obtain current documentation to ensure a perfected security interest in the collateral pledged from its depositories.

Client's Response:

*We will check with the bank and see if we can get this resolved.*

06-5

Depository Pledge Agreements

The depository pledge agreements with Bank of the West and Community Bank of the Red River provide the banks at least three business days and an opportunity to cure the default before the custodian can release the collateral in the event of default.

Minn. Stat. § 118A.03, subd. 4, provides any collateral pledged shall be accompanied by a written assignment that states, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.

We recommend that the County Auditor-Treasurer work with Bank of the West and Community Bank of the Red River on making the necessary changes to the depository pledge agreement to be in compliance with Minn. Stat. § 118A.03, subd. 4.

Client's Response:

*We will work with the banks to resolve this issue also.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-9 Ditch Fund Balance Deficit

Ten of the 36 individual ditch funds had negative unreserved, undesignated fund balances totaling \$27,853 at December 31, 2006, with the largest individual ditch fund balance deficit being \$15,732.

Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County Board levy assessments pursuant to Minn. Stat. § 103E.735, subd. 1, to accumulate a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*This is getting better, and we will continue to work on this.*

ITEM ARISING THIS YEAR

06-6 Travel Policy

Section 8 of the Norman County Personnel Policy provides for reimbursement for reasonable and necessary travel, meals, and lodging expenses incurred in the performance of authorized duties. It also provides that proper departmental authority must authorize all travel expenses and shall verify all claims prior to reimbursement. The policy requires the employee to submit standard vouchers for reimbursement along with all receipts or an affidavit for expenses incurred. The policy, however, does not address the necessary documentation to verify mileage, purpose and times of travel, or who authorizes and verifies claims for department heads.

Internal control over travel expenses could be improved with a few small changes to the travel policy. The policy should provide guidance on the documentation needed to verify if the travel is reasonable and necessary for the performance of authorized duties. This should include the mileage allowed if the departure or

return destination is different than the normal work location. The policy should require documentation of the time of departure and return, date, destination, and purpose of travel. The policy should provide for authorization and review of travel expenses submitted by department heads.

We recommend the County Board provide the directives necessary to implement improved controls over travel expenses by making changes to the travel policy to provide sufficient documentation to ensure all travel expenses are reasonable and necessary for the performance of authorized duties. We further recommend the policy include procedures for the authorization and review of travel expenses submitted by department heads.

Client's Response:

*We will work on this issue and see if we can resolve it for next year's audit.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Norman County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2008 and 2009, respectively.

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Norman County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norman County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 04-1, and 06-1 through 06-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains 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, Norman County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 06-4, and 06-5.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Norman County, and they are reported for that purpose.

Norman County's written response to the significant deficiencies, the legal compliance findings, and management practice findings identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 23, 2007

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

Board of County Commissioners  
Norman County

### Compliance

We have audited the compliance of Norman County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Norman County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Norman County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Norman County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

#### Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of and for the year ended December 31, 2006, and have issued our report thereon dated September 28, 2007. 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, others within Norman County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 23, 2007

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**NORMAN COUNTY  
ADA, MINNESOTA**

*Schedule 11*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<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 Human Services State Administrative Matching Grants for the Food Stamp Program	10.561	\$ <u>2,856</u>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$ <u>23,794</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ <u>758,294</u>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	\$ <u>203,925</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 4,312
Temporary Assistance for Needy Families (TANF)	93.558	52,071
Child Care Mandatory and Matching Funds	93.596	111,910
Child Welfare Services - State Grants	93.645	1,889
Foster Care Title IV-E	93.658	37,460
Social Services Block Grant Title XX	93.667	85,642
Chafee Foster Care Independent Living	93.674	1,400
Community Mental Health Services Block Grant	93.958	<u>2,699</u>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ <u>297,383</u></b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Grant	97.004	\$ 1,794
Public Assistance Grants	97.036	532,775
Homeland Security Grant Program	97.067	<u>184,050</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>718,619</u></b>
<b>Total Federal Awards</b>		<b>\$ <u>2,004,871</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

***Schedule 11  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 Norman County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Under the modified accrual basis, expenditures may differ from revenues due to timing of reimbursements requested and received.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2006, \$120,673 of CFDA #97.067 was passed through to subrecipients.